

REPORT HIGHLIGHTS
FINANCIAL STATEMENT AUDIT

Subject

The Arizona Correctional Industries (ACI) issues financial statements annually. ACI is responsible for preparing financial statements, maintaining strong internal controls, and demonstrating accountability for its use of public monies. As the auditors, our job is to determine whether ACI has met its responsibilities.

Our Conclusion

The information in ACI's financial statements is fairly stated in all material respects, and the financial statements can be relied upon. Also, ACI maintained adequate internal controls over financial reporting. This information is also incorporated in the State's *Comprehensive Annual Financial Report*.



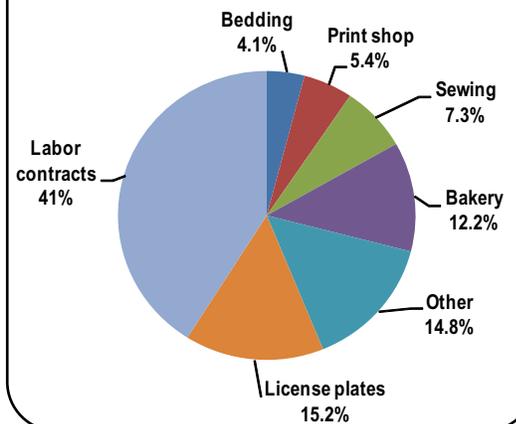
2006

Year Ended June 30, 2006

Revenue Earned from Various Sources

Arizona Correctional Industries (ACI) develops and manages revenue-generating inmate work activities in the State's correctional institutions. ACI receives no state appropriations and relies solely on revenues generated by its business activities to support its operations. ACI operates 19 divisions that include 47 enterprise activities such as manufacturing, farming, data processing, and public and private inmate labor service contracts.

Percentage of Revenue Produced by Division Fiscal Year 2006



Profitability by Division in Fiscal Year 2006

Arizona Revised Statutes require ACI to be profitable. For fiscal year 2006, ACI earned a gross profit of \$4.2 million in fiscal year 2006, which was the same amount of gross profit earned in fiscal year 2005. Gross profit, which compares sales with the cost of producing the goods sold, is an indication of how efficiently a business activity uses its materials and labor in the production process. The table at the right presents the gross profit or loss for ACI's largest divisions.

| Division | Gross Profit/Loss |
|-------------------------|---------------------------|
| Labor contracts | \$2,197,036 |
| License plates | 1,192,468 |
| Bakery | 514,378 |
| Sewing | 483,089 |
| Bedding | 157,254 |
| Print shop | 135,024 |
| Other | (99,924) |
| Metal fabrication | (186,643) |
| Wood/metal refurbishing | (197,309) |
| Total | <u>\$4,195,373</u> |



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