

# Gila County Provisional Community College District

Annual Financial Report and  
Report on Internal Control  
and on Compliance

Year Ended June 30, 2020

A Report to the Arizona Legislature

Lindsey A. Perry  
Auditor General





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## Audit Staff

**Donna Miller**, Director  
**Mike Manion**, Manager

## Contact Information

Arizona Auditor General  
2910 N. 44th St., Ste. 410  
Phoenix, AZ 85018-7271

(602) 553-0333

[contact@azauditor.gov](mailto:contact@azauditor.gov)

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



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# ANNUAL FINANCIAL REPORT



LINDSEY A. PERRY  
AUDITOR GENERAL

ARIZONA  
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 have audited the accompanying financial statements of the governmental activities and general fund of the Gila County Provisional Community College District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's responsibility for the financial statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **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 the District as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Other matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages a-1 through a-4, and the budgetary comparison schedule-general fund on pages 11 and 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic 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 have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2021, 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 solely 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 the effectiveness of the District's 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.

Lindsey A. Perry, CPA, CFE  
Auditor General

March 31, 2021



8274 South Six Shooter Canyon Rd.  
Globe, Arizona 85501  
Phone: 928-425-8481

201 North Mud Springs Rd.  
Payson, Arizona 85541  
Phone: 928-468-8039

## 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, 2020. Please read it in conjunction with the District's basic financial statements, which immediately follow.

### **Basic financial statements**

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 presented, with a reconciliation shown between them.

The Governmental Fund Balance Sheet/Statement of Net Position and Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities combines 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 focuses on near-term inflows and outflows of resources as well as the balances of spendable resources available at year end.

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 Graham County Community College District, DBA: Eastern Arizona College (EAC) to provide educational programs and services.

The District and 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, 2022. 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 Position on page 1 reflects the District's assets, liabilities, and net position. The Statement of Activities on page 2 presents the District's operations. Over time, increases or decreases in net position 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 position and the changes in net position for the years ended June 30, 2020 and 2019.

*Net Position*  
*As of June 30, 2020 and 2019*

<b>Assets:</b>	<b><u>June 30, 2020</u></b>	<b><u>June 30, 2019</u></b>	<b><u>Increase/(decrease)</u></b>
Current assets	\$ 5,814,959	\$ 5,773,982	\$ 40,977
Noncurrent assets:			
Capital assets, not being depreciated	1,670,025	1,506,553	163,472
Capital assets, net of accumulated depreciation	<u>5,011,266</u>	<u>5,198,280</u>	<u>(187,014)</u>
Total assets	<u>12,496,250</u>	<u>12,478,815</u>	<u>17,435</u>
<b>Liabilities:</b>			
Other liabilities	991,814	2,059,197	(1,067,383)
Long-term liabilities	<u>34,786</u>	<u>44,021</u>	<u>(9,235)</u>
Total liabilities	<u>1,026,600</u>	<u>2,103,218</u>	<u>(1,076,618)</u>
<b>Net position:</b>			
Net investment in capital assets	6,646,505	6,660,812	(14,307)
Unrestricted	<u>4,823,145</u>	<u>3,714,785</u>	<u>1,108,360</u>
Total net position	<u>\$11,469,650</u>	<u>\$10,375,597</u>	<u>\$ 1,094,053</u>

*Changes in Net Position  
For the Years Ended June 30, 2020 and 2019*

<b>Expenses:</b>	<b><u>June 30, 2020</u></b>	<b><u>June 30, 2019</u></b>	<b><u>Increase/(decrease)</u></b>
Education and general	\$ 5,806,428	\$ 5,759,389	\$ 47,039
Total expenses	<u>5,806,428</u>	<u>5,759,389</u>	<u>47,039</u>
 <b>Revenues:</b>			
Program revenues:			
Charges for services	45,917	69,530	(23,613)
Operating grants and contracts	<u>752,234</u>	<u>603,207</u>	<u>149,027</u>
Total program revenues	<u>798,151</u>	<u>672,737</u>	<u>125,414</u>
General revenues:			
Property taxes	4,998,102	4,793,207	204,895
State appropriations	1,097,321	785,305	312,016
Investment earnings	6,666	5,470	1,196
Other	<u>241</u>	<u>0</u>	<u>241</u>
Total general revenues	<u>6,102,330</u>	<u>5,583,982</u>	<u>518,348</u>
Total revenues	<u>6,900,481</u>	<u>6,256,719</u>	<u>643,762</u>
 Change in net position	 1,094,053	 497,330	 <u>\$596,723</u>
 Beginning net position	 <u>10,375,597</u>	 <u>9,878,267</u>	
Ending net position	<u>\$11,469,650</u>	<u>\$10,375,597</u>	

**Significant variances**

For the fiscal year ended June 30, 2020, the financial data presented above is for analysis and comparison of significant variances relative to assets, liabilities, net position, revenues, and expenses.

- Total assets at June 30, 2020 were \$12,496,250 consisting primarily of cash and investments of \$4,375,452 and capital assets, net of accumulated depreciation, of \$6,681,291. The slight increase in current assets can be attributed to an increase in property taxes receivable due to a higher amount of collections on the levy after year end.
- The total liabilities of \$1,026,600 were comprised of current obligations for educational and general expenses and long-term liabilities for long term debt. The decrease in other liabilities of \$1,067,383 is the result of a decrease in the amount due to EAC at year end. The amount invoiced for the 4th quarter was significantly lower, as the District prepaid overhead costs to EAC at the beginning of the fiscal year.
- The increase in educational and general expenses of \$47,039 was primarily due to an increase in contractual expenses paid to EAC for the year.
- Operating grants and contracts increased primarily as the result of funding provided by the Eastern Arizona College Foundation Inc.
- The increase in general revenues of \$518,348 is due to an increase in the property tax levy and the receipt of \$343,200 in rural community college aid.
- Net position increased \$1,094,053 from the prior year as revenues continue to exceed expenses.

## General fund budget

The District's actual educational and general expenditures were \$1,318,872 less than budgeted amounts primarily due to conservative spending.

Total revenues were \$821,820 more than budgeted, primarily due to state appropriations and operating grants and contracts exceeding budget figures.

The District's actual beginning fund balance was \$2,512,599 more than budgeted due to changes in the 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 \$6,681,291 which was comprised of land and land improvements, buildings and building improvements, equipment, vehicles, library books, and construction in progress. This is a net decrease of \$23,542 from the prior year. The decrease can be attributed primarily to current year depreciation expense.

The District has one construction project in process as of the end of the fiscal year, with an estimated cost to complete of \$155,572.

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 \$34,786 in long-term debt outstanding, \$9,235 due within one year. This represents a decrease of \$9,235 due to the payment of debt.

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

## Economic Outlook

The impact of the pandemic is ongoing and has negatively impacted enrollment at the Eastern Arizona College campuses in Gila County in partnership with the Gila County Provisional Community College District. While face to face learning continued for many programs on both campuses in 2021, specifically in the nursing, cosmetology and CTE programs, online teaching methods were employed in most programs to support face to face learning. Despite this strategy, FTSE counts are down 28 percent at the Gila campuses in the current fiscal year. Teaching methods and enrollment were certainly not the only areas affected as all areas on campus and the County at large experienced challenges with standard operating procedures and dealing with lockdowns and quarantines. It is uncertain whether established protocols to combat the virus and vaccines will assist in recovering lost enrollment at these campuses in Gila County in the near future.

## 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 Janet Bocker, Governing Board President.

**Gila County Provisional Community College District**  
**Governmental fund balance sheet/statement of net position**  
**June 30, 2020**

	<u>Balance sheet— General Fund</u>	<u>Reconciliation (Note 7)</u>	<u>Statement of net position— governmental activities</u>
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 4,375,452		\$ 4,375,452
Property taxes receivable	364,753		364,753
Due from other governments	<u>1,074,754</u>		<u>1,074,754</u>
Total current assets	<u>5,814,959</u>		<u>5,814,959</u>
Noncurrent assets:			
Capital assets, not being depreciated		\$ 1,670,025	1,670,025
Capital assets, net of accumulated depreciation		<u>5,011,266</u>	<u>5,011,266</u>
Total noncurrent assets		<u>6,681,291</u>	<u>6,681,291</u>
Total assets	<u>5,814,959</u>	<u>6,681,291</u>	<u>12,496,250</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	1,881		1,881
Due to other governments	942,489		942,489
Unearned revenue	10,000		10,000
Judgement payable	37,444		37,444
Current portion of long-term debt		<u>9,235</u>	<u>9,235</u>
Total current liabilities	<u>991,814</u>	<u>9,235</u>	<u>1,001,049</u>
Noncurrent liabilities:			
Long-term liability		<u>25,551</u>	<u>25,551</u>
Total noncurrent liabilities		<u>25,551</u>	<u>25,551</u>
Total liabilities	<u>991,814</u>	<u>34,786</u>	<u>1,026,600</u>
<b>Deferred inflows of resources</b>			
Unavailable revenues—property taxes	<u>169,854</u>	<u>(169,854)</u>	
Total deferred inflows of resources	<u>169,854</u>	<u>(169,854)</u>	
<b>Fund balance/net position</b>			
Fund balance:			
Unassigned	4,539,529	(4,359,529)	
Committed for capital project	<u>113,762</u>	<u>(113,762)</u>	
Total fund balance	<u>4,653,291</u>	<u>4,653,291</u>	
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 5,814,959</u>		
Net position:			
Net investment in capital assets		6,646,505	6,646,505
Unrestricted		<u>4,823,145</u>	<u>4,823,145</u>
Total net position		<u>\$ 11,469,650</u>	<u>\$ 11,469,650</u>

See accompanying notes to financial statements.

**Gila County Provisional Community College District**  
**Statement of governmental fund revenues, expenditures, and**  
**changes in fund balance/statement of activities**  
**Year ended June 30, 2020**

	<u>General Fund</u>	<u>Reconciliation (Note 7)</u>	<u>Statement of activities— governmental activities</u>
<b>Expenditures/expenses</b>			
Education and general	\$ 5,383,861	\$ 422,567	\$ 5,806,428
Debt service			
Principal retirement	9,235	(9,235)	
Capital outlay	<u>399,025</u>	<u>(399,025)</u>	
Total expenditures/expenses	<u>5,792,121</u>	<u>14,307</u>	<u>5,806,428</u>
 <b>Program revenues</b>			
Charges for services	45,917		45,917
Operating grants and contracts	<u>752,234</u>		<u>752,234</u>
Total program revenues	<u>798,151</u>		<u>798,151</u>
Net program expenses	4,993,970	14,307	5,008,277
 <b>General revenues</b>			
Property taxes	4,987,795	10,307	4,998,102
State appropriations	1,097,321		1,097,321
Investment earnings	6,666		6,666
Other	<u>241</u>		<u>241</u>
Total general revenues	<u>6,092,023</u>	<u>10,307</u>	<u>6,102,330</u>
 Net change in fund balance (deficit)	1,098,053	(1,098,053)	
Change in net position		1,094,053	1,094,053
 <b>Fund balance/net position</b>			
July 1, 2019	<u>3,555,238</u>	<u>6,820,359</u>	<u>10,375,597</u>
June 30, 2020	<u>\$ 4,653,291</u>	<u>\$ 6,816,359</u>	<u>\$ 11,469,650</u>

See accompanying notes to financial statements.

# Gila County Provisional Community College District

## Notes to financial statements

### June 30, 2020

#### Note 1 - Summary of significant accounting policies

Gila County Provisional Community College District's (District) accounting policies 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 a separately elected governing body governs. It is legally separate and fiscally independent of other state and local governments. The accompanying financial statements present the activities of the District.

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 Graham County Community College District, DBA: 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, 2022. 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 has no employees as all faculty and staff are direct employees of EAC. The District compensates EAC for its services on a cost reimbursement basis plus an administrative fee. This fee is calculated by multiplying a reimbursement rate of 25% of EAC's actual direct costs of providing services and programs to the District.

##### B. Basis of presentation and accounting

The financial statements include the Governmental Fund Balance Sheet/Statement of Net Position 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.

The Governmental Fund Balance Sheet/Statement of Net Position provides information about the assets, liabilities, deferred inflows of resources and fund balance/net position of the District at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net position is classified according to external donor restrictions or availability of assets to satisfy the District obligations. Net investment in capital assets, represents the value of capital assets, net of accumulated depreciation, less any outstanding liabilities incurred to acquire or construct the assets. Unrestricted net position includes all other net resources, including those that have been designated by management to be used for other than general operating purposes.

# **Gila County Provisional Community College District**

## **Notes to financial statements**

### **June 30, 2020**

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 position 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.

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 fund 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 Position 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.

### **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 or estimated historical cost if historical records are not available. Donated assets are reported at acquisition value.

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:

**Gila County Provisional Community College District**  
**Notes to financial statements**  
**June 30, 2020**

	<b>Capitalization threshold</b>	<b>Depreciation method</b>	<b>Estimated useful life</b>
Land	\$1	Not applicable	Not applicable
Buildings and improvements	\$5,000	Straight-line	15-40 years
Equipment and vehicles	\$5,000	Straight-line	5-15 years
Improvements other than buildings	\$5,000	Straight-line	5-25 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. Deferred inflows of resources**

The balance sheet includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of fund balance that applies to future periods and will be recognized as a revenue in future periods.

**G. Investment earnings**

Investment earnings is composed of interest, dividends, and net changes in the fair value of applicable investments.

**H. Fund balance classifications**

Fund balance of the governmental fund is reported separately within classifications based on a hierarchy of the constraints placed on the resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications. Although the District did not use all of the fund balance classifications during the current year, descriptions of each classification and the District's policies follows.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

**Gila County Provisional Community College District**  
**Notes to financial statements**  
**June 30, 2020**

The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations that the District’s Governing Board approved, which is the highest level of decision-making authority within the District. Only the Board can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by the District’s intent to be used for specific purposes, but is neither restricted nor committed. Assigned amounts represent intended uses established by the Board or a management official delegated that authority by formal Board action.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, the District will use restricted fund balance first. The District will use committed amounts first when disbursing unrestricted fund balances, followed by assigned amounts, and lastly unassigned amounts.

**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. A.R.S. does 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. A.R.S requires collateral for deposits at 102 percent of all deposits not covered by federal depository insurance. A.R.S. does 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, 2020, the carrying amount of the District’s deposits was \$4,307,881, and the bank balance was \$4,310,000. The District does not have a formal policy with respect to custodial credit risk of deposits. At June 30, 2020, the District’s deposits were entirely covered by Federal depository insurance or by collateral held by the pledging financial institution.

**Investments**—The District’s investment in the County Treasurer’s investment pool is valued using the District’s proportionate participation in the pool because the pool’s structure does not provide for shares. The District’s portion is not identified with specific investments, and therefore, it is not subject to custodial credit risk. The District does not have a formal policy regarding custodial credit risk for investments.

The District’s external investment pool balance measured at fair value at June 30, 2020 was as follows:

<b>Investment type</b>	<b>Amount</b>
County Treasurer’s investment pool	\$67,321

**Credit risk**—Credit risk is the risk that an issuer or counterparty to an investment will not fulfill the obligation. The District does not have a formal policy with respect to credit risk. At June 30, 2020, credit risk for the District’s investments was as follows:

<b>Investment type</b>	<b>Rating</b>	<b>Rating agency</b>	<b>Amount</b>
County Treasurer’s investment pool	Unrated	Not applicable	\$67,321

**Gila County Provisional Community College District**  
**Notes to financial statements**  
**June 30, 2020**

**Interest rate risk**—Interest rate risk is the risk that changes in interest rates will adversely affect an investments fair value. The District does not have a formal policy regarding interest rate risk for investments. At June 30, 2020, the District had the following investments:

<b>Investment type</b>	<b>Average maturity</b>	<b>Amount</b>
County Treasurer’s investment pool	1.10 years	\$67,321

A reconciliation of cash and investments to amounts shown on the Statement of Net Position follows:

Cash, deposits, and investments:		Statement of net position:	
Petty cash	\$ 250	Cash and investments	\$4,375,452
Amount of deposits	4,307,881		
Amount of investments	<u>67,321</u>		
Total	<u>\$4,375,452</u>	Total	<u>\$4,375,452</u>

**Note 3 - Due from other governments**

Due from other governments at June 30, 2020, as reported in the Statement of Net Position is comprised of amounts due from Graham County Community College District, DBA: Eastern Arizona College (EAC) in the amount of \$1,074,754.

**Note 4 - Capital assets**

Capital asset activity for the year ended June 30, 2020, was as follows:

	<b>Balance July 1, 2019</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2020</b>
Capital assets not being depreciated:				
Land	\$ 1,268,208			\$ 1,268,208
Construction in progress	<u>238,345</u>	<u>\$ 163,472</u>		<u>401,817</u>
Total capital assets not being depreciated	<u>1,506,553</u>	<u>163,472</u>		<u>1,670,025</u>
Capital assets being depreciated:				
Buildings and improvements	5,709,056	24,325		5,733,381
Land improvements	183,814			183,814
Equipment	1,013,473	22,987	\$ 34,580	1,001,880
Vehicles	204,174			204,174
Library books	<u>361,668</u>			<u>361,668</u>
Total capital assets being depreciated	<u>7,472,185</u>	<u>47,312</u>	<u>34,580</u>	<u>7,484,917</u>
Less accumulated depreciation for:				
Buildings and improvements	\$(1,011,897)	\$(158,898)		\$(1,170,795)
Land improvements	(22,780)	(8,193)		(30,973)
Equipment	(687,496)	(62,578)	\$(34,580)	(715,494)
Vehicles	(199,172)	(1,200)		(200,372)
Library books	<u>(352,560)</u>	<u>(3,457)</u>		<u>(356,017)</u>
Total accumulated depreciation	<u>(2,273,905)</u>	<u>(234,326)</u>	<u>(34,580)</u>	<u>(2,473,651)</u>
Total capital assets, being depreciated, net	<u>5,198,280</u>	<u>(187,014)</u>		<u>5,011,266</u>
Total capital assets, net	<u>\$ 6,704,833</u>	<u>\$ (23,542)</u>	<u>\$ -</u>	<u>\$ 6,681,291</u>

**Gila County Provisional Community College District**  
**Notes to financial statements**  
**June 30, 2020**

**Construction commitments**—In fiscal year 2020, the District continued construction on modular buildings on the Globe campus for health classes and clinicals. The estimated cost to complete the project is \$155,572.

**Note 5 - Due to other governments**

At June 30, 2020, the District had reported a total amount due to other governments of \$942,489. A portion of this liability, in the amount of \$586,669 is owed to EAC for providing educational programs and services during the year. The remaining amount of \$355,820 is owed to the State of Arizona related to erroneous sales tax distributions in prior years.

**Note 6 - Long-term liabilities**

The following schedule details the District’s long-term liability and obligation activity for the year ended June 30, 2020:

	<b>Balance</b>			<b>Balance</b>	<b>Due within</b>
	<b>July 1, 2019</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2020</b>	<b>1 year</b>
Capital leases payable	\$12,204		\$2,872	\$ 9,332	\$2,872
Loan payable	<u>31,817</u>		<u>6,363</u>	<u>25,454</u>	<u>6,363</u>
Total long-term liability	<u>\$44,021</u>		<u>\$9,235</u>	<u>\$34,786</u>	<u>\$9,235</u>

**Capital leases**—The District has acquired equipment under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they are in place for greater than 75 percent of the economic life of the asset.

The assets acquired through capital leases are as follows:

Equipment	\$14,360
Less: accumulated depreciation	<u>(5,436)</u>
Net carrying value	<u>\$ 8,924</u>

The following schedule details minimum lease payments to maturity for the District’s capital leases payable at June 30, 2020:

Year ending June 30:	
	2021
	2022
	2023
	2024
Present value of net minimum lease payments	<u>\$9,332</u>

**Loan payable**—The District acquired a building and equipment for the cosmetology program partially through an IGA with Northern Arizona Vocational Institute of Technology (NAVIT). In accordance with the agreement, NAVIT provided the District with \$187,264 in fiscal year 2014 and the District was required to pay back \$63,632. The agreement period is from July 1, 2014 through June 30, 2024 and requires that the District must maintain a cosmetology program designed to lead College and CTED students to a career in

**Gila County Provisional Community College District**  
**Notes to financial statements**  
**June 30, 2020**

cosmetology. Repayment is subject to the availability and appropriations of monies. At the end of the agreement all property and equipment purchased with the provided funds will remain the property of the District. If the agreement terminates because the District fails to comply with the provisions of the agreement, the District is required to repay the entire \$187,264 less any payments made.

The following schedule details debt service requirements to maturity for the District's long-term debt at June 30, 2020:

Year ending June 30:		
	2021	\$ 6,363
	2022	6,363
	2023	6,363
	2024	<u>6,365</u>
Total payments outstanding		<u>\$25,454</u>

**Note 7 - Reconciliations**

The reconciliation of the governmental fund balance sheet to the statement of net position at June 30, 2020, was as follows:

Fund balance—governmental fund	\$ 4,653,291
Amounts reported for governmental activities in the statement of net position are different because:	
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the governmental fund	169,854
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund	6,681,291
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund	<u>(34,786)</u>
Net position of governmental activities	<u>\$11,469,650</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, 2020, was as follows:

Net change in fund balance—governmental fund	\$1,098,053
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	10,307
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	210,784
Depreciation expense	<u>(234,326)</u>
Net	(23,542)
Repayments of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position	<u>9,235</u>
Change in net position of governmental activities	<u>\$1,094,053</u>

**Gila County Provisional Community College District**  
**Notes to financial statements**  
**June 30, 2020**

**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. As outlined in the operating agreement between the District and EAC, EAC carries commercial insurance for all such risks of loss, including workers' compensation and accident insurance for EAC students and employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Gila County Provisional Community College District**  
**Required supplementary information**  
**Budgetary comparison schedule—General Fund**  
**Year ended June 30, 2020**

	<u>Original and final budget</u>	<u>Actual amounts</u>	<u>Variance with final budget</u>
<b>Revenues:</b>			
Property taxes	\$ 4,979,654	\$ 4,987,795	\$ 8,141
State appropriations	753,700	1,097,321	343,621
Charges for services		45,917	45,917
Operating grants and contracts	325,000	752,234	427,234
Investment earnings	10,000	6,666	(3,334)
Other		241	241
Total revenues	<u>6,068,354</u>	<u>6,890,174</u>	<u>821,820</u>
<b>Expenditures:</b>			
Education and general	6,853,993	5,383,861	1,470,132
Debt service			
Principal retirement		9,235	(9,235)
Capital outlay	<u>257,000</u>	<u>399,025</u>	<u>(142,025)</u>
Total expenditures	<u>7,110,993</u>	<u>5,792,121</u>	<u>1,318,872</u>
<b>Fund balance:</b>			
July 1, 2019	<u>1,042,639</u>	<u>3,555,238</u>	<u>2,512,599</u>
June 30, 2020	<u>\$ -</u>	<u>\$ 4,653,291</u>	<u>\$ 4,653,291</u>

See accompanying note to budgetary comparison schedule.

**Gila County Provisional Community College District**  
**Required supplementary information**  
**Notes to budgetary comparison schedule—General fund**  
**June 30, 2020**

**Note 1 - Budgeting and budgetary control**

A.R.S. requires the District to prepare and adopt a balanced budget annually for each governmental fund. 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 Eastern Arizona College (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 the cash basis.

# INTERNAL CONTROL/COMPLIANCE REPORT



LINDSEY A. PERRY  
AUDITOR GENERAL

ARIZONA  
AUDITOR GENERAL

MELANIE M. CHESNEY  
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, 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, 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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 31, 2021.

**Internal control over financial reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and other matters**

As part of obtaining reasonable assurance about whether the District's basic financial statements are free from 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 financial statements. 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*.

## **Purpose of this report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lindsey A. Perry, CPA, CFE  
Auditor General

March 31, 2021

