



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Financial Statements

**Gila County Provisional
Community College District**

(Gila Community College)

Year Ended June 30, 2009



Debra K. Davenport
Auditor General

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Gila County Provisional Community College District
(Gila Community College)
Financial Statements
Year Ended June 30, 2009

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Governing Board of
Gila County Provisional Community College District

Report on the Financial Statements

We were engaged to audit 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, 2009, and the related notes to the financial statements that collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's management is responsible for preparing and fairly presenting these financial statements in accordance with U.S. generally accepted accounting principles; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the financial statements based on conducting the 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. We believe that the audit evidence we have obtained regarding the District's legally separate component units was sufficient and appropriate to provide a basis for our adverse opinion on the aggregate discretely presented component units. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on the District's governmental activities and general fund financial statements.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the District's legally separate component units. U.S. generally accepted accounting principles require the financial data for the component units to be discretely presented with the financial data of the District's primary government. The amounts that would be reported in the financial statements for the discretely presented component units have not been prepared.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units paragraph, the financial statements

referred to above do not present fairly the financial position of the discretely presented component units of Gila County Provisional Community College District as of June 30, 2009, or the changes in its financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Disclaimer of Opinion on the Financial Statements as a Whole

Gila County Provisional Community College District had inadequate internal controls over its accounting system and had incomplete and inadequate accounting records for revenues, education and general expenses, and capital assets. As a result of these matters, we could not rely on the District's accounting system to generate reliable information. Further, the District's records did not permit us to apply auditing procedures sufficient to determine whether the amounts and information reported for revenues, education and general expenses, capital assets, and related note disclosures were accurate and complete.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions. Accordingly, we do not express opinions on the financial statements referred to above.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages i through v and the Budgetary Comparison Schedule—General Fund on pages 11 and 12 be presented to supplement the basic financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We were unable to apply certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards because the District did not maintain adequate internal controls over its accounting system and had incomplete and inadequate accounting records. We do not express an opinion or provide any assurance on the information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we will issue our report 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 at a future date. 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* in considering the District's internal control over financial reporting and compliance.

Debbie Davenport
Auditor General

December 17, 2015



- **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 Gila County Provisional Community College District's (District's) financial performance provides an overview of the District's financial position and activities for the year ended June 30, 2009. Please read it in conjunction with the District's 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 governed by a separately elected governing body. The financial statements are presented in accordance with the reporting model prescribed by Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis*, and 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 Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities combine information about the reporting government as a whole and the fund statements that report the General Fund's 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 District's general operating fund. It is used to account for all of the District's financial resources.

Financial Highlights and Analysis

In accordance with State Statutes, the District does not offer degrees, certificates, or diplomas. As a result, the District has contracted with an accredited district to provide educational programs and services.

The District and Eastern Arizona College (EAC) entered into an intergovernmental agreement and operating agreement under which EAC provides educational programs and services to the District from July 1, 2005 through June 30, 2018. The agreement established that EAC will provide educational programs; certification of faculty; admission and registration of students; payroll services for EAC 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 EAC-related functions; access to information relative to enrollments; and payment to adjunct faculty.

The District exercises primary tax levy authority for the generation of funds and collects other general revenues to pay for the contracted education and other general 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 *Statement of Net Assets* on page 1 reflects the District's assets, liabilities, and net assets. The *Statement of Activities* on page 2 presents the information about the District's operational activities. Over time, increases or decreases in net assets may serve as a useful indicator of whether the District's financial position is improving or regressing. The following tables present summaries of the District's net assets and the changes in net assets for the years ended June 30, 2009 and 2008.

*Net Assets
As of June 30, 2009 and 2008*

Assets:	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Increase/(Decrease)</u>
Current assets	\$1,412,225	\$3,625,496	\$(2,213,271)
Noncurrent assets:			
Capital assets, net of			
accumulated depreciation	<u>579,504</u>	<u>389,682</u>	<u>189,822</u>
Total assets	<u>1,991,729</u>	<u>4,015,178</u>	<u>(2,023,449)</u>
Liabilities:			
Other liabilities	2,009,269	2,841,973	(832,704)
Long-term liabilities	<u>123,769</u>	<u>17,163</u>	<u>106,606</u>
Total liabilities	<u>2,133,038</u>	<u>2,859,136</u>	<u>(726,098)</u>
Net Assets:			
Invested in capital assets, net			
of related debt	455,735	372,519	83,216
Unrestricted	<u>(597,044)</u>	<u>783,523</u>	<u>(1,380,567)</u>
Total net assets	<u>\$ (141,309)</u>	<u>\$1,156,042</u>	<u>\$ (1,297,351)</u>

*Changes in Net Assets
For the Years Ended June 30, 2009 and 2008*

Expenses:	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Increase/(Decrease)</u>
Education and general	\$ 5,371,700	\$4,281,270	\$1,090,430
Interest on long-term debt	<u>6,622</u>	<u>1,951</u>	<u>4,671</u>
Total expenses	<u>5,378,322</u>	<u>4,283,221</u>	<u>1,095,101</u>
Revenues:			
Program revenues:			
Operating grants and contracts	<u>511,587</u>	<u>120,521</u>	<u>391,066</u>
Total program revenues	<u>511,587</u>	<u>120,521</u>	<u>391,066</u>
General revenues:			
Property taxes	2,874,047	2,765,447	108,600
State appropriations	657,828	753,900	(96,072)
Investment earnings	13,969	49,093	(35,124)
Other	<u>23,540</u>	<u>51,369</u>	<u>(27,829)</u>
Total general revenues	<u>3,569,384</u>	<u>3,619,809</u>	<u>(50,425)</u>
Total revenues	<u>4,080,971</u>	<u>3,740,330</u>	<u>340,641</u>
Change in net assets	\$(1,297,351)	\$ (542,891)	<u>\$ (754,460)</u>
Net assets:			
Beginning	<u>1,156,042</u>	<u>1,698,933</u>	
Ending	<u>\$ (141,309)</u>	<u>\$1,156,042</u>	

Significant Variances

For the fiscal year ended June 30, 2009, the sixth year of operations for the District, the financial data presented above is for analysis and comparison of significant variances relative to assets, liabilities, net assets, revenues, and expenses.

- Total assets at June 30, 2009 were \$1,991,729 consisting primarily of cash and investments of \$1,081,004 and capital assets, net of accumulated depreciation, of \$579,504. Cash and investments decreased \$2,434,212 primarily due to additional education expenses for the new cosmetology program, the purchase of equipment and supplies for the new program, and repairs to the buildings at the Globe and Payson campuses. Capital assets, net of accumulated depreciation, increased by \$189,822 primarily due to the acquisition of a modular building for the new cosmetology program and a building for the operation of the Hayden Wellness Center.
- The total liabilities of \$2,133,038 were comprised of current obligations for educational and general expenses and long-term liabilities for capital leases payable. The current obligations decreased by a net amount of \$832,704 primarily due to a decrease in the intergovernmental educational programs and services contract payable at year end. The long-term liabilities increased by \$106,606 primarily due to the inception of lease agreements for a modular building for the new cosmetology program and a building for the operation of the Hayden Wellness Center.
- The increase in education and general expenses of \$1,090,430 is primarily due to additional educational expenses for the new cosmetology program, the purchase of noncapitalized equipment and supplies for the new program, and repairs to the buildings at the Globe and Payson campuses.

- Program revenues increased by \$391,066 primarily due to grant funding received for the nursing program and stabilization funding received under the American Recovery and Reinvestment Act (ARRA).
- The decrease in general revenues of \$50,425 is primarily due to a decrease in state appropriations, investment earnings, and other revenue sources. State appropriations decreased by \$96,072 primarily due to a decrease in state-level reductions in funding for all community colleges.
- There was a decrease of \$1,297,351 in net assets for the year ended June 30, 2009 because educational and general expenses increased due to additional educational expenses for the new cosmetology program, the purchase of noncapitalized equipment and supplies for the new program, and repairs to the buildings at the Globe and Payson campuses.

General Fund Budget

The District's actual total expenditures were \$69,552 less than budgeted amounts due to decreases in student enrollment and management's cost effective approach to spending.

Total revenues were \$45,020 less than budgeted. The difference is primarily due to the reduction of state equalization aid for all community colleges. In addition, actual investment earnings were less than budgeted in the amount of \$186,031 due to a budgeting oversight by the District.

The District's actual beginning fund balance was \$634,617 less than budgeted due to changes in estimated fund balance between the time the budget was initially prepared and the year-end actual results.

Additional budgetary information can be found on pages 11 and 12 of this report.

Capital Assets and Debt Administration

Capital Assets. The District's total investment in capital assets, net of accumulated depreciation, was \$579,504 which was comprised of buildings and improvements, equipment, vehicles, and library books. This is a net increase of \$189,822 from the prior year. The increase can be attributed to the addition of a modular classroom for the cosmetology program and the purchase of a building for the operation of the Hayden Wellness Center.

Additional information on the District's capital assets can be found in Note 4 in the notes to the financial statements.

Debt Administration. At year end, the District had \$123,769 in capital lease long-term debt outstanding, of which \$30,932 was due within one year. This represents an increase of \$106,606 from the prior year primarily due to the inception of lease agreements for a modular building for the new cosmetology program and a building for the operation of the Hayden Wellness Center.

Additional information on the District's long-term debt can be found in Note 6 in the notes to the financial statements.

Current Factors Having Probable Future Financial Significance

As a result of our partnership with EAC, Gila Community College is providing postsecondary education that is both relevant and cost effective in areas of workforce development programs and the track for students planning to transfer to four-year universities later in their college career. Postsecondary education remains affordable to the adult learners in Gila County, which has a positive impact to the tuition revenues.

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 Samuel Moorhead at (928) 200-2017.

Gila County Provisional Community College District
(Gila Community College)
Governmental Fund Balance Sheet/Statement of Net Assets
June 30, 2009

	<u>Balance Sheet— General Fund</u>	<u>Reconciliation (Note 7)</u>	<u>Statement of Net Assets— Governmental Activities</u>
Assets			
Current assets:			
Cash and investments	\$ 1,081,004		\$ 1,081,004
Receivables (net of allowance for uncollectible)			
Property taxes	126,429		126,429
Accounts	1,919		1,919
Due from other governments	<u>202,873</u>		<u>202,873</u>
Total current assets	<u>1,412,225</u>		<u>1,412,225</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation		\$ 579,504	<u>579,504</u>
Total noncurrent assets		<u>579,504</u>	<u>579,504</u>
Total assets	<u>\$ 1,412,225</u>	<u>579,504</u>	<u>1,991,729</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 10,316		10,316
Due to other governments	1,997,362		1,997,362
Deferred revenue	106,164	(104,573)	1,591
Current portion of long-term debt		<u>30,932</u>	<u>30,932</u>
Total current liabilities	<u>2,113,842</u>	<u>(73,641)</u>	<u>2,040,201</u>
Noncurrent liabilities:			
Long-term debt		<u>92,837</u>	<u>92,837</u>
Total noncurrent liabilities		<u>92,837</u>	<u>92,837</u>
Total liabilities	<u>2,113,842</u>	<u>19,196</u>	<u>2,133,038</u>
Fund balances/Net assets			
Fund balances:			
Unreserved	<u>(701,617)</u>	<u>701,617</u>	
Total fund balances	<u>(701,617)</u>	<u>701,617</u>	
Total liabilities and fund balances	<u>\$ 1,412,225</u>	<u>720,813</u>	
Net assets:			
Invested in capital assets, net of related debt		455,735	455,735
Unrestricted		<u>(597,044)</u>	<u>(597,044)</u>
Total net assets		<u>\$ (141,309)</u>	<u>\$ (141,309)</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, 2009

	General Fund	Reconciliation (Note 7)	Statement of Activities— Governmental Activities
Expenditures/Expenses:			
Education and general	\$ 4,955,386	\$ 416,314	\$ 5,371,700
Debt service			
Principal retirement	29,773	(29,773)	
Interest on long-term debt	6,622		6,622
Capital outlay	606,136	(606,136)	
Total expenditures/expenses	5,597,917	(219,595)	5,378,322
 Program revenues:			
Operating grants and contracts	511,587		511,587
Total program revenues	511,587		511,587
Net program expenses	5,086,330	(219,595)	4,866,735
 General revenues:			
Property taxes	2,835,614	38,433	2,874,047
State appropriations	657,828		657,828
Investment earnings	13,969		13,969
Other	23,540		23,540
Total general revenues	3,530,951	38,433	3,569,384
 Other financing sources:			
Capital lease obligations	136,379	(136,379)	
 Net change in fund balances	(1,419,000)	1,419,000	
Change in net assets		(1,297,351)	(1,297,351)
 Fund balances/Net assets:			
July 1, 2008	717,383	438,659	1,156,042
June 30, 2009	\$ (701,617)	\$ 560,308	\$ (141,309)

See accompanying notes to financial statements.

Gila County Provisional Community College District
(Gila Community College)
Notes to Financial Statements
June 30, 2009

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Gila County Provisional Community College District (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 government 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).

Because Gila County Provisional Community College District is a provisional district, it cannot offer degrees, certificates, or diplomas and, therefore, contracts with an accredited district. Educational programs and services are provided through intergovernmental agreements as follows:

The District and Eastern Arizona College (EAC) entered into an intergovernmental agreement and operating agreement under which EAC provides educational programs and services to the District from July 1, 2005 through June 30, 2018. The agreement established that EAC will provide educational programs; certification of faculty; admission and registration of students; payroll services for EAC 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 EAC-related functions; access to information relative to enrollments; and payment to adjunct faculty. EAC charges the District a fee of 24.5 percent of the total disbursements it processes.

District personnel are not directly employed by the District. The staff is directly employed by EAC. The cost of the personnel compensation and related benefits is paid to EAC through the intergovernmental agreement.

B. Basis of Presentation and Accounting

The financial statements include the Governmental Fund Balance Sheet/Statement of Net Assets and the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities. Since the District is a single-program government, it presents the government-wide financial statements in combination with the fund financial statements.

Gila County Provisional Community College District
(Gila Community College)
Notes to Financial Statements
June 30, 2009

The Governmental Fund Balance Sheet/Statement of Net Assets provides information about the assets, liabilities, and fund balance/net assets of the District at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified according to external donor restrictions or availability of assets to satisfy the District obligations. Invested in capital assets, net of related debt, represents the value of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the assets. 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 Balance/Statement of Activities provides information about the District's financial activities during the year. Revenues are classified as either program or general, and all changes in net assets are reported. Generally, revenues generated by the District for instruction and student services, along with operating and capital grants and contributions, are considered to be program revenues. Other revenues used for instruction and student services, such as property taxes, state appropriations, and investment earnings, not classified as program revenues are considered to be general revenues.

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government.

The fund financial statements, the Governmental Fund Balance Sheet and the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance, are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end. The District's major revenue sources susceptible to accrual are property taxes, state appropriations, government grants and contracts, and investment earnings. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in the General Fund. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

The government-wide financial statements, the Statement of Net Assets and the Statement of Activities, 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 in which they are levied. State appropriations are recognized as revenue in the year in which the appropriation is first made available for use. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Gila County Provisional Community College District
(Gila Community College)
Notes to Financial Statements
June 30, 2009

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.

C. Cash and Investments

The District's cash and cash equivalents are considered to be demand deposits and cash and investments held by the County Treasurer. All investments are stated at fair value.

D. Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the financial statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and improvements	\$5,000	Straight-line	40 years
Equipment	\$5,000	Straight-line	3-5 years
Vehicles	\$5,000	Straight-line	5 years
Library books	\$1	Straight-line	10 years

E. Property Tax Revenues

The District's property tax rate is adopted by the Governing Board and reviewed on an annual basis. The Gila County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

F. Investment Earnings

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

Gila County Provisional Community College District
(Gila Community College)
Notes to Financial Statements
June 30, 2009

Note 2 - Deposits 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 another's property when making investment decisions about those monies. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the District's investments.

Deposits—At June 30, 2009, the carrying amount of the District's deposits was \$1,027,611, and the bank balance was \$1,027,611. The District does not have a formal policy with respect to custodial credit risk of deposits. At June 30, 2009, the District's deposits were entirely covered by federal depository insurance.

Investments—The District's investments at June 30, 2009, were as follows:

Investment Type	Amount
County Treasurer's investment pool	\$53,393

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 therefore, it is not subject to custodial credit risk. The pool's structure does not provide for shares. The District does not have a formal policy regarding custodial credit risk for investments.

Credit risk—The District does not have a formal policy with respect to credit risk. At June 30, 2009, credit risk for the District's investments was as follows:

Investment Type	Rating	Rating Agency	Amount
County Treasurer's investment pool	Unrated	Not applicable	\$53,393

Interest rate risk—The District does not have a formal policy regarding interest rate risk for investments. At June 30, 2009, the District had the following investments:

Investment Type	Amount	Less than 1 year
County Treasurer's investment pool	\$53,393	261 days

A reconciliation of cash, deposits, and investments to amounts shown on the Statement of Net Assets follows:

Deposits, and investments:		Statement of Net Assets:	
Amount of deposits	\$1,027,611	Cash and investments	\$1,081,004
Amount of investments	<u>53,393</u>		
Total	<u>\$1,081,004</u>	Total	<u>\$1,081,004</u>

Gila County Provisional Community College District
(Gila Community College)
Notes to Financial Statements
June 30, 2009

Note 3 - Receivables

Receivable balances, net of allowance for uncollectibles, have been disaggregated by type and presented separately in the financial statements with the exception of due from governmental entities. Due from other governments, at June 30, 2009 were as follows:

Due from other governments:	
Due from the federal government	\$176,908
Due from EAC	21,230
Due from other education institutions	<u>4,735</u>
Net due from other governments	<u>\$202,873</u>

The General Fund reports deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The General Fund also defers revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the General Fund were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$104,573	
Grant drawdowns prior to meeting all eligibility requirements		<u>\$1,591</u>
Total deferred revenue	<u>\$104,573</u>	<u>\$1,591</u>

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2009</u>
Capital assets being depreciated:				
Buildings and improvements		\$180,742		\$ 180,742
Equipment	\$ 709,326	68,123	\$11,008	766,441
Vehicles	138,352	5,988		144,340
Library books	<u>281,034</u>	<u>35,685</u>		<u>316,719</u>
Total capital assets being depreciated	<u>1,128,712</u>	<u>290,538</u>	<u>11,008</u>	<u>1,408,242</u>
Less accumulated depreciation for:				
Buildings and improvements		2,823		2,823
Equipment	537,384	56,780	11,008	583,156
Vehicles	121,786	11,523		133,309
Library books	<u>79,860</u>	<u>29,590</u>		<u>109,450</u>
Total accumulated depreciation	<u>739,030</u>	<u>100,716</u>	<u>11,008</u>	<u>828,738</u>
Total capital assets, net of accumulated depreciation	<u>\$ 389,682</u>	<u>\$189,822</u>	<u>\$ -</u>	<u>\$ 579,504</u>

Gila County Provisional Community College District
(Gila Community College)
Notes to Financial Statements
June 30, 2009

Note 5 - Due to Other Governments

At June 30, 2009 the District had reported a total amount due to other governments of \$1,997,362. Of this amount, \$1,641,542 is owed to EAC for providing educational programs and services during the year. The remaining \$355,820 is a payable to the Arizona State Treasurer.

Note 6 - Long-Term Liabilities

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2009:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
Capital leases payable	<u>\$17,163</u>	<u>\$136,379</u>	<u>\$29,773</u>	<u>\$123,769</u>	<u>\$30,932</u>
Total long-term debt	<u>\$17,163</u>	<u>\$136,379</u>	<u>\$29,773</u>	<u>\$123,769</u>	<u>\$30,932</u>

Capital leases—The District has acquired buildings and equipment under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option, a transfer of ownership by the end of the lease term, or are in place for greater than 75 percent of the economic life of the asset.

The assets acquired through capital leases that meet the District's capitalization threshold are as follows:

Buildings	\$180,742
Equipment	63,004
Less: accumulated depreciation	<u>49,359</u>
Carrying value	<u>\$194,387</u>

The following schedule details debt service requirements to maturity for the District's capital leases payable at June 30, 2009:

Year Ending June 30:	
2010	\$ 36,127
2011	35,189
2012	32,113
2013	28,159
2014	<u>5,184</u>
Total minimum lease payments	136,772
Less: amount representing interest	<u>13,003</u>
Present value of net minimum lease payments	<u>\$123,769</u>

Gila County Provisional Community College District
(Gila Community College)
Notes to Financial Statements
June 30, 2009

Note 7 - Reconciliations

The reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets at June 30, 2009, was as follows:

Fund balances (deficit)—governmental fund	\$(701,617)
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.	104,573
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	579,504
Long-term capital lease liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund.	<u>(123,769)</u>
Net assets of governmental activities	<u><u>\$(141,309)</u></u>

The reconciliation of the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities for the year ended June 30, 2009, was as follows:

Net change in fund balances (deficit)—governmental fund	\$(1,419,000)
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 funds.	38,433
Governmental fund reports capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Expenditures for capitalized assets	290,538
Depreciation expense	<u>(100,716)</u>
Net capital outlay	189,822
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
Debt issued or incurred	(136,379)
Principal repaid	<u>29,773</u>
Net debt proceeds	<u>(106,606)</u>
Change in net assets of governmental activities	<u><u>\$(1,297,351)</u></u>

Gila County Provisional Community College District
(Gila Community College)
Notes to Financial Statements
June 30, 2009

Note 8 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District, through EAC, carries commercial insurance for all such risks of loss, including workers' compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9 - Subsequent Events

In November 2011, the District received by way of transfer from Gila County the deed ownership of the land and facilities used for operations of the Gila Pueblo (Globe) campus and 32.459 acres of the Payson campus with an original cost recorded by Gila County of \$4.8 million and \$3.1 million, respectively. An assessed valuation for the property and buildings is pending.

Gila County Provisional Community College District
(Gila Community College)
Required Supplementary Information
Budgetary Comparison Schedule—General Fund
Year Ended June 30, 2009

	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenues:			
Property taxes	\$ 2,872,358	\$ 2,835,614	\$ (36,744)
State appropriations	740,200	657,828	(82,372)
Operating grants and contracts	275,000	511,587	236,587
Investment earnings	200,000	13,969	(186,031)
Other	<u> </u>	<u>23,540</u>	<u>23,540</u>
Total revenues	<u>4,087,558</u>	<u>4,042,538</u>	<u>(45,020)</u>
Expenditures:			
Education and general	5,307,855	4,955,386	352,469
Debt service			
Principal retirement		29,773	(29,773)
Interest on long-term debt		6,622	(6,622)
Capital outlay	<u>223,235</u>	<u>469,757</u>	<u>(246,522)</u>
Total expenditures	<u>5,531,090</u>	<u>5,461,538</u>	<u>69,552</u>
Net change in fund balance (deficit)	(1,443,532)	(1,419,000)	24,532
Fund balance (deficit):			
July 1, 2008	<u>1,352,000</u>	<u>717,383</u>	<u>(634,617)</u>
June 30, 2009	<u>\$ (91,532)</u>	<u>\$ (701,617)</u>	<u>\$ (610,085)</u>

See accompanying note to budgetary comparison schedule.

Gila County Provisional Community College District
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Required Supplementary Information
Notes to Budgetary Comparison Schedule—General Fund
June 30, 2009

Note 1 - Budgeting and Budgetary Control

Arizona Revised Statutes require 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 must contain the estimated cost of all operating, capital outlay, and debt service expenditures. The District budgets all General Fund expenditures in total since all costs are paid through the agreement with EAC.

Note 2 - Budgetary Basis of Accounting

The District's budget is prepared on a basis consistent with generally accepted accounting principles, except for the beginning unrestricted General Fund balance presented on the General Fund's Budgetary Comparison Schedule, which is budgeted on a cash basis, and the present value of net minimum capital lease agreements.

The following schedule reconciles the total expenditures and total other financing sources from the Statement of Revenues, Expenditures, and Changes in Fund Balances to the budgetary comparison schedule for the General Fund:

	Total Expenditures	Total Other Financing Souces
Statement of Revenues, Expenditures, and Changes in Fund Balances	\$5,597,917	\$ 136,379
Present value of net minimum capital lease payments	<u>(136,379)</u>	<u>(136,379)</u>
Budgetary comparison schedule	<u>\$5,461,538</u>	<u>\$ _____</u>

