

A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Pinal County Community College District

(Central Arizona College)

Year Ended June 30, 2011



Debra K. Davenport
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.



Copies of the Auditor General's reports are free.
You may request them by contacting us at:

Office of the Auditor General

2910 N. 44th Street, Suite 410 • Phoenix, AZ 85018 • (602) 553-0333

Additionally, many of our reports can be found in electronic format at:

www.azauditor.gov

Pinal County Community College District
(Central Arizona College)
Single Audit Reporting Package
Year Ended June 30, 2011

Table of Contents	Page
Financial Section	
Independent Auditors' Report	
Management's Discussion and Analysis	i
Statement of Net Assets—Primary Government	1
Statement of Financial Position—Component Unit	3
Statement of Revenues, Expenses, and Changes in Net Assets—Primary Government	4
Statement of Activities—Component Unit	5
Statement of Cash Flows—Primary Government	6
Notes to Financial Statements	8
Supplementary Information	
Schedule of Expenditures of Federal Awards	22
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 <i>Government Auditing Standards</i>	25
Single Audit Section	
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	27
Schedule of Findings and Questioned Costs	
Summary of Auditors' Results	29
Financial Statement Findings	31
Federal Award Findings and Questioned Costs	34
District Responses	
Corrective Action Plan	35
Summary Schedule of Prior Audit Findings	39



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, 2011, 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, 2011, 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 December 19, 2011, 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

December 19, 2011

Pinal County Community College District
(Central Arizona College)
Management's Discussion and Analysis
Year Ended June 30, 2011

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, 2011. 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, 2011. The statement shows the District's assets, liabilities, and net assets. Net assets are defined as total assets less total liabilities, and as such, reflect 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, 2011. 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, 2011. 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 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
Year Ended June 30, 2011

Condensed Financial Information

The condensed financial information below reflects the results of activity for fiscal year 2011. The financial information for fiscal year 2010 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—Primary Government</u>			
	<u>As of June 30, 2011</u>	<u>As of June 30, 2010</u>	<u>Percent Change</u>
Assets:			
Current assets	\$ 73,913,480	\$ 63,292,612	17%
Noncurrent assets, other than capital assets	16,531,408	42,057,619	-61%
Capital assets, net	<u>66,410,719</u>	<u>42,617,643</u>	56%
Total assets	<u>156,855,607</u>	<u>147,967,874</u>	6%
Liabilities:			
Long-term liabilities	58,621,680	62,501,131	-6%
Other liabilities	<u>5,919,630</u>	<u>4,726,805</u>	25%
Total liabilities	<u>64,541,310</u>	<u>67,227,936</u>	-4%
Net assets:			
Invested in capital assets, net of related debt	22,107,043	20,365,305	9%
Restricted net assets	2,565,183	2,679,369	-4%
Unrestricted net assets	<u>67,642,071</u>	<u>57,695,264</u>	17%
Total net assets	<u>\$ 92,314,297</u>	<u>\$ 80,739,938</u>	14%

Pinal County Community College District
(Central Arizona College)
Management's Discussion and Analysis
Year Ended June 30, 2011

<u>Changes in Net Assets—Primary Government</u>			
	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Percent Change</u>
Operating revenues	\$ 6,419,663	\$ 6,225,011	3%
Operating expenses	<u>58,318,851</u>	<u>56,354,385</u>	3%
Operating loss	<u>(51,899,188)</u>	<u>(50,129,374)</u>	4%
Nonoperating revenues less expenses	<u>63,473,547</u>	<u>63,773,697</u>	<-1%
Income before other revenues, expenses, gains, or losses	11,574,359	13,644,323	-15%
Other revenues, expenses, gains, or losses	<u> </u>	<u>34,050</u>	-100%
Increase in net assets	11,574,359	13,678,373	-15%
Net assets, beginning of year	<u>80,739,938</u>	<u>67,061,565</u>	20%
Net assets, end of year	<u>\$ 92,314,297</u>	<u>\$ 80,739,938</u>	14%

Pinal County Community College District
 (Central Arizona College)
 Management's Discussion and Analysis
 Year Ended June 30, 2011

<u>Revenues by Source—Primary Government</u>			
	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Percent Change</u>
Operating revenues:			
Tuition and fees (net of scholarship allowances)	\$ 5,546,834	\$ 5,341,242	4%
Other operating	<u>872,829</u>	<u>883,769</u>	-1%
Total operating revenues	<u>6,419,663</u>	<u>6,225,011</u>	3%
Nonoperating revenues:			
Property taxes	41,515,641	43,455,031	-4%
State appropriations	4,935,100	4,935,100	0%
State-shared sales tax	603,286	556,505	8%
Government grants and contracts	17,681,184	16,122,536	10%
Private grants and gifts	734,550	596,877	23%
Investment income	<u>681,310</u>	<u>880,987</u>	-23%
Total nonoperating revenues	<u>66,151,071</u>	<u>66,547,036</u>	-1%
Capital grants and gifts	<u> </u>	<u>34,050</u>	-100%
Total revenues	<u>\$72,570,734</u>	<u>\$72,806,097</u>	< -1%

Pinal County Community College District
 (Central Arizona College)
 Management's Discussion and Analysis
 Year Ended June 30, 2011

<u>Expenses by Function—Primary Government</u>			
	<u>Year Ended</u> <u>June 30, 2011</u>	<u>Year Ended</u> <u>June 30, 2010</u>	<u>Percent</u> <u>Change</u>
Operating expenses:			
Educational and general:			
Instruction	\$20,583,431	\$20,832,207	-1%
Public service	246,036	230,119	7%
Academic support	3,363,850	3,318,227	1%
Student services	4,221,676	4,116,052	3%
Institutional support	10,973,524	10,309,003	6%
Operation and maintenance of plant	4,569,432	4,688,191	-3%
Scholarships	10,267,328	8,408,310	22%
Auxiliary	985,096	1,012,010	-3%
Depreciation	<u>3,108,478</u>	<u>3,440,266</u>	-10%
Total operating expenses	<u>58,318,851</u>	<u>56,354,385</u>	3%
Nonoperating expenses:			
Interest expense on debt	2,671,037	2,770,824	-4%
Other	<u>6,487</u>	<u>2,515</u>	158%
Total nonoperating expenses	<u>2,677,524</u>	<u>2,773,339</u>	-3%
Total expenses	<u>\$60,996,375</u>	<u>\$59,127,724</u>	3%

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, government grants and contracts, and tuition and fees, which together represent approximately 96 percent of the District's total revenues.

During fiscal year 2011, there was a decrease in total revenues of \$235,363 when compared with the prior year. Property tax revenues decreased by \$1.9 million due to a decrease in the primary property assessed value of 11 percent. Government grants and contracts increased by a net amount of \$1.6 million, primarily because of a \$2.7 million increase in awards for the student Pell grant program and a decrease in awards of \$1.2 million in other U.S. Department of Education grant programs. Private grants and gifts increased by 23 percent primarily due to an increase in student scholarships funded by the Central Arizona College Foundation. Total operating revenues increased by 3 percent due to increases in net tuition and fees revenue because of increased student enrollment.

Pinal County Community College District
(Central Arizona College)
Management's Discussion and Analysis
Year Ended June 30, 2011

State appropriations were funded at the same level as the prior year. Investment income decreased by 23 percent because cash balances consisting of the general obligation bond proceeds decreased as the proceeds were used to fund capital projects during the year.

Total expenses increased by 3 percent as compared with the prior year due primarily to a \$1.9 million increase in student scholarships.

In fiscal year 2011, the District's total net assets increased by \$11.6 million, with total revenues of \$72.6 million and total expenditures of \$61 million. Total current assets and unrestricted net assets increased by \$10.6 million and \$9.9 million, respectively, mainly because of budgeted reserves in the general operating fund and excess revenues over expenditures in the general operating fund. Noncurrent assets, other than capital assets, decreased by \$25.5 million because bond proceeds that were invested in the prior year were spent on capital projects during the current year.

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, 2011, the District's capital assets, net of accumulated depreciation, totaled \$66.4 million, an increase of \$23.8 million from the prior year. Capital assets include land, equipment, buildings, improvements other than buildings, library books, and construction in progress. Additional information on capital assets can be found in Note 3 to the District's financial statements.

The District issued \$40 million in Series 2009A General Obligation Bonds as a part of the \$99 million capital project initiative approved by the voters in 2008. The District is using these proceeds in the current year to fund the Superstition Mountain Campus expansion, purchase land for the new Maricopa Campus, construct the first phase of the new Maricopa Campus, purchase land for the new San Tan Campus, and renovate selected buildings on the Signal Peak and Aravaipa Campuses. The bond issue has been rated Aa2 by Moody's Investment Services and AA- by Standard and Poor's. 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

During fiscal year 2011, Pinal County and the State of Arizona continued to experience an economic downturn. Although state appropriations remained the same as the previous year, funding for fiscal year 2012 will decrease by 57.7 percent to \$2.1 million.

Pinal County Community College District
(Central Arizona College)
Management's Discussion and Analysis
Year Ended June 30, 2011

For fiscal year 2011, the primary assessed value for property in the county decreased by 11 percent and the secondary assessed value for property decrease by 21 percent. With the continued local economic downturn, the County projected an additional 16 percent decline in primary assessed values and a 17 percent decline in secondary assessed values for fiscal year 2012. To offset decline in assessed values, it was necessary for the District to increase the tax rates for fiscal years 2011 and 2012. The District is still well below the primary tax levy limit prescribed by state statute. The District is continuing to develop budgetary strategies 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 85128.

(This page is left intentionally blank)

Pinal County Community College District
(Central Arizona College)
Statement of Net Assets—Primary Government
June 30, 2011

	<u>Business-Type Activities</u>
Assets	
Current assets:	
Cash and investments	\$ 66,010,440
Receivables:	
Accounts (net of allowance of \$159,865)	3,185,817
Property taxes (net of allowance of \$85,198)	2,684,097
Government grants and contracts	2,012,189
Other (net of allowance of \$962)	<u>20,937</u>
Total current assets	<u>73,913,480</u>
Noncurrent assets:	
Restricted assets:	
Cash and investments held by County Treasurer	14,679,551
Cash and investments held by trustee	1,842,625
Other receivables (net of allowance of \$425)	9,232
Capital assets, not being depreciated	29,824,445
Capital assets, being depreciated, net	<u>36,586,274</u>
Total noncurrent assets	<u>82,942,127</u>
Total assets	<u>156,855,607</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 3,193,962
Accrued payroll and employee benefits	1,410,248
Interest payable	383,228
Deposits held in custody for others	477,993
Insurance claims payable	454,199
Current portion of compensated absences payable	967,482
Current portion of long-term debt	<u>1,835,746</u>
Total current liabilities	<u>8,722,858</u>
Noncurrent liabilities:	
Compensated absences payable	768,639
Long-term debt	<u>55,049,813</u>
Total noncurrent liabilities	<u>55,818,452</u>
Total liabilities	<u>64,541,310</u>

(Continued)

See accompanying notes to financial statements.

Pinal County Community College District
 (Central Arizona College)
 Statement of Net Assets—Primary Government
 June 30, 2011
 (Concluded)

	<u>Business-Type Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 22,107,043
Restricted:	
Expendable:	
Grants and contracts	649,683
Loans	66,061
Debt service	1,849,439
Unrestricted	<u>67,642,071</u>
Total net assets	<u><u>\$ 92,314,297</u></u>

See accompanying notes to financial statements.

Pinal County Community College District
 (Central Arizona College)
 Statement of Financial Position—Component Unit
 June 30, 2011

	<u>Central Arizona College Foundation</u>
Assets	
Cash and cash equivalents	\$ 850
Investments	<u>3,771,606</u>
Total assets	<u>\$ 3,772,456</u>
Liabilities	
Accounts payable	<u>15,143</u>
Total liabilities	<u>15,143</u>
Net Assets	
Temporarily restricted	241,665
Permanently restricted	<u>3,515,648</u>
Total net assets	<u>3,757,313</u>
Total liabilities and net assets	<u>\$ 3,772,456</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, 2011

	<u>Business-Type Activities</u>
Operating revenues:	
Tuition and fees (net of scholarship allowances of \$6,177,430)	\$ 5,546,834
Dormitory rentals and fees (net of scholarship allowances of \$316,191)	259,952
Other	<u>612,877</u>
Total operating revenues	<u>6,419,663</u>
Operating expenses:	
Educational and general:	
Instruction	20,583,431
Public service	246,036
Academic support	3,363,850
Student services	4,221,676
Institutional support	10,973,524
Operation and maintenance of plant	4,569,432
Scholarships	10,267,328
Auxiliary enterprises	985,096
Depreciation	<u>3,108,478</u>
Total operating expenses	<u>58,318,851</u>
Operating loss	<u>(51,899,188)</u>
Nonoperating revenues (expenses):	
Property taxes	41,515,641
State appropriations	4,935,100
Share of state sales taxes	603,286
Government grants and contracts	17,681,184
Private grants and gifts	734,550
Investment earnings	681,310
Interest expense on debt	(2,671,037)
Loss on disposal of capital assets	<u>(6,487)</u>
Net nonoperating revenues	<u>63,473,547</u>
Increase in net assets	11,574,359
Total net assets, July 1, 2010	<u>80,739,938</u>
Total net assets, June 30, 2011	<u>\$ 92,314,297</u>

See accompanying notes to financial statements.

Pinal County Community College District
(Central Arizona College)
Statement of Activities—Component Unit
Year Ended June 30, 2011

	Central Arizona College Foundation			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, gains, and other support				
Contributions	\$ 35,601	\$ 50,486	\$ 431,388	\$ 517,475
Contributions—fundraisers		31,216		31,216
Dividends and interest		135,203		135,203
Net realized and unrealized gains on investments		460,945		460,945
Total revenues, gains, and other support	<u>35,601</u>	<u>677,850</u>	<u>431,388</u>	<u>1,144,839</u>
Expenses and losses				
Scholarships	\$ 513,402			513,402
Fundraising	5,525			5,525
Public relations	17,535			17,535
Office operations expenses	193,640			193,640
Total expenses and losses	<u>730,102</u>			<u>730,102</u>
Net assets released from restrictions				
Transfers	<u>694,501</u>	<u>(558,488)</u>	<u>(136,013)</u>	
Changes in net assets		119,362	295,375	414,737
Net assets, July 1, 2010		<u>122,303</u>	<u>3,220,273</u>	<u>3,342,576</u>
Net assets, June 30, 2011		<u>\$ 241,665</u>	<u>\$ 3,515,648</u>	<u>\$ 3,757,313</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, 2011

	Business-Type Activities
Cash flows from operating activities:	
Tuition and fees	\$ 4,961,450
Dormitory rentals and fees	251,144
Collection of loans to students	4,998
Other receipts	652,536
Payments to employees	(34,438,657)
Payments to suppliers and providers of goods and services	(10,039,142)
Payments to students for scholarships	(10,245,452)
Other payments	<u>(872,272)</u>
Net cash used for operating activities	<u>(49,725,395)</u>
Cash flows from noncapital financing activities:	
Property taxes	41,392,940
State appropriations	4,935,100
Share of state sales taxes	603,286
Grants and contracts	17,874,396
Noncapital endowments and gifts	734,550
Federal direct lending receipts	5,624,172
Federal direct lending disbursements	(5,624,172)
Deposits held for others received	390,201
Deposits held for others disbursed	<u>(219,994)</u>
Net cash provided by noncapital financing activities	<u>65,710,479</u>
Cash flows from capital and related financing activities:	
Proceeds from the sale of capital assets	9,325
Principal paid on capital debt	(3,596,840)
Interest paid on capital debt	(3,671,774)
Purchases of capital assets	<u>(24,825,927)</u>
Net cash used for capital and related financing activities	<u>(32,085,216)</u>
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	2,101,378
Interest received on investments	681,310
Purchases of investments	<u>(2,130,250)</u>
Net cash provided by investing activities	<u>652,438</u>
Net decrease in cash and cash equivalents	(15,447,694)
Cash and cash equivalents, July 1, 2010	<u>96,137,685</u>
Cash and cash equivalents, June 30, 2011	<u>\$ 80,689,991</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, 2011
(Concluded)

	<u>Business-Type Activities</u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (51,899,188)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	3,108,478
Changes in assets and liabilities:	
Increase in:	
Receivables, net	(585,188)
Accounts payable	173,901
Decrease in:	
Student loans receivable	1,198
Insurance claims payable	(216,223)
Compensated absences payable	(282,611)
Accrued liabilities	(25,762)
Net cash used for operating activities	<u>\$ (49,725,395)</u>
Noncash investing, capital, and noncapital financing activities:	
Disposal of capital assets being depreciated	\$ 15,812
Elimination of accumulated depreciation on disposal of capital assets	1,429,296
Reconciliation of cash and cash equivalents, as presented on the Statement of Net Assets:	
Cash and investments	\$ 66,010,440
Restricted assets:	
Cash and investments held by County Treasurer	<u>14,679,551</u>
Total cash and cash equivalents, June 30, 2011	<u>\$ 80,689,991</u>

See accompanying notes to financial statements.

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2011

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 (Foundation).

The 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 be used only 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, 2011, the Foundation distributed \$753,114 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 North Overfield Road, Coolidge, AZ 85218.

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.

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2011

A statement of net assets provides information about the District's assets, liabilities, and net assets at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified according to external donor restrictions or availability of assets to satisfy the District's 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 management has designated 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.

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.

Pinal County Community College District
 (Central Arizona College)
 Notes to Financial Statements
 June 30, 2011

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
Modular buildings	3,000	Straight-line	20 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.

F. Compensated Absences

Compensated absences payable consists 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 and Sick Leave Sell-Back program. For fiscal year 2011, employees must maintain a

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2011

minimum of 20 days of vacation to participate in the sell-back program. An employee may sell back vacation hours accrued in excess of 20 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 and Sick Leave Sell-Back program. For fiscal year 2011, employees must maintain a minimum of 60 days of sick leave to participate in the sell-back program. An employee may sell back sick leave hours in excess of 60 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 upon termination. 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 the student's behalf. 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.

Deposits—At June 30, 2011, the carrying amount of the District's deposits was \$8,014,866 and the bank balance was \$9,347,041. The District does not have a policy with respect to custodial credit risk.

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2011

Investments—The District’s investments at June 30, 2011, were as follows:

Investment Type	Amount
County Treasurer’s investment pool	\$72,657,710
Mutual funds—U.S. Treasury securities	<u>1,842,625</u>
Total	<u>\$74,500,335</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, 2011, credit risk for the District’s investments was as follows:

Investment Type	Rating	Rating Agency	Amount
County Treasurer’s investment pool	Unrated	Not applicable	\$72,657,710
Mutual funds—U.S. Treasury securities	Aaa	Moody’s	<u>1,842,625</u>
Total			<u>\$74,500,335</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, 2011, the District had \$1,842,625 of mutual funds—U.S. Treasury securities that were uninsured and held by the counterparty’s trust department or agent not in the District’s name.

Interest Rate Risk—The District does not have a formal policy for interest rate risk. At June 30, 2011, the District had the following investments in debt securities:

Investment Type	Investment Maturities
	Less than 1 year
County Treasurer’s investment pool	\$72,657,710
Mutual funds—U.S. Treasury securities	<u>1,842,625</u>
Total	<u>\$74,500,335</u>

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2011

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	\$ 17,415	Cash and investments	\$66,010,440
Amount of deposits	8,014,866	Restricted assets:	
Amount of investments	<u>74,500,335</u>	Cash and investments held	
		by County Treasurer	14,679,551
		Cash and investments held	
		by trustee	<u>1,842,625</u>
Total	<u>\$82,532,616</u>	Total	<u>\$82,532,616</u>

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 4,202,798	\$13,123,825		\$17,326,623
Construction in progress	<u>216,015</u>	<u>12,281,807</u>		<u>12,497,822</u>
Total capital assets not being depreciated	<u>4,418,813</u>	<u>25,405,632</u>		<u>29,824,445</u>
Capital assets being depreciated:				
Buildings	50,648,346	49,835	\$ 268,110	50,430,071
Improvements other than buildings	7,375,906	491,265		7,867,171
Equipment	18,058,727	1,162,677	1,445,108	17,776,296
Library books	<u>1,678,809</u>	<u>76,067</u>		<u>1,754,876</u>
Total capital assets being depreciated	<u>77,761,788</u>	<u>1,779,844</u>	<u>1,713,218</u>	<u>77,828,414</u>
Less accumulated depreciation for:				
Buildings	20,833,263	978,158		21,811,421
Improvements other than buildings	3,309,991	473,562		3,783,553
Equipment	14,070,294	1,585,820	1,429,296	14,226,818
Library books	<u>1,349,410</u>	<u>70,938</u>		<u>1,420,348</u>
Total accumulated depreciation	<u>39,562,958</u>	<u>3,108,478</u>	<u>1,429,296</u>	<u>41,242,140</u>
Total capital assets being depreciated, net	<u>38,198,830</u>	<u>(1,328,634)</u>	<u>283,922</u>	<u>36,586,274</u>
Capital assets, net	<u>\$42,617,643</u>	<u>\$24,076,998</u>	<u>\$ 283,922</u>	<u>\$66,410,719</u>

At of June 30, 2011, the District had ongoing construction projects for the expansion and renovation of the Superstition Mountain Campus, Aravaipa Campus, Signal Peak Campus, as well as the addition of a Maricopa Campus and San Tan Campus. The District spent a total of approximately \$12 million on these projects during the year, and had estimated remaining contractual commitments of \$7 million at June 30, 2011, as follows: Superstition Mountain

Pinal County Community College District
 (Central Arizona College)
 Notes to Financial Statements
 June 30, 2011

Campus—\$1.1 million, Aravaipa Campus—\$3 million, Maricopa Campus—\$1.6 million, and San Tan Campus—\$1.3 million. These projects will be funded with unspent proceeds from the Series 2009A General Obligation Bonds.

Note 4 - Long-Term Liabilities

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due within 1 year
Compensated absences payable	\$ 2,018,732	\$967,357	\$1,249,968	\$ 1,736,121	\$ 967,482
General obligation bonds	\$40,000,000		\$1,825,000	\$38,175,000	
Revenue bonds	6,945,000		645,000	6,300,000	\$ 675,000
Pledged revenue obligations payable	8,870,000		855,000	8,015,000	880,000
Capital leases payable	4,667,399		271,840	4,395,559	280,746
Total long-term debt	<u>\$60,482,399</u>	<u>\$</u>	<u>\$3,596,840</u>	<u>\$56,885,559</u>	<u>\$1,835,746</u>

Bonds—The District's bonded debt consists of general obligation bonds and revenue bonds that are generally callable with interest payable semiannually. Bond proceeds primarily pay for acquiring or constructing capital facilities. In fiscal year 2010, the District issued general obligation bonds totaling \$40 million to fund the purchase of land, the construction of new facilities, the renovation of existing facilities, and the purchase of equipment. In addition, the District issued revenue bonds in fiscal year 2004, a portion of which were used to advance refund a prior higher-rate revenue bond issue that is legally defeased. The District repays general obligation bonds from voter-approved property taxes. Revenue bonds are repaid from tuition and fees and dormitory rentals and fees. Of the total general obligation bonds originally authorized in 2008, \$59 million remain unissued. Bonds outstanding at June 30, 2011, were as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
General Obligation Bonds—Series 2009A	\$40,000,000	7/1/11-34	5.25%	\$38,175,000
Revenue Bonds—Series 2004	10,500,000	7/1/11-18	4.125-4.5%	6,300,000

The following schedule details debt service requirements to maturity for the District's bonds payable at June 30, 2011:

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2011

Year ending June 30,	<u>Revenue Bonds</u>		<u>General Obligation Bonds</u>	
	Principal	Interest	Principal	Interest
2012	\$ 675,000	\$ 257,478		\$ 1,882,992
2013	705,000	228,134	\$ 970,000	1,844,992
2014	735,000	196,175	1,005,000	1,805,492
2015	765,000	162,425	1,045,000	1,764,492
2016	800,000	127,212	1,090,000	1,721,792
2017-2021	2,620,000	167,844	6,145,000	7,880,185
2022-2026			7,735,000	6,210,835
2027-2031			9,980,000	4,006,845
2032-2035			<u>10,205,000</u>	<u>1,109,195</u>
Total	<u>\$6,300,000</u>	<u>\$1,139,268</u>	<u>\$38,175,000</u>	<u>\$28,226,820</u>

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. The obligations are secured by tuition and fees and dormitory rentals and fees of the District and are callable with interest payable semiannually.

Pledged revenue obligation requirements at June 30, 2011, were as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
Pledged Revenue Obligations— Series 2004	\$13,530,000	7/1/11-18	3%-4.125%	\$8,015,000

The following schedule details debt service requirements to maturity for the District’s pledged revenue obligation payable at June 30, 2011:

Year Ending June 30,	<u>Pledged Revenue Obligations</u>	
	Principal	Interest
2012	\$ 880,000	\$ 290,650
2013	910,000	262,663
2014	940,000	229,075
2015	980,000	190,675
2016	1,020,000	151,950
2017-19	<u>3,285,000</u>	<u>204,262</u>
Total	<u>\$8,015,000</u>	<u>\$1,329,275</u>

Capital leases—The District has acquired energy savings equipment under the provisions of a long-term lease agreement classified as a capital lease for accounting purposes because it provides for a bargain purchase option or a transfer of ownership by the end of the lease term.

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2011

The assets acquired through capital leases are as follows:

Energy savings equipment	\$5,336,814
Less: accumulated depreciation	<u>2,295,063</u>
Carrying value	<u>\$3,041,751</u>

The following schedule details debt service requirements to maturity for the District's capital leases payable at June 30, 2011:

Year ending June 30	
2012	\$ 468,933
2013	469,810
2014	470,734
2015	471,703
2016	472,721
2017-21	2,380,563
2022-23	<u>961,079</u>
Total minimum lease payments	5,695,543
Less amount representing interest	<u>1,299,984</u>
Present value of net minimum lease payments	<u>\$4,395,559</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 older higher-rate bonds and 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 tuition and fees and dormitory rentals and fees 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 \$14,315,000 and \$2,468,543, respectively, with annual requirements ranging from \$2,090,543 to \$2,105,797. Pledged revenue sources have averaged approximately \$5,260,611 over the prior 5 fiscal years. For the current year, principal and interest paid by the District was \$2,101,378, and total tuition and fees and dormitory rentals and fees, net of scholarship allowances, was \$5,806,786.

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

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2011

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 liability; 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 benefits to eligible employees and dependents. The healthcare plan provides 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. Settled claims have not exceeded the District's coverage for this plan in any of the past 3 fiscal years. An independent administrator provides claim and recordkeeping services for the plan.

The insurance claims payable liability of \$454,199 at June 30, 2011, 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 claims reported during the year, prior-year claims of continuing duration, and claims incurred but not reported as of June 30, 2011. Changes in the District's claims payable for the fiscal years ended June 30, 2011, and June 30, 2010, were as follows:

	2011	2010
Claims payable, beginning of year	\$ 670,422	\$ 586,990
Current year claims and changes in estimates	3,334,233	3,616,119
Claim payments	<u>(3,550,456)</u>	<u>(3,532,687)</u>
Claims payable, end of year	<u>\$ 454,199</u>	<u>\$ 670,422</u>

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 \$736,059 for the year ended June 30, 2011. The operating leases have remaining noncancelable terms of 3 to 10 years and provide renewal options. The future minimum payments required under the operating leases at June 30, 2011, were as follows:

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2011

Year ending June 30	
2012	\$ 645,812
2013	652,138
2014	658,498
2015	551,662
2016	349,701
2017-2021	<u>1,969,858</u>
Total minimum lease payments	<u>\$4,827,669</u>

Note 8 - Pension and Other Postemployment Benefits

Plan descriptions—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 State Retirement System (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement 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, 2011, active plan members were required by statute to contribute at the actuarially determined rate of 9.85 percent (9.6 percent for retirement and 0.25 percent for long-term disability) of the members' annual covered payroll, and the District was required by statute to contribute at the actuarially determined rate of 9.85 percent (9.0 percent for retirement, 0.6 percent for health insurance premium, and 0.25 percent for long-term disability) of the members' annual covered payroll.

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
2011	\$1,856,466	\$123,764	\$50,736
2010	1,786,863	141,406	83,923
2009	1,594,951	191,634	97,021

Pinal County Community College District
 (Central Arizona College)
 Notes to Financial Statements
 June 30, 2011

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	\$33,914,061
Contract services	3,205,373
Supplies and other services	5,184,719
Communications and utilities	1,822,951
Scholarships	10,241,652
Depreciation	3,108,478
Other	<u>841,617</u>
Total	<u>\$58,318,851</u>

Note 10 - Subsequent Events

In September 2011, the District purchased approximately 201 acres of land for a new campus in the San Tan area of Pinal County. The cost was approximately \$8.7 million. The District has also approved additional construction and renovation projects for the Aravaipa, Maricopa, Signal Peak, and Superstition Mountain Campuses in the amount of \$33.5 million. The land purchase and a portion of the construction and renovation projects will be funded by unspent proceeds from the Series 2009A General Obligation Bonds. In November 2011, the District's governing board approved a resolution to issue the remaining general obligation bonds that were authorized as part of the \$99 million capital project initiative approved by the voters in 2008; therefore, in February 2012, the District plans to issue general obligation bonds in the amount of approximately \$59 million to fund the remaining costs of these projects.

Note 11 - Central Arizona College Foundation

Reporting Entity—The Central Arizona College Foundation (Foundation) is a tax-exempt organization that is legally separate from Central Arizona College (Pinal County Community College District). The Foundation primarily acts as a fund-raising organization that receives gifts and bequests, administers those resources, and disburses payments to Central Arizona College for scholarships and college development activities.

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, 2011

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	\$ 190,720
Unit Trusts	209,393
Stocks	1,163,533
Certificates of Deposits	507,950
Mutual Funds	<u>1,700,010</u>
Total	<u>\$3,771,606</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	\$1,852,626
Other restricted scholarship programs	1,511,638
Activities of the Foundation	<u>151,384</u>
Total	<u>\$3,515,648</u>

Net assets were released from donor restrictions or by incurring expenses 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 over in one bank and one investment firm both located in the same geographic region. Cash balances are insured under the Federal Deposit Insurance Corporation. At June 30, 2011, the Foundation’s balances were \$850.

Supplementary Information

Pinal County Community College District
(Central Arizona College)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Housing and Urban Development			
Hispanic-Serving Institutions Assisting Communities	14.514		\$ <u>91,122</u>
U.S. Department of Labor			
Community Based Job Training Grants	17.269		<u>838,090</u>
National Science Foundation			
Engineering Grants, passed through Arizona State University	47.041	836050	17,582
Education and Human Resources, passed through University of New Mexico	47.076	DUE-1003736	<u>9,745</u>
Total National Science Foundation			<u>27,327</u>
U.S. Small Business Administration			
Small Business Development Centers, passed through Maricopa County Community College District	59.037	1-603001-Z-0003-19, 0-603001-Z-0003-18	<u>61,589</u>
U.S. Department of Education			
Adult Education—Basic Grants to States, passed through the Arizona Department of Education	84.002	11FAEABE-170612-02A, 11FAEACF-170612-04A, 11FAEAEF-170612-03A	254,399
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007		67,793
Federal Family Education Loans	84.032		26,563
Federal Work-Study Program	84.033		110,292
Federal Pell Grant Program	84.063		13,465,284
Federal Direct Student Loans	84.268		5,624,172
Academic Competitiveness Grants	84.375		<u>30,056</u>
Total Student Financial Assistance Cluster			<u>19,324,160</u>
Special Education—Grants to States, passed through the Arizona Department of Education	84.027	ED08-0014-08	59,064
Higher Education—Institutional Aid	84.031		513,018
TRIO—Student Support Services	84.042		159,244

(Continued)

See accompanying notes to schedule.

Pinal County Community College District
(Central Arizona College)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011
(Concluded)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
Career and Technical Education—Basic Grants to States, passed through the Arizona Department of Education	84.048	10FCTDBG-070612-01A, 11FCTDBG-170612-01A	\$ 140,122
Leveraging Educational Assistance Partnership, passed through the Arizona Commission for Postsecondary Education	84.069	None	12,973
Fund for the Improvement of Postsecondary Education	84.116		51,248
Tech-Prep Education, passed through Pinal County Superintendent Consortium	84.243	10FCTDTP-070734-01A, 11FCTDTP-170734-01A	6,313
State Fiscal Stabilization Fund Cluster:			
ARRA—State Fiscal Stabilization Fund—Education State Grants, Recovery Act, passed through the Arizona Governor's Office of Economic Recovery	84.394	OER-II-IGA-SE-10	15,092
ARRA—State Fiscal Stabilization Fund—Government Services, Recovery Act, passed through the Governor's Office of Economic Recovery	84.397	OER-II-CON-GS-42	<u>163,835</u>
Total State Fiscal Stabilization Fund Cluster			<u>178,927</u>
Total U.S. Department of Education			<u>20,699,468</u>
Corporation for National and Community Service			
AmeriCorps, passed through the Arizona Governor's Office for Children, Youth and Families	94.006	AC-VSG-10-0273-01, AC-VSG-10-0273-01Y2	<u>92,448</u>
Total Expenditures of Federal Awards			<u><u>\$ 21,810,044</u></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, 2011

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 2011 *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	\$77,479



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, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 19, 2011. 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

The District's management is responsible for establishing and maintaining effective 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses, have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's basic financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 11-01 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 11-03 to be a significant deficiency.

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 and those of the other auditors disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings and Questioned Costs as item 11-02.

Pinal County Community College District's responses to the findings identified in our audit are presented on pages 35 through 37. 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, others within the District, 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

December 19, 2011



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
That Could Have a Direct and Material Effect on 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 Pinal County Community College District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133, and that is described in the accompanying Schedule of Findings and Questioned Costs as item 11-101.

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 to determine the 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, 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item 11-101. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Pinal County Community College District's responses to the findings identified in our audit are presented on pages 35 through 37. 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, others within the District, 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

December 19, 2011

Pinal County Community College District
 (Central Arizona College)
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2011

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:		Unqualified	
		Yes	No
Internal control over financial reporting:			
Material weaknesses identified?	X	___	
Significant deficiencies identified?	X	___	
Noncompliance material to the financial statements noted?	___	X	

Federal Awards

Internal control over major programs:			
Material weaknesses identified?	___	X	
Significant deficiencies identified?	X	___	
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])?	X	___	

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
84.268	Federal Direct Student Loans
84.375	Academic Competitiveness Grants
84.031	Higher Education—Institutional Aid

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Pinal County Community College District
(Central Arizona College)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Yes **No**

Auditee qualified as low-risk auditee?

___ X

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?

X ___

Pinal County Community College District
(Central Arizona College)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Financial Statement Findings

11-01

The District should strengthen access controls over its information systems

Criteria: The District should have effective system access controls to prevent and detect unauthorized use, damage, loss, or modification of programs and data, including sensitive and confidential information.

Condition and context: The District did not ensure that system access granted to users was appropriate and included only those functions necessary to perform their job responsibilities. In addition, the District did not monitor the activities of users with unlimited system access. Additionally, auditors found that information technology personnel, such as programmers, had the ability to process transactions, which should not be allowed. Also, employees' access was not always removed immediately upon termination or when transferring to another position.

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: For most of the year, the District did not have adequate procedures in place for granting and monitoring system access. In June 2011, the District began implementing changes to correct the majority of these deficiencies based on the prior-year recommendation. For example, the District removed and reassigned all system users' access to eliminate excessive and incompatible access rights, and implemented automated features in its systems to help prevent and detect unauthorized access. However, the District still needs to monitor users with unlimited system access.

Recommendation: To help ensure that its information systems are protected from unauthorized access, the District should continue to perform periodic comprehensive reviews of existing users' access and eliminate incompatible or inappropriate access rights. In addition, the District should develop policies and procedures for monitoring the activities of users with unlimited system access.

This finding is similar to a prior-year finding.

Pinal County Community College District
(Central Arizona College)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

11-02

The District needs to evaluate and improve its policies and procedures over purchasing

Criteria: The District spends a significant amount of public monies on goods and services; therefore, it is essential that the District implement sound purchasing policies and procedures designed to help ensure that it receives the best possible value for the public monies it spends.

Condition and context: During the year, the District spent approximately \$22 million for goods and services that should have been subject to the District's competitive purchasing policies. However, the District did not follow these policies when purchasing food services, facilities maintenance services, and legal services. Further, the District's policies did not require it to evaluate long-term contracts to ensure that they are competitively procured on a periodic basis prior to renewing the contract, and remain advantageous to the District. Specifically, auditors noted the following deficiencies:

Food services—During the year, the District spent approximately \$1 million for food services. The District used the same food services contractor that it has used for several years and never competitively procured. In August 2011, the District renewed its existing food services contract for 12 years without using competitive purchasing procedures.

Facilities maintenance services—During the year, the District spent approximately \$152,000 for its facilities maintenance services contract that was effective for the period of July 2007 to June 2012, and was never competitively procured.

Legal services—During the year, the District spent approximately \$58,000 and \$62,000 for general legal and bond counsel services, respectively, without competitively procuring these services. Further, the District did not have a written contract in effect for the current year for its general legal counsel services.

Effect: The District did not comply with its own policies when procuring services. In addition, the District's policies did not include detailed procedures and guidelines for employees to follow when making purchases. These control deficiencies could have resulted in contracts being awarded to vendors that were not advantageous to the District. This finding is considered an instance of noncompliance.

Cause: The District did not enforce its purchasing policies because it allowed management decisions to bypass its centralized purchasing function. In addition, the District did not provide sufficient procedures and guidelines for employees to follow when purchasing goods and services, and did not require written contracts for professional services.

Recommendation: The District should evaluate and improve its existing purchasing policies using the Arizona State Procurement Code, and best practices and policies established by other Arizona community college districts, as guidelines. In addition, the District should establish detailed procedures for employees to follow when purchasing goods and services. These policies and procedures should be enforced for all purchases and require that the District:

Pinal County Community College District
(Central Arizona College)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

- Obtain competitive sealed bids or proposals, as appropriate, for all purchases of construction, goods, and services, including outsourced and professional services, exceeding the District's competitive bid threshold.
- Prepare and maintain a bid file that contains a copy of the invitation to bid or an affidavit of publication, bid specifications, bids received from vendors, correspondence, and other documents related to the competitive bid and vendor selection process. This should include supporting documentation justifying vendor selection if the vendor with the lowest price quotation is not selected. Retain bid files in accordance with federal and state regulations.
- Obtain written contracts for all services that include the scope of the work to be performed, the amounts to be charged to the District, and other pertinent contract terms. Written contracts should be obtained prior to the vendor's commencement of the work and the District's payment to the vendor.
- Require a minimum number of vendors be contacted for oral and written price quotations and document vendors contacted and their reasons for not providing quotations, if applicable.
- Establish criteria for sole source determinations and require that documentation be prepared that clearly justifies there are no reasonable alternative sources prior to acquiring the goods and services.
- Evaluate long-term contracts to ensure that they are competitively procured on a periodic basis prior to renewing the contract.

This finding is similar to a prior-year finding.

11-03

The District needs to ensure that its estimate of scholarship allowances is accurate

Criteria: The District should accurately report revenues, such as tuition and fees and dormitory rentals and fees, net of scholarship allowances in accordance with generally accepted accounting principles. To accomplish this, the District should have procedures in place to accurately calculate, review, and record scholarship allowances.

Condition and context: The District did not correctly calculate its scholarship allowances for the year, and the calculation was not adequately reviewed for accuracy.

Effect: The District's scholarship allowances, which are netted against tuition and fees and dormitory rentals and fees, were misstated by nearly \$1 million. The financial statements were adjusted to correct this error. This finding is a significant deficiency in internal control over financial reporting.

Cause: The District estimates its scholarship allowances each year; however, several amounts used in the estimate were not correct, and the methodology the District used in calculating the estimate was not applied correctly. Additionally, the review performed over this calculation was not sufficient to identify and correct these errors.

Recommendation: To help ensure that its financial statements correctly report tuition and fees and dormitory rentals and fees net of scholarship allowances, the District should ensure that the methodology used to estimate the allowances is applied correctly. Additionally, an adequate level of review should be performed on this calculation to ensure its accuracy.

Pinal County Community College District
(Central Arizona College)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Federal Award Findings and Questioned Costs

11-101

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

U.S. Department of Education

Award Period: October 1, 2007 through September 30, 2011

Award Number: P031S050056, P031C080002

Allowable Costs/Cost Principles

Questioned Costs: \$527

Criteria: According to the cost principles outlined in 2 CFR §220, Appendix A, §J(17), expenditures for entertainment and related costs, such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities, are not allowed to be charged to federal programs.

Condition and context: For 2 of 24 expenditures tested, the District charged travel and meal costs associated with entertainment activities to the program.

Effect: The District charged expenditures to the program that were not allowed. It was not practical to extend our auditing procedures sufficiently to determine the amount of additional questioned costs that may have resulted from this finding. This finding is a significant deficiency in internal control over compliance and noncompliance with the program's allowable costs and cost principles requirements.

Cause: The District was not aware of all the allowable cost requirements that were applicable to the program.

Recommendation: The District should take greater care in reviewing and approving requests for travel claims and advances to ensure that the purpose of the travel and related activities and costs are allowable and comply with the program's requirements.



November 30, 2011

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 the standards applicable to the financial audits contained in *Government Auditing Standards* and 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,


Chris Wodka
Vice President of Finance and Administration

Pinal County Community College District
(Central Arizona College)
Corrective Action Plan
Year Ended June 30, 2011

Financial Statement Findings

11-01

The District should strengthen access controls over its computer system.

Chris Wodka, Vice President of Finance and Administration
Anticipated Completion Date: December 31, 2011

Corrective Action Plan: During the fiscal year ending June 30, 2011, the District completed the review of job responsibilities and user access rights for its main operating system and in June of 2011 a strengthened security system was implemented. Also, a new process for requesting, approving, and terminating system access was implemented during the year. In addition procedures have been strengthened to eliminate the ability of programmers to process transactions and to monitor activity for users with high level access. The District is in the process of developing procedures for monitoring the activities of users with unlimited access.

11-02

The District needs to improve its policies and procedures over purchasing.

Chris Wodka, Vice President of Finance and Administration
Anticipated Completion Date: January 31, 2012

Corrective Action Plan: Purchasing policies and procedures will be strengthened pertaining to the purchase of goods and services on contract. The District is in the process of evaluating and improving existing policies. In addition, employee purchasing guidelines will be reviewed and revised as needed to ensure that purchases comply with the districts policies and procedures

11-03

The District needs to ensure that its estimate of scholarship allowances is accurate.

Chris Wodka, Vice President of Finance and Administration
Anticipated Completion Date: June 30, 2012

Corrective Action Plan: The District will strengthen procedures to ensure that the methodology used to estimate the scholarship allowance is applied correctly. The District will also strengthen procedures by performing an adequate level of review to ensure accuracy.

Pinal County Community College District
(Central Arizona College)
Corrective Action Plan
Year Ended June 30, 2011

Federal Award Findings and Questioned Costs

11-101

CFDA No.: 84.031 Higher Education - Institutional Aid

Chris Wodka, Vice President of Finance and Administration

Anticipated Completion Date: December 31, 2011

Corrective Action Undertaken: Procedures have been strengthened to ensure that travel and meal expenditures charged to federal grant programs are in accordance with grant regulations and are properly documented.

(This page is left intentionally blank)




November 30, 2011

Debbie Davenport
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 related to federal awards. This schedule also includes audit findings reported in the prior audit's Summary Schedule of Prior Audit Findings that were not corrected.

Sincerely,


Chris Wodka
Vice President of Finance and Administration

Pinal County Community College District
(Central Arizona College)
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2011

Federal Award Findings and Questioned Costs

07-102

CFDA No.: 84.031 Higher Education - Institutional Aid

Status – Fully corrected.

08-102

CFDA No.: 17.269 Community Based Job Training Grants
84.031 Higher Education – Institutional Aid

Status – Fully corrected.

09-103

CFDA No.: 84.031 Higher Education - Institutional Aid

Status – Fully corrected.

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

Status – Fully corrected.

10-101

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

Status – Fully corrected.

Pinal County Community College District
(Central Arizona College)
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2011

10-102

CFDA No.: 84.031 Higher Education - Institutional Aid

Status – Partially corrected. The District implemented procedures in April 2011, requiring contractors and subcontractors that are awarded federal monies in excess of \$2,000 to pay employees the prevailing wage rates established by the U.S. Department of Labor. During fiscal year 2011, the District did not have any construction projects that were subject to the Davis-Bacon Act requirements, therefore auditors were unable to perform audit procedures and determine if the finding had been fully corrected.

10-103

CFDA No.: 84.031 Higher Education - Institutional Aid

Status – Fully corrected.

10-104

CFDA No.: 84.031 Higher Education - Institutional Aid

Status – Fully corrected.