



REPORT HIGHLIGHTS

FINANCIAL STATEMENT AUDIT

Subject

Gila County Provisional Community College District is required to issue financial statements annually. The District is also 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 the District has met its responsibilities.

Our Conclusion

The information in the District's financial statements is fairly stated in all material respects, except for the information related to the District's capital assets. A summary of this information is presented on page 2. The District did not meet its responsibilities to maintain strong internal controls over capital assets. In addition, auditors identified other internal control weaknesses and an instance of noncompliance.



2006

Year Ended June 30, 2006

Summary of Audit Findings

For the financial statement audit, auditors found material internal control weaknesses over financial statement preparation, capital assets, and the District's monitoring of educational services and operating agreements. The Report on Internal Control and Compliance contains further details and auditor recommendations to help correct these weaknesses. The most significant findings are summarized below.

Financial Statement

Preparation—The District's financial statements were not issued in a timely manner since they were issued 5 years after fiscal year-end. The District did not have anyone with accounting expertise to oversee the financial statement preparation to ensure that the financial statements were complete and accurate, prepared in a timely manner, and prepared in accordance with generally accepted accounting principles. For example, the District's accounting records were incomplete because the accounting records related to federal and state grants were maintained by Eastern Arizona College (EAC); however, the District was not aware that this financial information should have been reported in its financial statements. The District's financial statements were adjusted to include this information.

Capital Assets—The District did not have policies and procedures to safeguard, account for, and report its capital assets, which were acquired in fiscal year 2005. Specifically, the District did not perform a physical inventory, and did not reconcile its capital asset additions to capital outlay expenditures. In addition, the District did not maintain a sufficiently detailed and complete list

of its capital assets to identify individual assets and their locations. Further, the District did not assign the responsibility for controlling its capital assets to a specific employee. As a result, auditors issued a qualified opinion on the District's financial statements.

Monitoring Educational Services and Operating Agreements

—Approximately 95 percent of the District's total expenses for the year were for contracted educational services that EAC provided. However, the District did not assign the responsibilities for monitoring and overseeing its educational services and operating agreements with EAC to a district official. In addition, while the agreements allow the District to review the records and documentation supporting the amounts billed to the District, it did not perform these reviews to ensure that the amounts billed were correct. As a result, the District risks not receiving the services and financial information specified in the agreements' terms and conditions, and could be billed for incorrect amounts.

Summary of Financial Information

The basic financial statements report the District's finances in a manner similar to state and local governments.

Statement of Net Assets—This statement reports all of the District's assets and liabilities with the difference between the two reported as net assets. Net assets are reported in three major categories:

- Invested in capital assets, net of related debt, shows the equity in land, buildings, and equipment.
- Restricted net assets shows the net resources that must be used for restricted purposes as specified by external parties.
- Unrestricted net assets shows the net resources available for general operations.

Statement of Activities—This statement shows how net assets changed during the year. Revenues are reported as either program revenues (those generated by or dedicated to a specific program) or general revenues (taxes and revenues raised for general purposes). The change in net assets indicates whether the District's financial health has improved or deteriorated as a result of current year activities. The District's net assets increased by \$545,000 during the current year.

Condensed Statement of Net Assets June 30, 2006 (In Thousands)	
Assets:	
Current assets	\$2,583
Capital assets, net	177
Total assets	2,760
Liabilities:	
Current liabilities	1,217
Total liabilities	1,217
Net Assets:	
Invested in capital assets, net of related debt	177
Unrestricted	1,366
Total net assets	\$1,543

Condensed Statement of Activities Year Ended June 30, 2006 (In Thousands)	
Program revenues:	
Operating grants and contributions	\$ 42
Total program revenues	42
General revenues:	
Property taxes	2,454
State appropriations	336
Gila County allocation	250
Investment earnings	61
Other	12
Total general revenues	3,113
Total revenues	3,155
Expenses:	
Education	2,610
Total expenses	2,610
Change in net assets	545
Net assets—beginning	998
Net assets—ending	\$1,543

TO OBTAIN
MORE INFORMATION

Copies of the financial statements and Report on Internal Control and Compliance are available at:
www.azauditor.gov

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Year Ended June 30, 2006