



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Pinal County Community College District

(Central Arizona College)

Year Ended June 30, 2002



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, 2002

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**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
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 basic financial statements of Pinal County Community College District as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Pinal County Community College District as of June 30, 2002, and the changes in financial position and cash flows of the District for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 2, the District adopted the provisions of GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, for the year ended June 30, 2002, to implement a new financial reporting model. Also as described in Note 2, the District increased the capitalization threshold for equipment. This represents a change in the application of an accounting principle.

The Management's Discussion and Analysis on pages i through iv 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 an opinion on 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 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 October 2, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Debbie Davenport
Auditor General

October 2, 2003

Pinal County Community College District
(Central Arizona College)
Management's Discussion and Analysis
Year Ended June 30, 2002

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, 2002. Please read it in conjunction with the financial statements, which immediately follow.

Basic Financial Statements

Starting in fiscal year 2002, the District is required to present annual financial statements in accordance with new pronouncements issued by the Governmental Accounting Standards Board (GASB), the authoritative body for establishing generally accepted accounting principles (GAAP) for governmental entities including public institutions of higher learning. These new pronouncements permit public colleges and universities, in separately issued financial statements, to use the guidance for special-purpose governments engaged only in business-type activities. As a result, the presentation format for the financial statements has changed from a columnar fund group format to a single, consolidated, entity-wide format, similar to those of a business-type enterprise. The basic financial statements under the new pronouncements are as follows:

The Statement of Net Assets reflects the financial position of the District at June 30, 2002. The statement shows the assets, liabilities and other obligations, and net assets of the District. Net assets are defined as total assets less total liabilities, and as such, reflects the institutional equity in the total assets of the District.

The Statement of Revenues, Expenses, and Changes in Net Assets reflects the results of operations and changes for the fiscal year ended June 30, 2002. This statement reports revenues and expenses, categorized as operating and nonoperating, special and extraordinary items, and other changes in net assets for the year.

The Statement of Cash Flows reflects the cash and cash equivalents inflows and outflows for the year ended June 30, 2002. 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 the cash and cash equivalents balances for the year and a reconciliation of the cash flows from operating activities to the operating income (loss) as reported on the Statement of Revenues, Expenses, and Changes in Net Assets.

Since this is a transition year for the new reporting model, the District has elected not to restate prior periods for purposes of providing comparative data for this Management's Discussion and Analysis; therefore only one year of financial data is presented. In future years, however, a comparison analysis will be presented.

The condensed financial information below highlights the main categories of the Statement of Net Assets. Assets and liabilities are classified as either current or noncurrent. Current assets are resources available to meet the operating needs of the institution. Current liabilities are obligations that are intended for liquidation within the next fiscal year. Net assets are divided into three main categories, reflecting the broad characteristics of institutional equity in the assets of the District. Restricted net assets are resources held by the District that have been restricted by external parties for specific use. Invested in capital assets,

Pinal County Community College District
 (Central Arizona College)
 Management's Discussion and Analysis
 Year Ended June 30, 2002

net of related debt, reflects the District's equity in its capital assets. Unrestricted net assets carry no external restrictions, but are dedicated towards carrying out the primary mission of the District. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

**Statement of Net Assets
 As of June 30, 2002**

<u>Assets</u>	
Current assets	\$ 4,767,174
Noncurrent assets, other than capital assets	3,798,799
Capital assets, net	<u>33,665,253</u>
Total assets	<u>42,231,226</u>
 <u>Liabilities</u>	
Current liabilities	4,825,102
Noncurrent liabilities	<u>18,557,724</u>
Total liabilities	<u>23,382,826</u>
 <u>Net Assets</u>	
Invested in capital assets, net of related debt	15,463,110
Restricted net assets	1,828,325
Unrestricted net assets	<u>1,556,965</u>
Total net assets	<u>\$18,848,400</u>

The condensed financial information below highlights the main categories of the Statement of Revenues, Expenses, and Changes in Net Assets. Generally, revenues generated by the District for instruction and public service are considered operating revenues. Other revenues not generated from operations, such as state appropriations and property taxes, are considered nonoperating revenues.

In compliance with the new pronouncements issued by GASB, scholarships that are applied to student fees are now reported as an offset to the applicable operating revenues instead of being reported as an expense by the District. For the fiscal year ended June 30, 2002, the total scholarship allowance of \$2,165,211 was reported as an offset to tuition and fee, bookstore, and dormitory fees operating revenues.

In accordance with the new reporting model, depreciation expense was recorded for the first time this fiscal year. The construction and acquisition of capital assets, although budgeted and tracked as an expense in the accounting system, is not reflected as an expense in these statements. Rather, such transactions are capitalized and reported as assets, with the systematic allocation of such costs (depreciation) expensed over the useful lives of the assets.

The District shows an operating loss due to the fact that state appropriations and property taxes, the two largest revenue sources, are considered nonoperating revenues.

Pinal County Community College District
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Management's Discussion and Analysis
Year Ended June 30, 2002

**Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2002**

Operating revenues:	
Tuition and fees (net of scholarship allowances)	\$ 3,359,976
Government grants and contracts	5,400,839
Other operating	<u>1,641,292</u>
Total operating revenues	<u>10,402,107</u>
Operating expenses:	
Educational and general	27,067,069
Auxiliary enterprises	1,813,524
Depreciation	<u>1,908,459</u>
Total operating expenses	<u>30,789,052</u>
Operating loss	(20,386,945)
Nonoperating revenues	22,581,880
Nonoperating expenses	<u>(1,018,630)</u>
Income before other revenues, expenses, gains, or losses	1,176,305
Capital appropriations, grants and gifts	<u>1,027,305</u>
Increase in net assets	2,203,610
Net assets, July 1, 2001, as restated	<u>16,644,790</u>
Net assets, June 30, 2002	<u>\$ 18,848,400</u>

Financial Highlights and Analysis

The District's primary mission is to provide educational services to the residents of Pinal County through three campuses and two education centers. Primary sources of funding for these services are property taxes and state appropriations, which together represent approximately 70 percent of the total revenues for the District. The District levies primary and secondary property taxes for operating and debt-retirement purposes. During the fiscal year ended June 30, 2002, the State of Arizona experienced a revenue projection shortfall, and as a result, the District's budgeted state appropriations was cut by 4.75 percent. The reduction, however, was more than offset by the increase in property tax revenues generated by a growing property tax base in Pinal County and a small growth in student enrollment. This, along with a controlled spending initiative and an aggressive pursuit of external funding through government grants and contracts, has placed the District in an improved financial position when compared with last year.

Pinal County Community College District
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Management's Discussion and Analysis
Year Ended June 30, 2002

Capital Assets and Debt Administration

During the fiscal year ended June 30, 2002, the District's only major construction project was the construction of a peace officers' driving training track that was mainly funded through state and local grant revenues. The District had just previously completed the construction of a new dormitory, student services building, shipping and receiving building, and computer commons facility, which were funded through the issuance of \$21,000,000 in revenue bonds and pledged revenue obligations in 1998.

In addition to the 1998 issues, the District has almost repaid its general obligation and revenue bonds issued for the original campus construction. Also, the District's bond issues and pledged revenue obligations are rated Baa1 by Moody's Investors Service and no additional long-term debt was issued during the fiscal year. See the notes to the financial statements for more information on the District's debt service requirements.

On July 1, 2001, the District changed its capitalization threshold for capital assets from \$1,000 to \$3,000. The District recorded a write-down of \$6,589,370 for capital assets previously capitalized using the \$1,000 threshold. As previously indicated, capital assets are now reported net of accumulated depreciation for the first time this year as required by the new reporting standards issued by GASB. The District recorded \$1,908,459 in depreciation expense for the year and \$20,926,669 for accumulated depreciation for prior years.

Future Significant Financial Issues

Pinal County is expected to continue experiencing considerable growth, particularly in the northern part of the county. The Superstition Mountain Campus in Apache Junction is already near capacity, and increasing demand will require an expansion of the campus in the near future on adjacent land purchased by the District. Johnson Ranch and Maricopa/Stanfield are other areas in Pinal County experiencing rapid growth, and are potential future sites for new campuses or centers.

It is anticipated that state appropriations will continue to decline as a percentage of total revenue. In order to maintain the quality level of educational services, the District will continue to pursue program funding from other external sources such as federal and local grants and contracts. As in the past several years, it will be necessary for the District to continue to shift slightly more of the financial burden for education to the student in the form of higher tuition fees.

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 for Finance & Facilities, Pinal County Community College District, 8470 N. Overfield Rd., Coolidge, AZ 85228.

Pinal County Community College District
(Central Arizona College)
Statement of Net Assets
June 30, 2002

Assets

Current assets:	
Cash and cash equivalents	\$ 1,469,034
Receivables:	
Accounts (net of allowance of \$59,989)	1,114,064
Property taxes (net of allowance of \$33,540)	937,499
Government grants and contracts	831,422
Other (net of allowance of \$26,965)	40,811
Inventories	<u>374,344</u>
Total current assets	<u>4,767,174</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	1,576,390
Cash and investments held by trustee	2,185,726
Property taxes receivable (net of allowance of \$669)	17,128
Government grants and contracts receivable	2,212
Student loans receivable	17,343
Capital assets, not being depreciated	2,545,147
Capital assets, being depreciated, net	<u>31,120,106</u>
Total noncurrent assets	<u>37,464,052</u>
Total assets	<u>42,231,226</u>

(Continued)

See accompanying notes to financial statements.

Pinal County Community College District
(Central Arizona College)
Statement of Net Assets
June 30, 2002
(Continued)

Liabilities

Current liabilities:

Accounts payable	\$ 370,467
Accrued payroll and employee benefits	400,566
Interest payable	482,939
Deposits held in custody for others	498,518
Insurance claims payable	272,921
Deferred revenues	74,566
Current portion of compensated absences payable	962,982
Current portion of long-term debt	<u>1,762,143</u>
Total current liabilities	<u>4,825,102</u>

Noncurrent liabilities:

Compensated absences payable	567,724
Long-term debt	<u>17,990,000</u>
Total noncurrent liabilities	<u>18,557,724</u>

Total liabilities	<u>23,382,826</u>
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Net Assets

Invested in capital assets, net of related debt	15,463,110
Restricted:	
Expendable:	
Scholarships	38,234
Grants and contracts	94,422
Loans	69,529
Debt service	694,474
Capital projects	931,666
Unrestricted	<u>1,556,965</u>
Total net assets	<u>\$ 18,848,400</u>

See accompanying notes to financial statements.

Pinal County Community College District
(Central Arizona College)
Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2002

Operating revenues:	
Tuition and fees (pledged as security for revenue obligations and bonds and net of scholarship allowances of \$1,600,538)	\$ 3,359,976
Government grants and contracts	5,400,839
Private grants and contracts	111,273
Bookstore income (pledged as security for revenue obligations and bonds and net of scholarship allowances of \$412,394)	751,735
Food service income (pledged as security for revenue obligations and bonds)	89,305
Dormitory rentals and fees (pledged as security for revenue obligations and bonds and net of scholarship allowances of \$152,279)	325,679
Other	<u>363,300</u>
Total operating revenues	<u>10,402,107</u>
Operating expenses:	
Educational and general:	
Instruction	13,254,766
Public service	110,864
Academic support	2,129,854
Student services	2,201,952
Institutional support	4,792,254
Operation and maintenance of plant	3,163,628
Scholarships	1,413,751
Auxiliary enterprises	1,813,524
Depreciation	<u>1,908,459</u>
Total operating expenses	<u>30,789,052</u>
Operating loss	<u>(20,386,945)</u>
Nonoperating revenues (expenses):	
Property taxes	15,910,003
State appropriations	6,030,400
Share of state sales taxes	443,456
Government grants and contracts	78,990
Investment income	108,684
Gain on disposal of capital assets	10,347
Interest expense on debt	<u>(1,018,630)</u>
Total nonoperating revenues	<u>21,563,250</u>
Income before other revenues, expenses, gains, or losses	<u>1,176,305</u>
Capital appropriations	682,900
Capital grants and gifts	<u>344,405</u>
Increase in net assets	2,203,610
Total net assets, July 1, 2001, as restated	<u>16,644,790</u>
Total net assets, June 30, 2002	<u>\$ 18,848,400</u>

See accompanying notes to financial statements.

Pinal County Community College District
(Central Arizona College)
Statement of Cash Flows
Year Ended June 30, 2002

Cash flows from operating activities:	
Tuition and fees	\$ 3,115,728
Grants and contracts	5,396,082
Bookstore receipts	739,925
Food services receipts	89,305
Dormitory rentals and fees	323,196
Collection of loans from students	58,841
Other receipts	473,917
Payments to employees	(20,251,376)
Payments to suppliers and providers of goods and services	(6,624,402)
Payments to students	(1,422,060)
Loans issued to students	(58,719)
Other payments	(621,443)
Net cash used for operating activities	<u>(18,781,006)</u>
Cash flows from noncapital financing activities:	
Property taxes	15,392,429
State appropriations	6,030,400
Share of state sales taxes	443,456
Net cash provided by noncapital financing activities	<u>21,866,285</u>
Cash flows from capital and related financing activities:	
Property taxes	814,949
Capital appropriations	682,900
Government grants and contracts	83,414
Proceeds from sale of capital assets	13,794
Principal paid on capital debt	(1,922,857)
Interest paid on capital debt	(1,057,778)
Purchases of capital assets	(2,324,398)
Net cash used for capital and related financing activities	<u>(3,709,976)</u>
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	3,690,811
Interest received on investments	108,684
Purchases of investments	(3,742,814)
Net cash provided by investing activities	<u>56,681</u>
Net decrease in cash and cash equivalents	(568,016)
Cash and cash equivalents, July 1, 2001	<u>3,613,440</u>
Cash and cash equivalents, June 30, 2002	<u>\$ 3,045,424</u>

(Continued)

See accompanying notes to financial statements.

Pinal County Community College District
(Central Arizona College)
Statement of Cash Flows
Year Ended June 30, 2002
(Continued)

Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (20,386,945)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	1,908,459
Changes in assets and liabilities:	
Increase in:	
Accounts receivable	(322,280)
Inventories	(13,462)
Accrued payroll and employee benefits	89,603
Deposits held in custody for others	110,617
Insurance claims payable	144,971
Decrease in:	
Student loans receivable	122
Accounts payable	(130,055)
Compensated absences payable	(182,036)
Net cash used for operating activities	<u>\$ (18,781,006)</u>
Noncash investing, capital, and noncapital financing activities:	
Disposal of capital assets being depreciated	\$ (547,825)
Elimination of accumulated depreciation on disposal of capital assets	544,378
Loss on disposal of capital assets	3,447

See accompanying notes to financial statements.

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2002

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). During the year ended June 30, 2002, the District implemented GASB Statement No. 35, which prescribes a new reporting model for public colleges within the reporting guidelines of GASB Statement No. 34, as amended by GASB Statement No. 37. The District also implemented GASB Statement No. 38, which prescribes new and revised note disclosures.

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. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity.

The financial activities of the Central Arizona College Foundation are not included in the District's financial statements. The Foundation is a nonprofit corporation controlled by a separate board of directors. The Foundation's goals are to provide student scholarships and promote educational programs and District objectives.

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 asset. 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.

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2002

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. Generally, revenues generated by the District for instruction and public service are considered to be operating revenues. Other revenues used for instruction and public service, such as property taxes and state appropriations, are not generated from operations and are considered to be nonoperating revenues.

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 reported 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.

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 and Bulletins, unless those pronouncements conflict with GASB pronouncements.

C. Cash and Investments

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. Investments are stated at fair value.

D. Inventories

The bookstore inventory is stated at cost by specific identification. All other inventories are stated at the lower of cost (first-in, first-out method) or market.

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2002

E. Capital Assets

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All		
Buildings and Improvements	\$3,000	Straight-line	15-40 years
Equipment	3,000	Straight-line	5 years
Library books	All	Straight-line	10 years

F. Investment Income

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

G. 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 year-end are forfeited. 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 with 5 or more years of service, 50 percent of unused sick leave benefits do vest at employee termination. Sick leave benefits are accrued to the extent it is probable that the employer will compensate employees through cash payments at termination. Accordingly, those amounts are accrued as a liability in the financial statements.

Pinal County Community College District
 (Central Arizona College)
 Notes to Financial Statements
 June 30, 2002

H. 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, bookstore income, and dormitory rentals and fees revenues in the statement of revenues, expenses, and changes in net assets.

Note 2 - Beginning Net Assets, Restated

As a result of implementing GASB Statement No. 35, a change in internal capitalization policy, and a prior period adjustment, the District's aggregate fund balances reported as of June 30, 2001, totaling \$44,159,645, have been restated as beginning net assets of \$16,644,790. The difference is attributable to recording accumulated depreciation on capital assets of \$20,926,669, a write-down of capital assets of \$6,589,370 for a change in the asset capitalization threshold, and an adjustment for the correction of an error for other revenues not accrued in the prior year of \$1,184.

Note 3 - Deposits and Investments

Arizona Revised Statutes (A.R.S.) require the District to deposit special tax levies for the District's maintenance or capital outlay with the County Treasurer. The statutes do not require the District to deposit other public monies in its custody with the County Treasurer; however, the District must act as a prudent person dealing with the property of another when making investment decisions about these monies.

Deposits—At June 30, 2002, the carrying amount of the District's deposits was \$1,590,995, and the bank balance was \$2,326,728. Of the bank balance, \$145,851 was covered by federal depository insurance or by collateral held by the District or its agent in the District's name; \$1,397,845 was covered by collateral held by the pledging financial institution's trust department or agent in the District's name; and \$783,032 was uninsured and uncollateralized.

Investments—At June 30, 2002, the District's investments consisted of the following:

	Fair Value
Cash and investments held by the County Treasurer	\$2,054,087
Mutual funds—Invested in U.S. government securities	<u>1,550,597</u>
Total	<u>\$3,604,684</u>

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2002

The District's investment in the County Treasurer's investment pool represents a proportionate interest in that pool's portfolio; 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 or advisory groups, and that pool's structure does not provide for shares.

The College's investments held by trustees consisted of mutual funds invested in U.S. government securities held in the trustees' Federal Reserve Bank accounts. These investments are recorded in the College's name in the records of the trustees. The trustees act as both custodial and purchasing agents of investment transactions.

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

<p>Cash and investments:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash on hand</td> <td style="text-align: right;">\$ 35,471</td> </tr> <tr> <td>Carrying amount of deposits</td> <td style="text-align: right;">1,590,995</td> </tr> <tr> <td>Reported amount of investments</td> <td style="text-align: right;"><u>3,604,684</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>\$5,231,150</u></td> </tr> </table>	Cash on hand	\$ 35,471	Carrying amount of deposits	1,590,995	Reported amount of investments	<u>3,604,684</u>	Total	<u>\$5,231,150</u>	<p>Statement of Net Assets:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and cash equivalents</td> <td style="text-align: right;">\$1,469,034</td> </tr> <tr> <td>Restricted assets:</td> <td></td> </tr> <tr> <td> Cash and cash equivalents</td> <td style="text-align: right;">1,576,390</td> </tr> <tr> <td> Cash and investments held by trustee</td> <td style="text-align: right;"><u>2,185,726</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>\$5,231,150</u></td> </tr> </table>	Cash and cash equivalents	\$1,469,034	Restricted assets:		Cash and cash equivalents	1,576,390	Cash and investments held by trustee	<u>2,185,726</u>	Total	<u>\$5,231,150</u>
Cash on hand	\$ 35,471																		
Carrying amount of deposits	1,590,995																		
Reported amount of investments	<u>3,604,684</u>																		
Total	<u>\$5,231,150</u>																		
Cash and cash equivalents	\$1,469,034																		
Restricted assets:																			
Cash and cash equivalents	1,576,390																		
Cash and investments held by trustee	<u>2,185,726</u>																		
Total	<u>\$5,231,150</u>																		

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2002, was as follows:

	Balance July 1, 2001, as restated	Increases	Decreases	Balance June 30, 2002
Capital assets not being depreciated:				
Land	<u>\$ 2,545,147</u>			<u>\$ 2,545,147</u>
Total capital assets not being depreciated	<u>2,545,147</u>			<u>2,545,147</u>
Capital assets being depreciated:				
Buildings and improvements	40,202,075	\$1,756,411	\$ 10,576	41,947,910
Equipment	9,899,442	458,560	537,249	9,820,753
Library books	<u>1,532,766</u>	<u>109,427</u>	<u> </u>	<u>1,642,193</u>
Total capital assets being depreciated	<u>51,634,283</u>	<u>2,324,398</u>	<u>547,825</u>	<u>53,410,856</u>

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2002

	Balance July 1, 2001, as restated	Increases	Decreases	Balance June 30, 2002
Less accumulated depreciation for:				
Buildings and improvements	11,700,851	1,099,945	8,461	12,792,335
Equipment	8,077,802	731,148	535,917	8,273,033
Library books	<u>1,148,016</u>	<u>77,366</u>		<u>1,225,382</u>
Total accumulated depreciation	<u>20,926,669</u>	<u>1,908,459</u>	<u>544,378</u>	<u>22,290,750</u>
 Total capital assets being depreciated, net	 <u>30,707,614</u>	 <u>415,939</u>	 <u>3,447</u>	 <u>31,120,106</u>
 Capital assets, net	 <u>\$33,252,761</u>	 <u>\$ 415,939</u>	 <u>\$ 3,447</u>	 <u>\$33,665,253</u>

Note 5 - Long-Term Liabilities

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2002.

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002	Due within 1 year
Compensated absences payable	<u>\$ 1,712,742</u>	<u>\$716,381</u>	<u>\$ 898,417</u>	<u>\$ 1,530,706</u>	<u>\$ 962,982</u>
Installment purchase contract payable	685,000		472,857	212,143	212,143
Bonds payable:					
General obligation bonds	885,000		420,000	465,000	465,000
Revenue bonds	<u>8,885,000</u>		<u>320,000</u>	<u>8,565,000</u>	<u>340,000</u>
Total bonds payable	9,770,000		740,000	9,030,000	805,000
Pledged revenue obligations payable	<u>11,220,000</u>		<u>710,000</u>	<u>10,510,000</u>	<u>745,000</u>
Total long-term debt	<u>\$21,675,000</u>	<u>\$ -0-</u>	<u>\$1,922,857</u>	<u>\$19,752,143</u>	<u>\$1,762,143</u>

Bonds—The District's bonded debt consists of various issues of general obligation and revenue bonds that are generally callable with interest payable semiannually. Bond proceeds primarily pay for acquiring or constructing capital facilities. The District repays general obligation bonds from voter-approved property taxes. Revenue bonds are repaid from tuition, fees, rentals, and other sales and services. Bonds outstanding at June 30, 2002, were as follows:

Pinal County Community College District
 (Central Arizona College)
 Notes to Financial Statements
 June 30, 2002

Description	Original Amount	Maturity Dates	Interest Rates	Outstanding Principal
General Obligation Bonds	\$6,000,000	7/1/02	.05-5.6%	\$ 465,000
Revenue Bonds—Series 1973	300,000	7/1/02-04	5.3%	55,000
Revenue Bonds—Series 1998	9,100,000	7/1/02-14	4.75-6.5%	8,510,000

The following schedule details debt service requirements to maturity for the District's bonds payable at June 30, 2002.

Year ending June 30,	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2003	\$465,000	\$115	\$ 340,000	\$ 432,059
2004			365,000	411,869
2005			385,000	390,396
2006			385,000	368,977
2007			405,000	347,850
2008-12			2,365,000	1,400,284
2013-15			4,320,000	400,585
Total	<u>\$465,000</u>	<u>\$115</u>	<u>\$8,565,000</u>	<u>\$3,752,020</u>

Pledged Revenue Obligations Payable—The District's pledged revenue obligations were issued to provide monies to construct a student services building, shipping and receiving facility, dormitory, and computer commons facility. The obligations are secured by tuition and fees of the District and are callable with interest payable semiannually.

Pledged revenue obligations outstanding at June 30, 2002, were as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
Pledged Revenue Obligations—Series 1998	\$11,900,000	7/1/02-12	4.5-5.25%	\$10,510,000

The following schedule details debt service requirements to maturity for the District's pledged revenue obligations payable at June 30, 2002.

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2002

Year ending June 30,	<u>Pledged Revenue Obligations</u>	
	Principal	Interest
2003	\$ 745,000	\$ 505,545
2004	775,000	471,345
2005	810,000	434,468
2006	850,000	392,715
2007	895,000	346,909
2008-12	5,230,000	976,355
2013	<u>1,205,000</u>	<u>30,125</u>
Total	<u>\$10,510,000</u>	<u>\$3,157,462</u>

Installment Purchase Contracts Payable—The District has acquired two parcels of vacant land adjoining the Superstition Mountain Campus under contract agreements at a total purchase price of \$1,009,987. The following schedule details debt service requirements to maturity for the District’s installment purchase contracts payable at June 30, 2002.

	Principal	Interest
Year ending June 30, 2003	\$212,143	\$21,214

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 carries commercial insurance for all such risks of loss, including workers’ compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

Insurance claims—The District finances uninsured risks of loss for certain health and eye care benefits to eligible employees and their dependents. The health care plans provides coverage for claims up to \$45,000 for each individual per year, not to exceed an annual stop loss of \$1,000,000. The District purchases commercial insurance for claims in excess of the health care coverage. 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 recordkeeping services for the plans.

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2002

The insurance claims payable liability of \$272,921 at June 30, 2002, 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, 2002. Changes in the District's claims payable for the years ended June 30, 2001 and 2002, were as follows:

	2001	2002
Claims payable, beginning of year	\$ 251,502	\$ 127,950
Current-year claims and changes in estimates	1,703,618	1,916,583
Claim payments	<u>(1,827,170)</u>	<u>(1,771,612)</u>
Claims payable, end of year	<u>\$ 127,950</u>	<u>\$ 272,921</u>

Note 7 - Retirement Plan

Plan description—The District contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. 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 (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, 2002, active plan members and the District were each required by statute to contribute at the actuarially determined rate of 2.49 percent (2.00 percent retirement and 0.49 percent long-term disability) of the members' annual covered payroll. The District's contributions to the System for the years ended June 30, 2002, 2001, and 2000, were \$349,253, \$348,711, and \$318,647, respectively, which were equal to the required contributions for the year.

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2002

Note 8 - Operating Expenses

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

Personal services	\$20,303,914
Contract services	2,023,225
Supplies and other services	3,339,864
Communications and utilities	1,170,087
Scholarships	1,413,751
Depreciation	1,908,459
Other	<u>629,752</u>
Total	<u>\$30,789,052</u>

Supplementary Information

Pinal County Community College District
(Central Arizona College)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Agriculture			
Distance Learning and Telemedicine Loans and Grant	10.855		\$ <u>3,685</u>
U.S. Department of Housing and Urban Development			
College Housing Debt Service Grant	14.H-602-4224		<u>4,424</u>
U.S. Department of Justice			
Passed through the Arizona Police Officers Standards and Training Board Police Corps	16.712	None	<u>343,450</u>
National Aeronautics and Space Administration			
Passed through Cuyahoga Community College Science, Engineering, Mathematics and Aerospace Academy	43.unknown	NAS3-98099	<u>227,028</u>
U.S. Small Business Administration			
Passed through Maricopa County Community College District Small Business Development Center	59.037	1-7620-0003-09, 2-6603001-Q-0003-10	<u>93,514</u>
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		70,126
Federal Work-Study Program	84.033		81,728
Federal Pell Grant Program	84.063		<u>2,320,715</u>
Total Student Financial Assistance Cluster			<u>2,472,569</u>
Higher Education—Institutional Aid	84.031		420,194
Bilingual Education—Professional Development	84.195		65,922
Special Education—Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325		220,263
Child Care Access Means Parents in School	84.335		2,042
Preparing Tomorrow's Teachers to Use Technology	84.342		402,282
Annual Interest Grant	84.5-9-00628-0		74,566

(Continued)

See accompanying notes to schedule.

Pinal County Community College District
(Central Arizona College)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
Passed through the Arizona Department of Education Adult Education—State Grant Program	84.002	02FAEABE-270526-02A	\$ 82,500
Passed through the State Board of Directors for Community Colleges Vocational Education—Basic Grants to States	84.048	30208	165,325
Passed through the Arizona Commission for Postsecondary Education Leveraging Educational Assistance Partnership	84.069	None	5,636
Passed through Pinal County Tech Prep Consortium Tech-Prep Education	84.243	00FVEDTP-070734-01A	<u>13,500</u>
Total U.S. Department of Education			<u>3,924,799</u>
 U.S. Department of Health and Human Services			
Passed through the Arizona Department of Economic Security Child Care and Development Block Grant	93.575	E5401399, E5402496	735,359
Maternal and Child Health Services Block Grant to the States	93.994	161072	<u>31,948</u>
Total U.S. Department of Health and Human Services			<u>767,307</u>
Total Expenditures of Federal Awards			<u>\$ 5,364,207</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, 2002

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 2002 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word "unknown" were used.

Note 3 - Subrecipients

Of the federal expenditures presented in the schedule, the District provided federal awards to subrecipients as follows:

Program Title	CFDA Number	Amount Provided to Subrecipients
Child Care and Development Block Grant	93.575	\$99,978



**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Compliance and on Internal Control over
Financial Reporting 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 basic financial statements of Pinal County Community College District as of and for the year ended June 30, 2002, and have issued our report thereon dated October 2, 2003, which was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement No. 35 and a change in the capitalization threshold as described in our report. 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.

Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of basic 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we will report to the District's management in a separate letter.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we will report to the District's management in a separate letter.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Governing Board, 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

October 2, 2003



**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
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, 2002. 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 on the District's compliance with those requirements.

As described in item 02-101 in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding matching, level of effort, and earmarking that are applicable to its Preparing Tomorrow's Teachers to Use Technology program. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2002.

Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with 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 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 02-101 and 02-102.

A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 02-101 to be a material weakness.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Governing Board, 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

October 2, 2003

Pinal County Community College District
 (Central Arizona College)
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2002

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:		Unqualified
	Yes	No
Material weakness identified in internal control over financial reporting?	—	<u>X</u>
Reportable condition identified not considered to be a material weakness?	—	<u>X</u> (None reported)
Noncompliance material to the financial statements noted?	—	<u>X</u>

Federal Awards

Material weakness identified in internal control over major programs?	<u>X</u>	—
Reportable condition identified not considered to be a material weakness?	<u>X</u>	—
Type of auditors' report issued on compliance for major programs:	Qualified	
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>
16.712	Police Corps
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.031	Higher Education—Institutional Aid
84.342	Preparing Tomorrow's Teachers to Use Technology
93.575	Child Care and Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:		\$ 300,000
Auditee qualified as low-risk auditee?	—	<u>X</u>

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	<u>X</u>	—
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Pinal County Community College District
(Central Arizona College)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2002

Federal Award Findings and Questioned Costs

02-101

CFDA No.: 84.342 **Preparing Tomorrow's Teachers to Use Technology**

U.S. Department of Education

Award Year: September 15, 2001 through September 14, 2002

Award Number: P342A990211-01

Matching, level of effort, and earmarking

Questioned Cost: \$259,496

The District did not establish adequate policies and procedures to comply with the matching requirement for the Preparing Tomorrow's Teacher to Use Technology program. The District was required to provide at least 50 percent of the program's costs. However, the District had provided only \$142,786, or about 35 percent, of its required matching contribution. As such, the District did not meet the program's matching requirement of \$402,282 by \$259,496, as required by 34 Code of Federal Regulations, section 614.5. This finding is considered both material noncompliance and a material internal control weakness with respect to the program's matching requirement and is similar to a prior year finding.

02-102

CFDA No.: 93.575 **Child Care and Development Block Grant**

U.S. Department of Health and Human Services, passed through the Arizona Department of Economic Security (ADES)

Award Year: October 1, 2001 through September 30, 2002

Award Number: E5401399, E5402496

Special tests and provisions

Questioned Cost: None

The District had not established adequate controls to ensure its compliance with the special tests and provisions compliance requirement for the Child Care and Development Block Grant program. Specifically, the District did not develop a procedure to summarize the credit hours earned by participating students or monitor its progress towards meeting this requirement. The District was required to have eligible students complete 5,700 credit hours as required by the intergovernmental grant agreement with the ADES. The auditors determined the 5,700-hour requirement had been met by reviewing and summarizing detailed documentation.

To help ensure compliance with its intergovernmental grant agreement, the District should develop procedures to document that eligible students have completed the required number of credit hours and allow the District to monitor its progress with its special tests and provisions compliance requirement for the Child Care and Development Block Grant program.

November 20, 2003

Debbie Davenport
Auditor General
2910 N. 44th Street, Suite 410
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,

Dennis A. Jenkins
Vice President of Finance and Facilities

Pinal County Community College District
(Central Arizona College)
Corrective Action Plan
Year Ended June 30, 2002

Federal Award Findings and Questioned Costs

02-101

CFDA No.: 84.342 **Preparing Tomorrow's Teachers to Use Technology**

Dennis Jenkins, Vice President for Finance and Facilities

Anticipated completion date: June 30, 2003

The District established improved procedures and controls for identifying, recording, and reporting non-federal matching grant expenditures. For the U.S. Department of Education Preparing Tomorrow's Teacher to Use Technology grant, the District was able to substantially accomplish the objectives of the grant at the expenditure rate below that originally proposed in the grant application budget. Also, the approved federal funds awarded were substantially less than the amount requested in the original grant proposal, but the approved non-federal matching requirement amounts were actually higher than the proposed amounts. Therefore, the approved matching requirement percent was higher than anticipated in the original proposal. As a result of these factors, the District did not expend non-federal funds to the extent designated by the approved grant award.

Procedures have been developed to review all grant applications to ensure that proposed matching requirements for grants and contracts are reasonable and will be fully budgeted and funded.

02-102

CFDA No.: 93.575 **Child Care and Development Block Grant**

Dennis Jenkins, Vice President for Finance and Facilities

Anticipated completion date: June 30, 2003

In January 2002, a specialized database was developed to assist in documenting and monitoring the special tests and provisions for the DES Child Care and Development Block Grant Program. Procedures have been established to produce reports that will be used to monitor progress towards this requirement.

November 20, 2003

Debbie Davenport
Auditor General
2910 N. 44th Street, Suite 410
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 related to federal awards.

Sincerely,

Dennis A. Jenkins
Vice President of Finance and Facilities

Pinal County Community College District
(Central Arizona College)
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2002

Status of Federal Award Findings and Questioned Costs

CFDA No.:84.342 **Preparing Tomorrow's Teachers to Use Technology**

Finding No. 01-1

Status: Fully corrected

The District has improved procedures and controls for identifying, recording, and reporting non-federal matching grant expenditures.

CFDA No.:93.614

Finding No. 01-2

Status: Fully corrected