



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Pinal County Community College District

(Central Arizona College)

Year Ended June 30, 2009



Debra K. Davenport
Auditor General

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Pinal County Community College District
 (Central Arizona College)
 Single Audit Reporting Package
 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
Pinal County Community College District

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Pinal County Community College District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component unit were not audited by the other auditors in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Pinal County Community College District as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards listed in the table of contents is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Debbie Davenport
Auditor General

June 25, 2010

Pinal County Community College District
(Central Arizona College)
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2009

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2009. Please read it in conjunction with the District's financial statements, which immediately follow.

Basic Financial Statements

The District's annual financial statements are presented in accordance with the Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* and Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*. These statements allow for the presentation in a consolidated, single-column, entity-wide format. This format is similar to the type of financial statements typical of a business enterprise. In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the District reports as a component unit those organizations that raise and hold economic resources for the direct benefit of the District. Based on GASB Statement No. 39, the District has one component unit, the Central Arizona College Foundation, Inc. (Foundation). The Foundation is audited separately from the District, and its financial activity is presented in conjunction with the District's financial statements.

Information on the component unit can be found in the report in the component unit's Statement of Financial Position and Statement of Activities, as well as Note 11. Management's Discussion and Analysis focuses only on the District and does not address the component unit.

The Statement of Net Assets reflects the financial position of the District at June 30, 2009. The statement shows the District's assets, liabilities, and net assets. Net assets are defined as total assets less total liabilities, and as such, reflects the institutional equity in the District's total assets.

The Statement of Revenues, Expenses, and Changes in Net Assets reflects the results of operations and changes for the fiscal year ended June 30, 2009. This statement reports revenues and expenses, categorized as operating and nonoperating, special and extraordinary items, and the changes in net assets for the year.

The Statement of Cash Flows reflects the cash and cash equivalent inflows and outflows for the year ended June 30, 2009. It shows cash flows from operating activities, noncapital financing activities, capital and related financing activities, and investing activities. It also provides for a reconciliation of beginning and ending cash and cash equivalent balances for the year and a reconciliation of the net cash flows from operating activities to the operating (loss) as reported on the Statement of Revenues, Expenses, and Changes in Net Assets.

Pinal County Community College District
(Central Arizona College)
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2009

Condensed Financial Information

The condensed financial information below reflects the results of activity for fiscal year 2009. The financial information for the previous fiscal year 2008 is also presented as a reference point to illustrate trends for determining whether the institution's financial health is improving or deteriorating.

<u>Net Assets</u>	<u>As of June 30, 2009</u>	<u>As of June 30, 2008</u>	<u>Percent Change</u>
Assets:			
Current assets	\$51,619,881	\$35,469,945	46%
Noncurrent assets, other than capital assets	1,801,817	12,895,798	-86
Capital assets, net	<u>41,915,581</u>	<u>40,287,947</u>	4
Total assets	<u>95,337,279</u>	<u>88,653,690</u>	8
Liabilities:			
Long-term liabilities	24,198,013	25,900,655	-7
Other liabilities	<u>4,077,701</u>	<u>6,254,350</u>	-35
Total liabilities	<u>28,275,714</u>	<u>32,155,005</u>	-12
Net assets:			
Invested in capital assets, net of related debt	19,714,853	16,202,720	22
Restricted net assets	1,596,057	8,372,183	-81
Unrestricted net assets	<u>45,750,655</u>	<u>31,923,782</u>	43
Total net assets	<u>\$67,061,565</u>	<u>\$56,498,685</u>	19

Pinal County Community College District
(Central Arizona College)
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2009

<i><u>Revenues, Expenses, and Changes in Net Assets</u></i>			
	<i><u>Year Ended June 30, 2009</u></i>	<i><u>Year Ended June 30, 2008</u></i>	<i><u>Percent Change</u></i>
Operating revenues	\$ 6,673,956	\$ 5,825,785	15%
Operating expenses	<u>48,325,904</u>	<u>44,221,543</u>	9
Operating loss	<u>(41,651,948)</u>	<u>(38,395,758)</u>	8
Net nonoperating revenues	<u>52,214,828</u>	<u>48,696,088</u>	7
Income before other revenues, expenses, gains, or losses	10,562,880	10,300,330	3
Other revenues, expenses, gains, or losses	<u> </u>	<u>947,600</u>	-100
Increase in net assets	10,562,880	11,247,930	-6
Net assets, beginning of year	<u>56,498,685</u>	<u>45,250,755</u>	25
Net assets, end of year	<u>\$ 67,061,565</u>	<u>\$ 56,498,685</u>	19

Pinal County Community College District
(Central Arizona College)
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2009

<u>Revenues by Source</u>	<u>Year Ended June 30, 2009</u>	<u>Year Ended June 30, 2008</u>	<u>Percent Change</u>
Operating revenues:			
Tuition and fees (net of scholarship allowances)	\$ 5,923,455	\$ 4,902,355	21%
Other operating	<u>750,501</u>	<u>923,430</u>	-19
Total operating revenues	<u>6,673,956</u>	<u>5,825,785</u>	15
Nonoperating revenues:			
Property taxes	35,382,129	34,802,386	2
State appropriations	5,401,293	6,052,000	-11
State-shared sales tax	538,742	650,602	-17
Grants and contracts	10,367,257	6,655,478	56
Private gifts	465,941	406,248	15
Investment income	<u>954,909</u>	<u>1,389,266</u>	-31
Total nonoperating revenues	<u>53,110,271</u>	<u>49,955,980</u>	6
Capital appropriations		797,600	-100
Capital grants and gifts		<u>150,000</u>	-100
Total revenues	<u>\$59,784,227</u>	<u>\$56,729,365</u>	5

Pinal County Community College District
(Central Arizona College)
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2009

<u>Expenses by Function</u>	<u>Year Ended June 30, 2009</u>	<u>Year Ended June 30, 2008</u>	<u>Percent Change</u>
Operating expenses:			
Educational and general:			
Instruction	\$18,913,011	\$17,291,369	9%
Public service	251,802	271,389	-7
Academic support	2,934,075	2,553,716	15
Student services	3,468,481	3,244,400	7
Institutional support	9,342,887	10,314,464	-9
Operation and maintenance of plant	4,939,362	4,693,010	5
Scholarships	4,180,344	2,419,062	73
Auxiliary enterprises	841,553	541,849	55
Depreciation	<u>3,454,389</u>	<u>2,892,284</u>	19
Total operating expenses	<u>48,325,904</u>	<u>44,221,543</u>	9
Nonoperating expenses:			
Interest expense on debt	895,443	1,126,981	-21%
Other	<u> </u>	<u>132,911</u>	-100
Total nonoperating expenses	<u>895,443</u>	<u>1,259,892</u>	-29
Total expenses	<u>\$49,221,347</u>	<u>\$45,481,435</u>	8

Financial Highlights and Analysis

The District's primary mission is to provide educational services to the residents of Pinal County through three campuses and seven education centers. Primary sources of funding for these services are property taxes, state appropriations, grants and contracts, and tuition and fees, which together represent approximately 95 percent of the District's total revenues.

During fiscal year 2009, there was an increase in total revenues of \$3.1 million when compared with the prior year. Tuition and fee revenues increased by \$1 million because of a \$3-per-credit-hour increase in tuition and a significant increase in enrollment. Other operating revenues decreased by 19 percent because of a decrease in Department of Corrections indirect cost recovery fees. State appropriations decreased by \$650,707 and state capital appropriations were eliminated for the year because of the state economic downturn. State-shared sales tax decreased by 17 percent because of a reduction in sales tax revenues received by the State. Grants and contracts increased \$3.7 million primarily because of an increase in award amounts for student Pell grant program and a \$1.2 million grant awarded from Federal American Recovery and Reinvestment Act funds. Investment income decreased by \$434,357 because of a decrease in the rate of return on pooled investments at the County Treasurer.

Pinal County Community College District
(Central Arizona College)
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2009

Total expenses for the fiscal year 2009 increased by 8 percent as compared with the prior year. Instructional and academic support expenditures increased by 9 percent and 15 percent respectively because of additional employee salary and benefit expense and the addition of new instructional and academic support positions. Institutional support expenditures decreased by 9 percent because of a decrease in telecommunications licensing fees expense and a decrease in noncapital equipment purchases. Scholarship expenses increased 73 percent because of a \$2 million increase in Pell grant award expenditures. Auxiliary expenditures increased by 55 percent because of increased costs for salary and benefits, bad debt expense, and supply costs. Depreciation expense increased by 19 percent because of a full years' depreciation on capital purchases made in the previous year. Interest expense decreased by 21 percent because of the completion of the amortization of deferred interest for the 2004 revenue bond and pledged revenue obligations in fiscal year 2008.

Increases in grants and contract revenues and tuition and fees are the primary contributors to the \$6.7 million increase in total assets. In fiscal year 2009, the District's total net assets increased by \$10.6 million, with revenues of \$59.8 million and expenses of \$49.2 million. Total current assets and unrestricted net assets increased by \$16.1 million and \$13.8 million, respectively, mainly because of excess revenues over expenditures in the general operating fund. Noncurrent assets and restricted net assets decreased by \$11.1 million and \$6.8 million, respectively, mainly because of expenditures for capital projects. The District's total liabilities decreased 12 percent due primarily to a \$3.3 million decrease in accounts payables. Overall the District's financial position continues to improve and remains strong, with adequate resources to meet all current obligations.

Capital Assets and Debt Administration

As of June 30, 2009, the District's capital assets, net of accumulated depreciation, totaled \$41,915,581, an increase of \$1.6 million from the prior year. Capital assets include land, equipment, buildings, improvements other than buildings, and library books. Additional information on capital assets can be found in Note 3 to the District's financial statements.

In fiscal year 2009 the District did not incur any additional long-term debt. The District also retired \$1.9 million in long-term debt during the year. Additional information on the District's long-term debt is discussed in Note 4 to the District's financial statements.

Current Factors having Probable Future Financial Significance

In November 2008 the District received voter approval to issue and sell up to \$98,975,000 in general obligation bonds. Proceeds from the bonds will be used to acquire land, construct and renovate buildings and infrastructure, and to purchase furnishings and equipment. The District sold \$40 million of the amount authorized in July 2009. The general bond issue has been rated A1 by Moody's Investment Services and AA- by Standard & Poor's.

Pinal County Community College District
(Central Arizona College)
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2009

Due to the local economic downturn and the District's commitment to increase access to post-secondary education for the residents of Pinal County, enrollment within the District has increased significantly over the past year. Over the same period, however, state funding has diminished. In fiscal year 2009, state appropriations were reduced by \$650,707 from the prior year and state capital appropriations were eliminated. The District anticipates additional state appropriation funding cuts for fiscal years 2010 and 2011.

State funding cuts to date have been partially or fully offset by additional tax levy revenues generated by increasing primary assessed value of property within the county. For fiscal year 2010 the primary assessed value for property in the county rose by 16 percent. However, with the continued state economic downturn, the District is projecting that county-assessed property values will start to decline. The District is developing budgetary strategies to increase future revenues in order to fund its commitment to expand access to postsecondary education for Pinal County residents.

Requests for Information

This discussion and analysis is designed to provide a general overview of the Pinal County Community College District's finances for all those with an interest in such matters. Written requests for additional financial information should be addressed to the Office of the Vice President of Finance and Administration, Pinal County Community College District, 8470 N. Overfield Rd., Coolidge, AZ 85228.

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Financial Statements

Pinal County Community College District
(Central Arizona College)
Statement of Net Assets—Primary Government
June 30, 2009

	Business-Type Activities
Assets	
Current assets:	
Cash and cash equivalents	\$ 44,883,267
Receivables:	
Accounts (net of allowance of \$122,153)	2,459,355
Property taxes (net of allowance of \$80,189)	2,013,890
Government grants and contracts	2,236,636
Student loans (net of allowance of \$26,157)	1,050
Other (net of allowance of \$970)	<u>25,683</u>
Total current assets	<u>51,619,881</u>
Noncurrent assets:	
Restricted assets:	
Cash and investments held by trustees	1,791,591
Other receivables (net of allowance of \$386)	10,226
Capital assets, not being depreciated	2,655,397
Capital assets, being depreciated, net	<u>39,260,184</u>
Total noncurrent assets	<u>43,717,398</u>
Total assets	<u>95,337,279</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 493,551
Accrued payroll and employee benefits	1,438,888
Interest payable	443,834
Deposits held in custody for others	314,438
Bond underwriter deposits payable	800,000
Insurance claims payable	586,990
Current portion of compensated absences payable	1,192,819
Current portion of long-term debt	<u>1,718,329</u>
Total current liabilities	<u>6,988,849</u>
Noncurrent liabilities:	
Compensated absences payable	804,466
Long-term debt	<u>20,482,399</u>
Total noncurrent liabilities	<u>21,286,865</u>
Total liabilities	<u>28,275,714</u>

(Continued)

See accompanying notes to financial statements.

Pinal County Community College District
(Central Arizona College)
Statement of Net Assets—Primary Government
June 30, 2009
(Continued)

	<u>Business-Type Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 19,714,853
Restricted:	
Expendable:	
Grants and contracts	76,905
Loans	64,152
Debt service	1,455,000
Unrestricted	<u>45,750,655</u>
 Total net assets	 <u>\$ 67,061,565</u>

See accompanying notes to financial statements.

Pinal County Community College District
(Central Arizona College)
Statement of Financial Position—Component Unit
June 30, 2009

	<u>Central Arizona College Foundation</u>
Assets	
Cash and cash equivalents	\$ 43,029
Investments	<u>3,064,650</u>
Total assets	<u>\$ 3,107,679</u>
Liabilities	
Accounts payable	<u>\$ 107,763</u>
Net Assets	
Permanently restricted	<u>2,999,916</u>
Total net assets	<u>2,999,916</u>
 Total liabilities and net assets	 <u>\$ 3,107,679</u>

See accompanying notes to financial statements.

Pinal County Community College District
(Central Arizona College)
Statement of Revenues, Expenses, and Changes in Net Assets—Primary Government
Year Ended June 30, 2009

	<u>Business-Type Activities</u>
Operating revenues:	
Tuition and fees (net of scholarship allowances of \$3,136,010)	\$ 5,923,455
Dormitory rentals and fees (net of scholarship allowances of \$187,725)	309,758
Other	<u>440,743</u>
Total operating revenues	<u>6,673,956</u>
Operating expenses:	
Educational and general:	
Instruction	18,913,011
Public service	251,802
Academic support	2,934,075
Student services	3,468,481
Institutional support	9,342,887
Operation and maintenance of plant	4,939,362
Scholarships	4,180,344
Auxiliary enterprises	841,553
Depreciation	<u>3,454,389</u>
Total operating expenses	<u>48,325,904</u>
Operating loss	<u>(41,651,948)</u>
Nonoperating revenues (expenses):	
Property taxes	35,382,129
State appropriations	5,401,293
Share of state sales taxes	538,742
Government grants and contracts	10,367,257
Private grants and gifts	465,941
Investment income	954,909
Interest expense on debt	<u>(895,443)</u>
Net nonoperating revenues	<u>52,214,828</u>
Increase in net assets	10,562,880
Total net assets, July 1, 2008	<u>56,498,685</u>
Total net assets, June 30, 2009	<u><u>\$ 67,061,565</u></u>

See accompanying notes to financial statements.

Pinal County Community College District
(Central Arizona College)
Statement of Activities—Component Unit
Year Ended June 30, 2009

	Central Arizona College Foundation			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, gains, and other support				
Contributions		\$ 44,510	\$ 341,568	\$ 386,078
Contributions—fundraisers		1,415		1,415
Dividends and interest		<u>128,469</u>	<u> </u>	<u>128,469</u>
Total revenues, gains, and other support		<u>174,394</u>	<u>341,568</u>	<u>515,962</u>
Expenses and losses				
Scholarships	\$ 261,402			261,402
Public relations	45,076			45,076
Office operations expenses	181,541			181,541
Net realized and unrealized loss on investments	<u>719,488</u>			<u>719,488</u>
Total expenses and losses	<u>1,207,507</u>			<u>1,207,507</u>
Net assets released from restrictions				
Transfers	<u>1,207,507</u>	<u>(470,316)</u>	<u>(737,191)</u>	<u> </u>
Changes in net assets		(295,922)	(395,623)	(691,545)
Net assets, July 1, 2008	<u> </u>	<u>295,922</u>	<u>3,395,539</u>	<u>3,691,461</u>
Net assets, June 30, 2009	<u>\$ -</u>	<u> </u>	<u>\$ 2,999,916</u>	<u>\$ 2,999,916</u>

See accompanying notes to financial statements.

Pinal County Community College District
(Central Arizona College)
Statement of Cash Flows—Primary Government
Year Ended June 30, 2009

	<u>Business-Type Activities</u>
Cash flows from operating activities:	
Tuition and fees	\$ 5,823,779
Dormitory rentals and fees	310,482
Collection of loans to students	16,698
Other receipts	472,900
Payments to employees	(30,235,080)
Payments to suppliers and providers of goods and services	(11,322,159)
Payments to students for scholarships	(4,180,344)
Payments to students for loans	(16,767)
Other payments	<u>(877,275)</u>
Net cash used for operating activities	<u>(40,007,766)</u>
Cash flows from noncapital financing activities:	
Property taxes	34,918,855
State appropriations	5,401,293
Share of state sales taxes	538,742
Grants and contracts	9,170,353
Noncapital endowments and gifts	465,941
Federal Family Education Loans student loan receipts	5,224,670
Federal Family Education Loans student loan disbursements	(5,224,670)
Deposits held for other received	295,440
Deposits held for others disbursed	<u>(163,728)</u>
Net cash provided by noncapital financing activities	<u>50,626,896</u>
Cash flows from capital and related financing activities:	
Bond underwriter deposits received	4,000,000
Bond underwriter deposits refunded	(3,200,000)
Principal paid on capital debt	(1,884,499)
Interest paid on capital debt	(903,589)
Purchases of capital assets	<u>(6,294,102)</u>
Net cash used for capital and related financing activities	<u>(8,282,190)</u>
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	3,653,669
Interest received on investments	954,909
Purchases of investments	<u>(2,128,180)</u>
Net cash used for investing activities	<u>2,480,398</u>
Net increase in cash and cash equivalents	4,817,338
Cash and cash equivalents, July 1, 2008	<u>40,065,929</u>
Cash and cash equivalents, June 30, 2009	<u>\$ 44,883,267</u>

(Continued)

See accompanying notes to financial statements.

Pinal County Community College District
(Central Arizona College)
Statement of Cash Flows—Primary Government
Year Ended June 30, 2009
(Continued)

	Business-Type Activities
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (41,651,948)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	3,454,389
Changes in assets and liabilities:	
Increase in:	
Receivables, net	(103,859)
Student loans receivable	(69)
Accrued payroll and employee benefits	195,106
Compensated absences payable	181,857
Insurance claims payable	44,990
Decrease in:	
Accounts payables	(2,128,232)
Net cash used for operating activities	\$ (40,007,766)
Significant noncash investing, capital, and noncapital financing activities:	
Disposal of capital assets being depreciated	\$ (398,161)
Elimination of accumulated depreciation on disposal of capital assets	398,161

See accompanying notes to financial statements.

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2009

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Pinal County Community College District conform to generally accepted accounting principles applicable to public institutions engaged only in business-type activities 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) and its discretely presented component unit, the Central Arizona College Foundation.

The Central Arizona College Foundation is a legally separate, tax-exempt organization. It acts primarily as a fund-raising organization that receives gifts and bequests, administers those resources, and disburses payments to or on behalf of the District for scholarships and college development activities. Although the District does not control the timing or amount of receipts from the Foundation, the Foundation's restricted resources can only be used by, or for the benefit of, the District or its constituents. Consequently, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements.

For financial reporting purposes, the Foundation follows the Financial Accounting Standards Board statements for not-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information included in the District's financial report. Accordingly, those financial statements have been reported on separate pages following the respective counterpart financial statements of the District. For financial reporting purposes, only the Foundation's statements of financial position and activities are included in the District's financial statements as required by generally accepted accounting principles for public colleges and universities. The Foundation has a June 30 year-end.

During the year ended June 30, 2009, the Foundation distributed \$626,750 to the District for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Central Arizona College Foundation, 8470 N. Overfield Rd., Coolidge, AZ 85228.

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2009

B. Basis of Presentation and Accounting

The financial statements include a statement of net assets; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows.

A statement of net assets provides information about the assets, liabilities, and 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 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. Expendable restricted net assets represent grants, contracts, gifts, and other resources that have been externally restricted for specific purposes. 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.

A statement of revenues, expenses, and changes in net assets provides information about the District's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net assets are reported, including capital contributions and additions to endowments. Operating revenues and expenses generally result from exchange transactions. Accordingly, revenues such as tuition and dormitory charges are considered to be operating revenues. Other revenues, such as property taxes, state appropriations, and government grants, are not generated from exchange transactions and are considered to be nonoperating revenues. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense on debt, are considered to be nonoperating expenses.

A statement of cash flows provides information about the District's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as either operating, noncapital financing, capital financing, or investing.

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized in the year for which they are levied. 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. 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.

Pinal County Community College District
 (Central Arizona College)
 Notes to Financial Statements
 June 30, 2009

Internal transactions and activities, such as transfers between funds, revenues and expenses recorded for internal service activities, and certain internal revenues and expenses recorded for grant activity have been eliminated for financial statement purposes.

The District follows FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The District has chosen the option not to follow FASB statements and interpretations issued after November 30, 1989.

C. Cash and Investments

For the statement of cash flows, the District's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the County Treasurer, and highly liquid investments. 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 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
Land	All	N/A	N/A
Buildings	\$3,000	Straight-line	40 years
Improvements other than buildings	3,000	Straight-line	15 years
Equipment	3,000	Straight-line	5 years
Library books	All	Straight-line	10 years

Buildings and improvements other than buildings that are classified as construction in progress are not depreciated until completed. Upon completion, these capital assets are reclassified and reported as buildings and improvements other than buildings.

E. Investment Earnings

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

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2009

F. Compensated Absences

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to 320 hours of vacation, but any vacation hours in excess of the maximum amount that are unused at fiscal year-end are forfeited. Beginning in fiscal year 2009, employees may elect to sell back a portion of unused vacation leave under the District's Vacation/Sick Leave Sell-Back program. For fiscal year 2009, employees must maintain a minimum of 30 days of vacation to participate in the sell-back program. An employee may sell back vacation hours accrued in excess of 30 days at the employee's current hourly rate at the time of sell-back. Also, upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Generally, sick leave benefits provide for ordinary sick pay and are cumulative but do not vest with the employees. Therefore, a liability for sick leave benefits is not accrued in the financial statements. However, for employees who have 5 or more years of service, 50 percent of the unused sick leave benefits do vest at employee termination. Beginning in fiscal year 2009, employees may elect to sell back a portion of unused sick leave under the District's Vacation/Sick Leave Sell-Back program. For fiscal year 2009, employees must maintain a minimum of 75 days of sick leave to participate in the sell-back program. An employee may sell back sick leave hours in excess of 75 days at the employee's current hourly rate at the time of sell-back. Sick leave benefits are accrued to the extent it is probable that the District will compensate employees through cash payments. Those amounts are accrued as a liability in the financial statements.

G. Scholarship Allowances

A scholarship allowance is the difference between the stated charge for goods and services provided by the District and the amount that is paid by the student or third parties making payments on behalf of the student. Accordingly, some types of student financial aid such as Pell grants and scholarships awarded by the District are considered to be scholarship allowances. These allowances are netted against tuition and fees revenues in the statement of revenues, expenses, and changes in net assets.

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. Although, not statutorily required, the District has also chosen to deposit other public monies in its custody with the County Treasurer. 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.

Pinal County Community College District
 (Central Arizona College)
 Notes to Financial Statements
 June 30, 2009

Deposits—At June 30, 2009, the carrying amount of the District's deposits was \$1,975,719 and the bank balance was \$2,111,975. The District does not have a policy with respect to custodial credit risk. At June 30, 2009, \$1,846,040 of the District's bank balance was exposed to custodial credit risk as it was uninsured with collateral held by the pledging financial institution.

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

Investment Type	Amount
County Treasurer's investment pool	\$42,876,964
Mutual funds—U.S. Treasury securities	<u>1,791,591</u>
Total	<u>\$44,668,555</u>

The District's investment in the County Treasurer's investment pool represents a proportionate interest in that pool's portfolios; however, the District's portion is not identified with specific investments and is not subject to custodial credit risk. The County Treasurer's investment pool is not subject to oversight, and that pool's structure does not provide for shares.

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	\$42,876,964
Mutual funds—U.S. Treasury securities	Aaa	Moody's	<u>1,791,591</u>
Total			<u>\$44,668,555</u>

Custodial credit risk—For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy with respect to custodial credit risk. At June 30, 2009, the District had \$1,791,591 of Mutual Funds-US Treasury securities that were uninsured and held by the counterparty's trust department or agent not in the District's name.

Concentration of credit risk—The District does not have a formal policy with respect to concentration of credit risk.

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

Investment Type	Investment Maturities	
	Amount	Less than 1 year
County Treasurer's investment pool	\$42,876,964	\$42,876,964
Mutual funds—U.S. Treasury securities	<u>1,791,591</u>	<u>1,791,591</u>
Total	<u>\$44,668,555</u>	<u>\$44,668,555</u>

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2009

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

Cash, deposits, and investments:		Statement of Net Assets:	
Cash on hand	\$ 30,584	Cash and cash equivalents	\$44,883,267
Amount of deposits	1,975,719	Restricted assets:	
Amount of investments	<u>44,668,555</u>	Cash and investments held	
		by trustees	<u>1,791,591</u>
Total	<u>\$46,674,858</u>	Total	<u>\$46,674,858</u>

Note 3 - Capital Assets

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

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets not being depreciated:				
Land	\$ 2,545,147			\$ 2,545,147
Construction in progress	<u> </u>	<u>110,250</u>	<u> </u>	<u>110,250</u>
Total capital assets not being depreciated	<u>2,545,147</u>	<u>110,250</u>	<u> </u>	<u>2,655,397</u>
Capital assets being depreciated:				
Buildings	45,814,621	\$4,138,904		49,953,525
Improvements other than buildings	7,375,906			7,375,906
Equipment	16,091,821	752,564	398,161	16,446,224
Library books	<u>1,541,105</u>	<u>80,305</u>	<u> </u>	<u>1,621,410</u>
Total capital assets being depreciated	<u>70,823,453</u>	<u>4,971,773</u>	<u>398,161</u>	<u>75,397,065</u>
Less accumulated depreciation for:				
Buildings	18,260,598	1,335,082		19,595,680
Improvements other than buildings	2,381,234	458,240		2,839,474
Equipment	11,235,991	1,578,386	398,161	12,416,216
Library books	<u>1,202,830</u>	<u>82,681</u>	<u> </u>	<u>1,285,511</u>
Total accumulated depreciation	<u>33,080,653</u>	<u>3,454,389</u>	<u>398,161</u>	<u>36,136,881</u>
Total capital assets being depreciated, net	<u>37,742,800</u>	<u>1,517,384</u>	<u> </u>	<u>39,260,184</u>
Capital assets, net	<u>\$40,287,947</u>	<u>\$1,627,634</u>	<u>\$ </u>	<u>\$41,915,581</u>

The District has an active construction project for the expansion and renovation of the Superstition Mountain Campus, Phase I, with an estimated remaining commitment at June 30, 2009, of \$15.2 million. This project will be funded from general obligation bonds.

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2009

Note 4 - 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 1 year
Compensated absences payable	<u>\$ 1,815,428</u>	<u>\$1,386,535</u>	<u>\$1,204,678</u>	<u>\$ 1,997,285</u>	<u>\$1,192,819</u>
Revenue bonds payable	\$ 8,165,000		\$ 600,000	\$ 7,565,000	\$ 620,000
Pledged revenue obligations payable	10,520,000		815,000	9,705,000	835,000
Capital leases payable	<u>5,400,227</u>		<u>469,499</u>	<u>4,930,728</u>	<u>263,329</u>
Total long-term debt	<u>\$24,085,227</u>	<u>\$</u>	<u>\$1,884,499</u>	<u>\$22,200,728</u>	<u>\$1,718,329</u>

Bonds—The District's bonded debt consists of revenue bonds that are generally callable with interest payable semiannually. Bond proceeds primarily pay for acquiring or constructing capital facilities. In addition, a portion of the revenue bonds proceeds for the Series 2004 were used to advance refund a prior higher-rate revenue bond issue. Revenue bonds are secured by tuition and fees and dormitory rental fees. Revenue bonds outstanding at June 30, 2009, were as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
Revenue Bonds—Series 2004	\$10,500,000	7/1/09-18	4.0-4.5%	\$7,565,000

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

Year ending June 30,	Revenue Bonds	
	Principal	Interest
2010	\$ 620,000	\$ 310,406
2011	645,000	284,703
2012	675,000	257,478
2013	705,000	228,134
2014	735,000	196,175
2015-19	<u>4,185,000</u>	<u>457,481</u>
Total	<u>\$7,565,000</u>	<u>\$1,734,377</u>

Pinal County Community College District
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Pledged revenue obligations—The District's pledged revenue obligations were issued to provide monies to construct a student services building, shipping and receiving facility, dormitory, and a computer commons facility. In addition, a portion of the pledged revenue obligations for the Series 2004 were used to advance refund a prior higher-rate pledged revenue obligation. The obligations are secured by tuition and fees and dormitory rental fees of the District and are callable with interest payable semiannually.

Pledged revenue obligations outstanding at June 30, 2009, were as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
Pledged Revenue Obligations— Series 2004	\$13,530,000	7/1/09-18	2.5-4.125%	\$9,705,000

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

Year Ending June 30,	<u>Pledged Revenue Obligations</u>	
	Principal	Interest
2010	\$ 835,000	\$ 339,937
2011	855,000	316,675
2012	880,000	290,650
2013	910,000	262,663
2014	940,000	229,075
2015-19	<u>5,285,000</u>	<u>546,888</u>
Total	<u>\$9,705,000</u>	<u>\$1,985,888</u>

Capital leases—The District has acquired telecommunications equipment and energy savings equipment under the provisions of various long-term lease agreements classified as a capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term.

The assets acquired through the capital leases are as follows:

Phone system and telecommunications equipment	\$ 499,876
Energy savings equipment	5,275,511
Less: accumulated depreciation	<u>1,327,107</u>
Carrying value	<u>\$4,448,280</u>

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2009

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	\$ 474,984
2011	471,948
2012	468,933
2013	469,810
2014	470,734
2015-19	2,369,172
2020-23	<u>1,916,892</u>
Total minimum lease payments	6,642,473
Less amount representing interest	<u>1,711,745</u>
Present value of net minimum lease payments	<u>\$4,930,728</u>

Note 5 - Pledges of Future Revenues

The District has pledged, as security for its revenue bonds and pledged revenue obligations, a portion of the District's tuition and fees and dormitory rentals and fees revenue. The revenue bonds and pledged revenue obligations were issued by the District in 2004 in the amount of \$10,500,000 and \$13,530,000 respectively. The debt was issued to provide financing for various capital projects and to refinance outstanding revenue bonds and pledged revenue obligations of the District. The revenue bonds and pledged revenue obligations are payable through fiscal year 2019. The District has committed to designate each year, from the tuition and fee revenue, amounts sufficient to cover the principal and interest requirements on the District's debt. The total principal and interest remaining on the debt is \$20,990,265 with annual requirements ranging from \$2,105,343 in fiscal year 2010 to \$2,092,851 in fiscal year 2019. Tuition and fee revenue, from which the designations will be made, has averaged approximately \$4,386,649 over the prior 5 fiscal years. For the current year, principal and interest paid by the District and the total tuition and fees and dormitory rentals and fees revenue recognized by the District were \$2,111,387 and \$6,233,213 respectively.

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2009

Note 6 - 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 participates with seven other Arizona community college districts and more than 200 Arizona school districts in the Arizona School Risk Retention Trust, Inc. (Trust), a public-entity risk pool. The Trust insures the District against liabilities arising from general liability, professional liability, and property, automobile, boiler and machinery; and commercial crime risks. The Trust's operating agreement includes a provision for the member to be charged an additional assessment in the event that total claims paid by the Trust exceed the members' contributions and reserves in any single year. The District will be charged for any such assessment in the following year. The District also carries commercial insurance for other risks of loss, including workers' compensation, accidental death and dismemberment for students and employees, employee travel, and extended reporting for errors and omissions. Settled claims resulting from any of these risks have not exceeded commercial insurance coverage in any of the past 3 fiscal years except in the year ended June 30, 2009, when the District was charged an additional assessment of \$22,500 for two insurance claims.

Insurance claims—The District finances uninsured risks of loss for certain health and eye care benefits to eligible employees and dependents. The healthcare plans provide coverage for claims up to \$95,000 for each individual per year, not to exceed an aggregate stop loss of \$1 million. The District purchases commercial insurance for claims in excess of these limits. The eye care plan offers substantially reduced prices for eye examinations and eyewear. Settled claims have not exceeded the District's coverage for either plan in any of the past 3 fiscal years. An independent administrator provides claim and record-keeping services for the plans.

The insurance claims-payable liability of \$586,990 at June 30, 2009, is the estimated ultimate cost of settling claims that have been reported but not settled and claims that have been incurred but not reported. This estimate is based on historical data for health insurance and eye care insurance claims reported during the year, prior-year claims of continuing duration, and claims incurred but not reported as of June 30, 2009. Changes in the District's claims payable for the years ended June 30, 2009 and 2008, were as follows:

	2009	2008
Claims payable, beginning of year	\$ 542,000	\$ 476,000
Current year claims and changes in estimates	3,041,138	2,954,800
Claim payments	<u>(2,996,148)</u>	<u>(2,888,800)</u>
Claims payable, end of year	<u>\$ 586,990</u>	<u>\$ 542,000</u>

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2009

Note 7 - Operating Leases

The District leases classroom and office space under provisions of various long-term lease agreements classified as operating leases for accounting purposes. Rental expenses under the terms of the operating leases were \$666,518 for the year ended June 30, 2009. The operating leases have remaining noncancelable terms of 1 to 5 years and provide renewal options. The future minimum payments required under the operating leases at June 30, 2009, were as follows:

Year ending June 30	
2010	\$ 524,907
2011	481,657
2012	208,679
2013	<u>105,877</u>
Total minimum lease payments	<u>\$1,321,120</u>

Note 8 - Pension and Other Postemployment Benefits

Plan description—The District contributes to a cost-sharing multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health care plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System. The Arizona Retirement System (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health benefit Supplemental Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by state statute. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the Arizona State Retirement System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or 1-800-621-3778.

Funding policy—The Arizona State Legislature establishes and may amend active plan members' and the District's contribution rates. For the year ended June 30, 2009, active plan members and the District were each required by statute to contribute at the actuarially determined rate of 9.45 percent (8.95 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll. The District was required by statute to contribute at the actuarially determined rate of 9.45 percent (7.99 percent for retirement, 0.96 percent for health insurance premium, and 0.5 percent long-term disability) of the members' annual covered payroll.

Pinal County Community College District
 (Central Arizona College)
 Notes to Financial Statements
 June 30, 2009

The District's contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

Year ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2009	\$1,594,951	\$191,634	\$97,021
2008	1,495,102	195,043	90,928
2007	1,359,360	189,063	90,306

Note 9 - Operating Expenses

The District's operating expenses are presented by functional classification in the Statement of Revenues, Expenses, and Changes in Net Assets—Primary Government. The operating expenses can also be classified into the following:

Personal services	\$30,657,033
Contract services	3,142,351
Supplies and other services	1,782,515
Communications and utilities	1,799,790
Scholarships	4,180,344
Depreciation	3,454,389
Other	<u>3,309,482</u>
Total	<u>\$48,325,904</u>

Note 10 - Subsequent Events

On July 1, 2009, the District issued General Obligation Bonds, Project of 2008, Series 2009A, in the amount of \$40 million, with an interest rate ranging from 4 percent to 5.25 percent and maturing on July 1, 2034. The net proceeds from the bonds will be used to acquire land, construct and renovate buildings and infrastructure, and purchase furnishings and equipment. These bonds were issued at a premium of \$561,398. These bonds were the first issuance of a \$98,975,000 bond authorization, approved by the voters in November 2008.

Note 11 - Central Arizona College Foundation

Basis of presentation—The financial statements are presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Pinal County Community College District
 (Central Arizona College)
 Notes to Financial Statements
 June 30, 2009

Contributions—The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

The Foundation reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Investments—The Foundation investments primarily consist of stocks, bonds, and mutual funds. In accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-profit Organizations*, The Foundation carries investments in equity and debt securities at fair value in the statement of financial position. Realized and unrealized gains and losses are reported in the statement of activities as increases or decreases in net assets. Investments consist of the following:

Bonds	\$ 401,737
Unit Trusts	292,892
Stocks	1,054,090
Mutual Funds	<u>1,315,931</u>
Total	<u>\$3,064,650</u>

Restricted net assets—Permanently restricted net assets are restricted to:

Investment in perpetuity, the income from which is expendable to support:

Promise for the Future Program	\$1,205,729
Other restricted scholarship programs	1,624,023
Activities of the Foundation	<u>170,164</u>
Total	<u>\$2,999,916</u>

Net assets were released from donor restrictions or by incurring expenses for satisfying the restricted purposes or by occurrence of other events specified by donors.

Cash/Credit Risk—Financial instruments that subject the Foundation to potential concentrations of credit risk consist principally of cash and the investments noted above. The Foundation has concentrated its cash/credit risk in one bank and one investment firm, both located in the same geographic region. Cash balances are under the Federal Deposit Insurance Corporation limit of \$250,000. At June 30, 2009, the Foundations' balances were \$49,039.

Supplementary Information

Pinal County Community College District
(Central Arizona College)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Housing and Urban Development			
Hispanic-Serving Institutions Assisting Communities	14.514		<u>\$ 238,506</u>
U.S. Department of Labor			
Community Based Job Training Grants	17.269		<u>602,475</u>
U.S. Small Business Administration			
Small Business Development Centers, passed through Maricopa County Community College District	59.037	8-603001-Z-0003-16 9-603001-Z-0003-17	<u>41,306</u>
U.S. Department of Education			
Adult Education—Basic Grants to States, passed through the Arizona Department of Education	84.002	09FAEABE-970612-02A 09FAECIV-970612-04A	171,143
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		82,041
Federal Family Education Loans	84.032		5,237,822
Federal Work-Study Program	84.033		82,954
Federal Pell Grant Program	84.063		5,088,143
Academic Competitiveness Grants	84.375		<u>74,200</u>
Total Student Financial Assistance Cluster			<u>10,565,160</u>
Special Education—Grants to States, passed through the Arizona Department of Education	84.027	ED08-0014-08	122,983
Higher Education—Institutional Aid	84.031		934,596
TRIO—Student Support Services	84.042		221,377
Career and Technical Education—Basic Grants to States, passed through the Arizona Department of Education	84.048	08FCTDBG-870612-01A 09FCTDBG-970612-01A	176,012
Leveraging Educational Assistance Partnership, passed through the Arizona Commission for Postsecondary Education	84.069	None	5,715
Fund for the Improvement of Postsecondary Education	84.116		37,391

(Continued)

See accompanying notes to schedule.

Pinal County Community College District
(Central Arizona College)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
Tech-Prep Education, passed through Pinal County Tech-Prep Consortium	84.243	09FCTDTP-970733-01A	\$ 8,998
ARRA—State Fiscal Stabilization Fund—Education State Grants, Recovery Act, passed through the Arizona Governor's Office of Economic Recovery	84.394	GOER-FY2010-1009	<u>1,206,787</u>
Total U.S. Department of Education			<u>13,450,162</u>
Total Expenditures of Federal Awards			<u>\$ 14,332,449</u>

See accompanying notes to schedule.

Pinal County Community College District
(Central Arizona College)
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Pinal County Community College District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2009 *Catalog of Federal Domestic Assistance*.

Note 3 - Subrecipients

From the federal expenditures presented in the schedule, the District awarded the following to subrecipients:

Program Title	CFDA Number	Amount
Higher Education—Institutional Aid	84.031	\$156,922

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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 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
Pinal County Community College District

We have audited the financial statements of the business-type activities and discretely presented component unit of Pinal County Community College District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 25, 2010. Our report was modified to include a reference to our reliance on other auditors. 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. Other auditors audited the financial statements of the Central Arizona College Foundation, the discretely presented component unit, as described in our report on the District's financial statements. The financial statements of the Central Arizona College Foundation were not audited by the other auditors in accordance with *Government Auditing Standards*. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting that is reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the report of the other auditors.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's basic financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider items 09-01 and 09-02 described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the basic financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 09-01 to be a material weakness.

Compliance and Other Matters

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

Pinal County Community College District's responses to the findings identified in our audit are presented on page 39. We did not audit the District's responses and, accordingly, we express no opinion on them.

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

Debbie Davenport
Auditor General

June 25, 2010



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

Members of the Arizona State Legislature

The Governing Board of
Pinal County Community College District

Compliance

We have audited the compliance of Pinal County Community College District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The District's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, Pinal County Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133, and that are described in the accompanying Schedule of Findings and Questioned Costs as items 09-102 and 09-103.

Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider items 09-101 through 09-104 described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider item 09-104 to be a material weakness.

Pinal County Community College District's responses to the findings identified in our audit are presented on pages 38 through 41. We did not audit the District's responses and, accordingly, we express no opinion on them.

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

Debbie Davenport
Auditor General

June 25, 2010

Pinal County Community College District
 (Central Arizona College)
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2009

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:		Unqualified	
		Yes	No
Internal control over financial reporting:			
Material weaknesses identified?	<u>X</u>	___	
Significant deficiencies identified that are not considered to be material weaknesses?	<u>X</u>	___	
Noncompliance material to the financial statements noted?	___	<u>X</u>	

Federal Awards

Internal control over major programs:			
Material weaknesses identified?	<u>X</u>	___	
Significant deficiencies identified that are not considered to be material weaknesses?	<u>X</u>	___	
Type of auditors' report issued on compliance for major programs:		Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	<u>X</u>	___	

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
17.269	Community Based Job Training Grants Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.032	Federal Family Education Loans
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.375	Academic Competitiveness Grants
84.031	Higher Education—Institutional Aid
84.394	ARRA—State Fiscal Stabilization Fund—Education State Grants, Recovery Act

Pinal County Community College District
(Central Arizona College)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Financial Statement Findings

09-01

The District should strengthen access controls over its computer systems

Criteria: Logical access controls help ensure that only authorized users have access to the District's computer systems and sensitive data. These controls are critical in preventing or detecting unauthorized use; damage, loss, or modification of programs and data; and misuse of sensitive information. Employees should have access to only those applications necessary for their job responsibilities. When circumstances exist that require an employee to have heightened access privileges, a supervisor should review the employee's system activity.

Condition and context: The District did not follow its policies and procedures to ensure that system users were granted access rights to only those functions necessary to perform their job responsibilities and did not have policies and procedures to monitor the activities of users with heightened privileges. Auditors reviewed access rights for the general ledger including the payroll, purchasing, and accounts payable modules and found that information technology programmers had unnecessary application access to all modules reviewed. In addition, a significant number of employees were granted access to applications that were incompatible with their job responsibilities. For example, auditors tested one employee who transferred positions and his previous access rights were not revoked. Another employee had heightened user access to the District's computer systems; however, his access was not tracked or monitored. Also, for all five terminated employees tested, their general ledger user access was not removed until 10 to 21 months after their termination dates.

Further, during fiscal year 2009, the District's database administrator's (DBA) responsibilities were performed by a consulting service located out of state, typically during hours when district employees were not available to the DBA to answer questions or correct issues. The DBA was granted full access to the District's systems to perform assigned responsibilities. However, the District did not monitor the DBA's activities within the system.

Effect: Users may have access to unauthorized information and the ability to perform unauthorized functions. Excessive access rights may allow users to perpetrate and conceal errors and irregularities, resulting in fraud and the possible misstatement of financial information. This finding is a material weakness in internal control over financial reporting.

Cause: The District was not aware that the programmers' access was inappropriate or that incompatible access for its employees existed. In addition, the District did not follow its policies and procedures so that timely notification of terminations was provided to its DBA. Also, the District did not implement procedures to monitor the DBA and users with heightened access for unauthorized activities.

Pinal County Community College District
(Central Arizona College)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Recommendation: To help ensure that incompatible or inappropriate rights are not assigned, the District should perform a comprehensive review of all existing system users' access. If the District finds inappropriate system access, it should revoke that access immediately. Further, the District should perform this type of review periodically. In addition, the District should develop a procedure to provide timely access removals for terminated or transferred employees. Further, to help ensure the integrity of the District's computer system and to help prevent fraudulent activities from being initiated without detection, the District should develop policies and procedures that require the DBA's activities to be independently tracked and reviewed for propriety.

This finding was similar to a prior-year finding.

09-02

The District should monitor its service provider for its employee health plans

Criteria: The District hired an outside consulting firm to help assist in establishing health insurance premium rates and paying medical claims to its third-party administrators for its employee health plans. These claim payments were made from the District's employee benefits bank account for which the outside consulting firm was an authorized signer. Bank accounts for which outside parties can make withdrawals should be adequately safeguarded and financial resources should be limited only to meet the current month's activities. Accordingly, the District should monitor its employee benefits bank account, review monthly reconciliations to protect the District's monies, and review support for premium and fee expenses to ensure that they are proper.

Condition and context: The District relied on the consulting firm to reconcile its employee benefits bank account on a monthly basis and provide financial reports of claims paid. The District did not adequately monitor the outside consulting firm during fiscal year 2009. However, in May 2009, the District began to limit the bank account balance to cover the current month's expenses; however, at June 30, 2009, the bank balance was over \$150,000. In addition, the District did not review the premium and fee expenses that were charged by the third-party administrators. For fiscal year 2009, the District had been charged over \$1,000,000 in premium and fee expenses.

Effect: There is a potential for fraud, waste, and abuse. This finding is a significant deficiency in internal control over financial reporting.

Cause: The District did not implement procedures to monitor its outside consulting firm due to oversight.

Recommendation: The District should monitor financial activity performed on its behalf by its outside consultant by reviewing the monthly bank reconciliations for its employees benefits bank account. All unusual withdrawals or other transactions posted to the account should be investigated. Additionally, the District should review support for the premiums and fees to ensure that they are proper.

This finding was similar to a prior-year finding.

Pinal County Community College District
(Central Arizona College)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Federal Award Findings and Questioned Costs

09-101

CFDA No.: 17.269 **Community Based Job Training Grants**

U.S. Department of Labor

Award Period/Award Numbers: January 1, 2007 through December 31, 2009, CB-15960-07-60-A-4
February 15, 2009 through February 14, 2012, CB-18209-09-60-A-4

Student Financial Assistance Cluster:

CFDA No.: 84.007 **Federal Supplemental Educational Opportunity Grants**

84.032 **Federal Family Education Loans**

84.033 **Federal Work-Study Program**

84.063 **Federal Pell Grant Program**

84.375 **Academic Competitiveness Grants**

U.S. Department of Education

Award Period: July 1, 2008 through June 30, 2009

CFDA No.: 84.031 **Higher Education—Institutional Aid**

U.S. Department of Education

Award Period/Award Numbers: October 1, 2007 through September 30, 2010, P031S050056
October 1, 2008 through September 30, 2010, P031C080002

Cash Management

Questioned Cost: None

Criteria: Effective controls and accountability should be maintained over federal monies. Therefore, the District should properly separate cash management responsibilities so that no one employee is responsible for compiling, approving, and submitting cash drawdown of federal monies forms without supervisory review.

Condition and context: Prior to April 2009, the District did not have adequate internal controls to ensure that requests for reimbursement were approved prior to submission. While gaining our understanding over the cash management internal controls, auditors determined that, for all major programs identified above, one employee was responsible for compiling, approving, and submitting the requests without supervisory review.

Effect: The District could request more federal monies than it is entitled to receive. This finding is a significant deficiency in internal control over compliance with the programs' cash management compliance requirements. However, auditors did not note any noncompliance over the cash management compliance requirement based on this internal control deficiency. This finding has the potential to affect other federal programs that the District administers.

Pinal County Community College District
(Central Arizona College)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Cause: The District did not realize that the responsibilities of compiling, approving, and submitting cash drawdown requests should be separated and the requests should be reviewed by a supervisor to help prevent errors until a previous audit finding was reported. At that time, the District took steps to correct the condition.

Recommendation: The District should continue to assign a second employee to review reimbursement requests for accuracy before they are submitted to the grantor agencies.

This finding was similar to a prior-year finding.

09-102

CFDA No.: 84.031 **Higher Education—Institutional Aid**

U.S. Department of Education

Award Period/Award Numbers: October 1, 2007 through September 30, 2010, P031S050056

October 1, 2008 through September 30, 2010, P031C080002

Subrecipient Monitoring

Questioned Cost: N/A

Criteria: In accordance with OMB Circular A-133, Subpart D, § __.400(d)(4-5), pass-through entities should ensure that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 for that fiscal year. Further, pass-through grantors should issue a management decision on audit findings within 6 months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

Condition and context: The District did not receive and review the single audit report and any related findings for its one subrecipient. However, the District performed other procedures to monitor the subrecipient's activities.

Effect: The District is unaware as to whether its subrecipient has met the audit requirements of OMB Circular A-133 and whether any findings could affect its administration of the program. This finding is a significant deficiency in internal control over compliance and noncompliance with the program's subrecipient monitoring compliance requirements.

Cause: The program director was unaware of the requirement.

Recommendation: The District should establish and implement policies and procedures to ensure that subrecipients that expend at least \$500,000 in federal awards have a single audit within 9 months of their fiscal year-end. In addition, the District should ensure that it issues management decisions within 6 months after receipt of its subrecipients' single audit reports and subrecipients take timely and appropriate corrective action.

Pinal County Community College District
(Central Arizona College)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

09-103

CFDA No.: 84.031 **Higher Education—Institutional Aid**

U.S. Department of Education

Award Period/Award Numbers: October 1, 2007 through September 30, 2010, P031S050056

October 1, 2008 through September 30, 2010, P031C080002

Procurement and Suspension and Debarment

Questioned Cost: None

Criteria: In accordance with 34 CFR §85.300, when a nonfederal entity enters into a procurement transaction that is expected to equal or exceed \$25,000 or makes a subaward to a subrecipient regardless of award amount, the nonfederal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), obtaining certification from the vendor or subrecipient, or adding a clause or condition to the contract. Further, 34 CFR §74.13 states that grantees and subgrantees must not make any award to or contract with any party that is debarred or suspended or is otherwise excluded from or ineligible for participation in federal assistance programs.

Condition and context: Prior to April 2009, the District had not established adequate policies and procedures to verify that vendors providing goods and services paid with federal monies had not been suspended or debarred, or otherwise excluded, from federal contracts. Specifically, for 5 of 6 vendors tested who were paid over \$25,000 in federal monies, auditors were unable to determine whether the District performed procedures to ensure that the contracted vendors were not suspended or debarred. Auditors performed additional audit procedures and noted no instances of payments made to suspended or debarred individuals or organizations.

Effect: Payments could be made to suspended or debarred vendors. This finding is a significant deficiency in internal control over compliance and noncompliance with the program's procurement and suspension and debarment compliance requirements. This finding has the potential to affect other federal programs that the District administers.

Cause: The District overlooked the specifics of this requirement when developing its policies and procedures.

Recommendation: The District should follow its amended procurement policies and procedures which address suspension and debarment requirements. Further, the District should document its determination that vendors expected to be paid over \$25,000 in federal monies have not been suspended or debarred from doing business with governmental entities. This verification may be accomplished by checking the EPLS maintained by the GSA, obtaining vendor certifications, or adding clauses or conditions to the contracts.

This finding was similar to a prior-year finding.

Pinal County Community College District
(Central Arizona College)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

09-104

Student Financial Assistance Cluster:

CFDA No.: 84.007 **Federal Supplemental Educational Opportunity Grants**

84.032 **Federal Family Education Loans**

84.033 **Federal Work-Study Program**

84.063 **Federal Pell Grant Program**

84.375 **Academic Competitiveness Grants**

U.S. Department of Education

Award Period: July 1, 2008 through June 30, 2009

Activities Allowed or Unallowed and Eligibility

Questioned Cost: None

Criteria: 34 CFR §74.21 requires that effective internal control be maintained for all financial management systems to ensure accurate, current, and complete disclosure of financial activities in accordance with the financial reporting requirements. Therefore, it is critical for the District to establish adequate internal controls to ensure the integrity of information processed through the student financial aid module.

Condition and context: The District did not follow its policies and procedures to ensure that system users were granted access rights to only those functions necessary to perform their job responsibilities. This resulted in users having greater access rights than necessary for its student financial aid module. Auditors reviewed access rights to critical screens used to determine eligibility within the student financial aid module and noted that 20 employees had inappropriate access. Further, changes made to data within the critical screens were not reviewed.

See Financial Statement Finding 09-01 for additional information.

Effect: Users may have access to unauthorized information and the ability to perform unauthorized functions. Excessive access rights may allow users the ability to create fictitious students, alter disbursement amounts, and change other critical student information. This finding is a material weakness in internal control over compliance with the Cluster's activities allowed or unallowed and eligibility compliance requirements. However, based on the sample tested, auditors did not note any noncompliance with these compliance requirements.

Cause: The student financial aid administrator was not aware that inappropriate access existed to critical screens of the student financial aid module.

Recommendation: To help ensure that incompatible or inappropriate rights are not assigned, the District should perform a comprehensive review of all existing student financial aid module users' access. If the District finds inappropriate system access, it should revoke that access immediately. In addition, the District should perform this type of review periodically. Further, the District should implement policies and procedures to ensure all changes made to critical screens are reviewed.



June 18, 2010

Debbie Davenport
Auditor General
2910 North 44th Street, Suite 140
Phoenix, Az. 85018

Dear Ms. Davenport:

The accompanying Corrective Action Plan has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are providing you with the names of the contact persons responsible for corrective action, the corrective action planned, and the anticipated completion date for each audit finding included in the current year's Schedule of Findings and Questioned Costs.

Sincerely,

Russell Banta
Vice President of Finance and Administration

Pinal County Community College District
(Central Arizona College)
Corrective Action Plan
Year Ended June 30, 2009

Financial Statement Findings

09-01

The District should strengthen access controls

Russell Banta, Vice President of Finance and Administration
Anticipated Completion Date: September, 2010

Corrective Action Plan – The District is reviewing system access to ensure that incompatible or inappropriate rights are not assigned and that access is revoked for inappropriate system access. Additionally, the District is strengthening its procedures to ensure timely access removals for terminated employees and to include a procedure to independently track and monitor the database administrator's activities.

09-02

The District should monitor its service provider for its employee health plans.

Russell Banta, Vice President of Finance and Administration
Anticipated Completion Date: June, 2010

Corrective Action Plan – The District has strengthened procedures to monitor financial activity performed on the District's behalf by the employee benefit trust consultants. Procedures have been modified to include a review of financial reports for claims paid for the district, monthly bank account reconciliation, a review for excess funds in the bank account, and a review of support information for premiums and fees.

Pinal County Community College District
(Central Arizona College)
Corrective Action Plan
Year Ended June 30, 2009

Federal Award Findings and Questioned Costs

09-101

CFDA No.: 17.269 Community Based Job Training Grants

Student Financial Assistance Cluster

CFDA No.: 84.007 Federal Supplemental Educational Opportunity Grants

84.032 Federal Family Education Loans

84.033 Federal Work-Study Program

84.063 Federal Pell Grant Program

84.375 Academic Competitiveness Grants

CFDA No.: 84.031 Higher Education - Institutional Aid

Russell Banta, Vice President of Finance and Administration

Completion Date: April, 2009

Status – Procedures were strengthened as of April 2009 to ensure that drawdown requests are properly reviewed and approved prior to being submitted to the grantor.

09-102

CFDA No.: 84.031 Higher Education - Institutional Aid

Russell Banta, Vice President of Finance and Administration

Completion Date: June, 2010

Status – Procedures were implemented to request and review a single audit for subrecipients that expended at least \$500,000 in federal awards and to issue management decisions and take timely corrective action.

09-103

CFDA No.: 84.031 Higher Education - Institutional Aid

Russell Banta, Vice President of Finance and Administration

Completion Date: April, 2009

Status – The District procurement procedures were strengthened as of April 2009 to address Federal requirements and the documentation of suspension and debarment.

Pinal County Community College District
(Central Arizona College)
Corrective Action Plan
Year Ended June 30, 2009

09-104

Student Financial Assistance Cluster

CFDA No.: 84.007 Federal Supplemental Educational Opportunity Grants

84.032 Federal Family Education Loans

84.033 Federal Work-Study Program

84.063 Federal Pell Grant Program

84.375 Academic Competitiveness Grants

Russell Banta, Vice President of Finance and Administration

Anticipated Completion Date: September, 2010

Status – The District is reviewing system access to ensure that incompatible or inappropriate rights are not assigned and that access is revoked for inappropriate system access. Additionally, The District is strengthening its procedures to ensure timely access removals for terminated employees.



June 4, 2010

Debra Davenport
Office of the Auditor General
2910 North 44th Street, Suite 140
Phoenix, AZ 85018

Dear Ms. Davenport:

The accompanying Summary Schedule of Prior Audit Findings has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are reporting the status of audit findings included in the prior audit's Schedule of Findings and Questioned Costs.

Sincerely,

Russell Banta
Vice President
Finance and Administration

RB/dg

Pinal County Community College District
(Central Arizona College)
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2009

Status of Federal Award Findings and Questioned Costs

07-101

Student Financial Assistance Cluster

CFDA No.: 84.007 Federal Supplemental Educational Opportunity Grants

84.032 Federal Family Education Loans

84.033 Federal Work-Study Program

84.063 Federal Pell Grant Program

84.375 Academic Competitiveness Grants

CFDA No.: 84.031 Higher Education—Institutional Aid

Status – Procedures were strengthened in April, 2009 to ensure that drawdown requests are properly reviewed and approved and the financial aid subsystem and the general ledger subsystem reconcile.

07-102

CFDA No.: 84.031 Higher Education—Institutional Aid

Status – The District's procurement procedures were strengthened in April, 2009 to address Federal requirements and the documentation of suspension and debarment. The District's policies and procedures are being enforced to ensure the proper approvals are obtained and documented.

Pinal County Community College District
(Central Arizona College)
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2009

Status of Federal Award Findings and Questioned Costs

08-101

CFDA No.: 17.269 Community Based Job Training Grants

Student Financial Assistance Cluster

CFDA No.: 84.007 Federal Supplemental Educational Opportunity Grants

84.032 Federal Family Education Loans

84.033 Federal Work-Study Program

84.063 Federal Pell Grant Program

84.375 Academic Competitiveness Grants

CFDA No.: 84.031 Higher Education—Institutional Aid

Status – Procedures were strengthened in April, 2009 to ensure that drawdown requests are properly reviewed and approved and the financial aid subsystem and the general ledger subsystem reconcile.

08-102

CFDA No.: 17.269 Community Based Job Training Grants

84.031 Higher Education—Institutional Aid

Status – The District's procurement procedures were strengthened in April, 2009 to address Federal requirements and the documentation of suspension and debarment. The District's policies and procedures are being enforced to ensure the proper approvals are obtained and documented.