



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

---

Financial Statements and Report on Internal Control  
and on Compliance

# **Gila County Provisional Community College District**

(Gila Community College)  
Year Ended June 30, 2004

---



---

**Debra K. Davenport**  
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.



Copies of the Auditor General's reports are free.  
You may request them by contacting us at:

**Office of the Auditor General**

2910 N. 44th Street, Suite 410 • Phoenix, AZ 85018 • (602) 553-0333

Additionally, many of our reports can be found in electronic format at:

**[www.azauditor.gov](http://www.azauditor.gov)**

Gila County Provisional Community College District  
(Gila Community College)  
Financial Statements and Report on Internal Control  
Year Ended June 30, 2004

Table of Contents	Page
Independent Auditors' Report	
Required Supplementary Information—Management's Discussion and Analysis	i
Governmental Fund Balance Sheet/Statement of Net Assets	1
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities	2
Notes to Financial Statements	3
Other Required Supplementary Information	
Budgetary Comparison Schedule—General Fund	8
Note to Budgetary Comparison Schedule	9
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10



**STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL**

**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**WILLIAM THOMSON**  
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report**

Members of the Arizona State Legislature

The Governing Board of  
Gila County Provisional Community College District

We have audited the accompanying financial statements of the governmental activities and General Fund of Gila County Provisional Community College District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of Gila County Provisional Community College District as of June 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages i through iv and the Budgetary Comparison Schedule on pages 8 and 9 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2006, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Debbie Davenport  
Auditor General

July 7, 2006



- **Gila Pueblo Campus:** PO Box 2656 Globe, AZ 85502 Phone: (928) 425-8481 Fax: (928) 425-8492
- **Payson Campus:** PO Box 359 Payson, AZ 85547 Phone: (928) 468-8039 Fax: (928) 468- 8043
- **San Carlos Campus:** PO Box 152 San Carlos, AZ 85550 Phone: (928) 475-5981 Fax: (928) 475-5983

## Management's Discussion and Analysis

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2004. Please read it in conjunction with the financial statements, which immediately follow.

### Basic Financial Statements

The District's annual financial statements were prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP). The District is a special-purpose governmental unit that is governed by a separately elected governing body. The financial statements consist of the following:

The government-wide and fund financial statements are combined, with a reconciliation shown between them.

The Governmental Fund Balance Sheet/Statement of Net Assets and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities combines information about the reporting government as a whole and funds statements to report its financial position and the results of its operations. Government-wide Financial Statements are designed to provide readers with a broad overview of the District's finances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

The General Fund is the general operating fund of the District. It is used to account for all financial resources of the District.

### Financial Highlights and Analysis

In accordance with state statute, the Gila County Provisional Community College District does not offer degrees, certificates, or diplomas. As a result, the District contracted with Pima County Community College District to provide educational services to students residing in Gila County. The District entered into an intergovernmental agreement with Pima County Community College District (Pima) beginning July 1, 2003, for educational services. In accordance with the agreement, Pima provided certification of faculty, student, admission and registration payroll services for Pima employees, academic records and transcripts, access to student information, financial aid counseling, processing and distribution, student employment, curriculum and master schedule development, information technology services, collection of

## Management's Discussion and Analysis

all tuition and fees for credit courses, cashiering for Pima related functions, access to information relative to enrollments, and payment to adjunct faculty. The District entered into an intergovernmental agreement with Gila County on July 22, 2003. The agreement established that Gila County will provide facilities for providing college classes, provide staff to administer community college programs, provide payroll services, and provide human resources services.

The District exercises primary tax levy authority for generation of funds to pay for contract and other operating expenses. The District continues to act in a financially conservative manner during the budgetary process, looking to maintain a secure financial future for the institution.

### Condensed Financial Information

The financial information in the *Governmental Funds Balance Sheet/Statement of Net Assets* reflects the assets, liabilities, and net assets of the District. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or digressing. There are no variances noted because the year ended June 30, 2004, was the first year of operation for the Gila County Provisional Community College District.

#### Statement of Net Assets As of June 30, 2004

<b>Assets:</b>	
Current Assets	<u>\$864,224</u>
<b>Total assets</b>	<u>864,224</u>
<b>Liabilities:</b>	
Current Liabilities	<u>448,961</u>
<b>Total Liabilities</b>	<u>448,961</u>
<b>Net Assets:</b>	
Unrestricted	<u>415,263</u>
<b>Total Net Assets</b>	<u>\$415,263</u>

Total assets at the year end were \$864,224 consisting primarily of cash and investments of \$702,707. The total liabilities of \$ 448,961 represent current obligations for educational and general expenditures.

# Management's Discussion and Analysis

## Statement of Activities For the Year Ended June 30, 2004

<b>Expenses:</b>	
Educational and general	<u>\$2,226,225</u>
Total operating expenses	<u>2,226,225</u>
<b>Revenues:</b>	
<b>General Revenues:</b>	
Property taxes	2,298,867
Investment earnings	12,710
Miscellaneous	<u>80,294</u>
Total general revenues	<u>2,391,871</u>
<b>Program Revenues:</b>	
Charges for services	123,045
Operating grants and contributions	<u>126,572</u>
Total program revenues	<u>249,617</u>
Total revenues	<u>2,641,488</u>
Change in net assets	<u>415,263</u>
<b>Net Assets:</b>	
Beginning of the year	<u>-0-</u>
End of the year	<u>\$ 415,263</u>

General revenues totaling \$2,391,871 consisted primarily of property taxes of \$2,298,867. Program revenues were \$249,617, expenses for education were \$2,226,225 and changes in net assets of \$415,263 increased the net assets at year end.

### Significant Variances

Fiscal year 2004 was the first year of operations for Gila County Provisional Community College District thus no financial data is available for analysis and comparison of significant variances relative to assets, liabilities, net assets, revenues, and expenses. A comparative analysis for all of the financial statements will be performed in future years when comparative data will be available.

# Management's Discussion and Analysis

## General Fund

The Gila County Provisional Community College District's actual expenditures were \$173,378 less than budgeted amounts. Since this was the first operating year, management was cost-effective in its approach to spending resulting in the actual expenditures falling short of budget.

The actual revenues exceeded budget by \$158,606 for the year ended June 30, 2004. For the first operating year the revenues budget was prepared using an economic approach and the actual revenues exceeded anticipations resulting in an excess of revenues over budget.

Additional budgetary information can be found on page 8 of this report.

## Current Factors Having Probable Future Financial Significance

Tuition has increased significantly with Pima Community College as the current provider for postsecondary education in Gila County. This increase in tuition has had a negative impact on student enrollment. A large majority of the students attend the community college on a part-time basis; many are working adults raising families. As stated in the District's Mission Statement, providing access to quality higher education requires that tuition and related costs remain affordable, and the significant increases while attempting to offset operating expenses did not keep higher education affordable to residents of the economically challenged rural communities of Gila County.

Postsecondary education in Gila County was provided by Eastern Arizona College (EAC) through an intergovernmental agreement with Gila County prior to the formation of the Gila County Provisional Community College District. On June 27, 2003, Gila County filed a lawsuit against EAC alleging that EAC had received certain state aid and other monies to which the County was entitled. The County also alleged that it was the rightful owner of certain personal property, including motor vehicles, computer equipment, furniture, consumables, and general intangibles. EAC filed a counter claim against the County denying all claims and any other liability or wrongdoing, and asserting that it was the rightful owner of all the property at issue. A settlement agreement was approved by the Gila County Board of Supervisors and the Governing Board of EAC in April 2005. Under the agreement, the County dropped its claims against the state aid and other monies received by EAC, and EAC dropped its claim of ownership to all of the property specified in the lawsuit. In conjunction with the settlement agreement, Gila County, Gila County Provisional Community College District, and EAC entered into an intergovernmental agreement and an operating agreement that EAC will provide postsecondary educational programs and services within Gila County beginning July 1, 2005 through June 30, 2015. Under this new agreement, EAC will perform the services formally performed by Pima College.

## Request for Information

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact Governing Board member Robert S. Ashford at (928) 425-8481.

Gila County Provisional Community College District  
(Gila Community College)  
Governmental Fund Balance Sheet/Statement of Net Assets  
June 30, 2004

	<u>General Fund</u>	<u>Reconciliation (Note 4)</u>	<u>Statement of Net Assets</u>
<b>Assets</b>			
Cash and investments	\$ 702,707		\$ 702,707
Property taxes receivable	99,774		99,774
Government grant receivable	22,767		22,767
Other receivables	<u>38,976</u>		<u>38,976</u>
Total assets	<u>\$ 864,224</u>		<u>864,224</u>
<b>Liabilities</b>			
Accounts payable	\$ 11,151		11,151
Due to other governments	437,810		437,810
Deferred revenue	<u>83,279</u>	\$ (83,279)	<u>          </u>
Total liabilities	<u>532,240</u>	<u>(83,279)</u>	<u>448,961</u>
<b>Fund Balances/Net Assets</b>			
Fund balances:			
Unreserved	<u>331,984</u>	<u>(331,984)</u>	
Total fund balances	<u>331,984</u>	<u>(331,984)</u>	
Total liabilities and fund balances	<u>\$ 864,224</u>	<u>(415,263)</u>	
Net assets:			
Unrestricted		<u>415,263</u>	<u>415,263</u>
Total Net Assets		<u>\$ 415,263</u>	<u>\$ 415,263</u>

See accompanying notes to financial statements.

Gila County Provisional Community College District  
(Gila Community College)  
Statement of Governmental Fund Revenues, Expenditures, and  
Changes in Fund Balances/Statement of Activities  
Year Ended June 30, 2004

	<u>General Fund</u>	<u>Reconciliation (Note 4)</u>	<u>Statement of Activities</u>
<b>Expenditures/Expenses:</b>			
Educational and general	\$ 2,226,225		\$ 2,226,225
Total expenditures/expenses	<u>2,226,225</u>		<u>2,226,225</u>
<b>Program Revenues:</b>			
Charges for services	123,045		123,045
Operating grants and contributions	<u>126,572</u>		<u>126,572</u>
Total program revenues	<u>249,617</u>		<u>249,617</u>
Net expenses			1,976,608
<b>General Revenues:</b>			
Property taxes	2,215,588	\$ 83,279	2,298,867
Investment earnings	12,710		12,710
Miscellaneous	<u>80,294</u>		<u>80,294</u>
Total general revenues	<u>2,308,592</u>	<u>83,279</u>	<u>2,391,871</u>
Net change in fund balance	331,984	(331,984)	
Change in net assets		415,263	415,263
<b>Fund balance/net assets:</b>			
July 1, 2003			
June 30, 2004	<u>\$ 331,984</u>	<u>\$ 83,279</u>	<u>\$ 415,263</u>

See accompanying notes to financial statements.

Gila County Provisional Community College District  
(Gila Community College)  
Notes to Financial Statements  
June 30, 2004

## Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Gila County Provisional Community College District conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

### A. Reporting Entity

The District is a special-purpose governmental unit that is governed by a separately elected governing body. It is legally separate and fiscally independent of other state and local governments. The accompanying financial statements present the activities of the District (the primary government).

The personnel of the District are not directly employed by the District. The administrative staff is directly employed by Gila County and the instructional staff is directly employed by Pima County Community College District. The cost of personnel compensation and related benefits is paid to Gila County and Pima County Community College District through their respective intergovernmental agreements.

The District entered into an intergovernmental agreement with Gila County on July 22, 2003. Gila County provides facilities for college classes, staff to administer community college programs, and payroll and human resources services. Monthly, Gila County pays the District one-twelfth of the total amount of the primary tax levy for community college services after subtracting an estimate for uncollectible taxes and the expenses for salaries and services including an administrative fee of 10 percent of the cost of the salaries and services, and provides a monthly financial report.

The District entered into an intergovernmental agreement with Pima County Community College District (Pima) beginning July 1, 2003, for educational services. The agreement establishes that Pima will provide certification of faculty; student admission and registration; payroll services for Pima employees; academic records and transcripts; access to student information; financial aid counseling, processing, and distribution; student employment; curriculum and master schedule development; information technology services; collection of all tuition and fees for credit courses; cashiering for Pima related functions; access to information relative to enrollments; and payment to adjunct faculty. The total fixed cost of the contract was \$1,056,493. There was a variable cost portion of the contract, and these costs will be offset against tuition and fees collected for the respective periods. This agreement expired on June 30, 2004.

Gila County Provisional Community College District  
(Gila Community College)  
Notes to Financial Statements  
June 30, 2004

## B. Basis of Presentation

The basic financial statements include the Governmental Fund Balance Sheet/Statement of Net Assets and the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities.

The Governmental Fund Balance Sheet/Statement of Net Assets provides information about the assets, liabilities, and fund balances/net assets of the District at the end of the year. Net assets are classified according to external donor restrictions or availability of assets to satisfy the District's obligations. Unrestricted net assets include all other net assets, including those that have been designated by management to be used for other than general operating purposes.

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities provides information about the District's financial activities during the year. Revenues and expenses are classified as either program or general, and all changes in net assets are reported, including capital contributions. Generally, revenues generated by the District for instruction and student services are considered to be program revenues. Other revenues used for instruction and student services, such as property taxes and investment earnings, are not generated from operations and are considered to be general revenues.

## C. Basis of Accounting

The fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District eliminates all internal activity. It is the District's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Gila County Provisional Community College District  
(Gila Community College)  
Notes to Financial Statements  
June 30, 2004

D. Cash and Investments

All investments are stated at fair value.

E. Property Tax Revenues

The Gila County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies the property taxes due to the District in August. Two equal installments, payable in October and March, become delinquent after the first business day in November and May. A lien assessed against real and personal property attaches on the first day of January preceding the assessment and levy.

F. Investment Earnings

Investment earnings consists of interest earned on the cash and investments and net changes in the fair value of investments held by the County Treasurer.

Note 2 - Cash and Investments

Arizona Revised Statutes (A.R.S.) requires the District to deposit special tax levies for the District's maintenance or capital outlay with the County Treasurer. The statutes do not require the District to deposit other public monies in its custody with the County Treasurer; however, the District must act as a prudent person dealing with the property of another when making investment decisions about those monies.

**Deposits**—At June 30, 2004, the carrying amount and bank balance of the District's deposits was \$8,384. The entire bank balance was covered by federal depository insurance.

**Investments**—At June 30, 2004, the District's investments consisted of the following:

	<b>Fair Value</b>
Investment in County Treasurer's investment pool	<u>\$694,323</u>

The District's investment in the County Treasurer's investment pool represents a proportionate interest in the pool's portfolio; however, the District's portion is not identified with specific investments and is not subject to custodial credit risk. The fair value of a participant's position in the pool approximates the value of that participant's pool shares.

Gila County Provisional Community College District  
(Gila Community College)  
Notes to Financial Statements  
June 30, 2004

Note 3 - Operating Leases

The District leases office equipment under the provisions of various long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases were \$8,389 for the year ended June 30, 2004. The operating leases have remaining noncancelable terms of 5 years. The future minimum payments required under the operating leases at June 30, 2004, were as follows:

Year ending June 30	
2005	\$14,007
2006	14,007
2007	14,007
2008	10,006
2009	<u>5,619</u>
Total minimum lease payments	<u>\$57,646</u>

Note 4 - Reconciliations

The reconciliation of the Balance Sheet to the Statement of Net Assets at June 30, 2004, was as follows:

Fund balance—governmental fund	\$331,984
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the fund.	<u>83,279</u>
Net assets of governmental activities	<u>\$415,263</u>

The reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities for the year ended June 30, 2004, was as follows

Net change in fund balance—governmental fund	\$331,984
Amounts reported for governmental activities in the Statement of Activities are different because:	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.	<u>83,279</u>
Change in net assets of governmental activities	<u>\$415,263</u>

Gila County Provisional Community College District  
(Gila Community College)  
Notes to Financial Statements  
June 30, 2004

Note 5 - Subsequent Event

Postsecondary education in Gila County was provided by Eastern Arizona College (EAC) through an intergovernmental agreement with Gila County prior to the formation of the Gila County Provisional Community College District. On June 27, 2003, Gila County filed a lawsuit against EAC alleging that EAC had received certain state aid and other monies to which the County was entitled. The County also alleged that it was the rightful owner of certain personal property, including motor vehicles, computer equipment, furniture, consumables, and general intangibles. EAC filed a counter claim against the County denying all claims and any other liability or wrongdoing, and asserting that it was the rightful owner of all the property at issue. A settlement agreement was approved by the Gila County Board of Supervisors and the Governing Board of EAC in April 2005. Under the agreement, the County dropped its claims against the state aid and other monies received by EAC, and EAC dropped its claim of ownership to all of the property specified in the lawsuit. In conjunction with the settlement agreement, Gila County, Gila County Provisional Community College District, and EAC entered into an intergovernmental agreement and an operating agreement that EAC will provide postsecondary educational programs and services within Gila County beginning July 1, 2005 through June 30, 2015.

Gila County Provisional Community College District  
(Gila Community College)  
Required Supplementary Information  
Budgetary Comparison Schedule—General Fund  
Year Ended June 30, 2004

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>			
Charges for services	\$ 3,700	\$ 123,045	\$ 119,345
Operating grants and contributions		126,572	126,572
Property taxes	2,145,903	2,215,588	69,685
Investment Earnings		12,710	12,710
Miscellaneous	<u>250,000</u>	<u>80,294</u>	<u>(169,706)</u>
Total revenues	<u>2,399,603</u>	<u>2,558,209</u>	<u>158,606</u>
<b>Expenditures</b>			
Education and general	<u>2,399,603</u>	<u>2,226,225</u>	<u>173,378</u>
Total expenditures	<u>2,399,603</u>	<u>2,226,225</u>	<u>173,378</u>
Net change in fund balance		331,984	331,984
<b>Fund balance:</b>			
July 1, 2003	<u>                    </u>	<u>                    </u>	<u>                    </u>
June 30, 2004	<u>\$ -0-</u>	<u>\$ 331,984</u>	<u>\$ 331,984</u>

See accompanying notes to budgetary comparison schedule.

Gila County Provisional Community College District  
(Gila Community College)  
Required Supplementary Information  
Note to Budgetary Comparison Schedule  
June 30, 2004

Note 1 – Budgeting and Budgetary Control

A.R.S. requires the District to prepare and adopt a budget annually. The Governing Board must approve the operating and capital outlay budgets on or before June 20. The Governing Board shall not adopt the budget if the property tax requirements of the budget, excluding amounts budgeted and levied for secondary property taxes, exceed the amounts established by statute. The budget shall contain the estimated cost of all operating, capital outlay, and debt service expenditures.



**STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL**

**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**WILLIAM THOMSON**  
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Basic Financial  
Statements Performed in Accordance with *Government Auditing Standards***

Members of the Arizona State Legislature

The Governing Board of  
Gila County Provisional Community College District

We have audited the financial statements of the governmental activities and General Fund of Gila County Provisional Community College District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 7, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the members of the Arizona State Legislature and the Governing Board and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Debbie Davenport  
Auditor General

July 7, 2006