



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

**Pinal County Community
College District**

(Central Arizona College)

Year Ended June 30, 2003



Debra K. Davenport
Auditor General

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Pinal County Community College District
(Central Arizona College)
Single Audit Reporting Package
Year Ended June 30, 2003

Table of Contents	Page
Financial Section	
Independent Auditors' Report	
Management's Discussion and Analysis	i
Statement of Net Assets	1
Statement of Revenues, Expenses, and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	6
Supplementary Information	
Schedule of Expenditures of Federal Awards	16
Single Audit Section	
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	21
Schedule of Findings and Questioned Costs	
Summary of Auditors' Results	23
Federal Award Findings and Questioned Costs	24
District Responses	
Corrective Action Plan	
Summary Schedule of Prior Audit Findings	



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

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Governing Board of
Pinal County Community College District

We have audited the accompanying basic financial statements of Pinal County Community College District as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Pinal County Community College District as of June 30, 2003, and the changes in financial position and cash flows of the District for the year then ended in conformity with U.S. generally accepted accounting principles.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Debbie Davenport
Auditor General

June 22, 2004

Pinal County Community College District
(Central Arizona College)
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2003

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, 2003. Please read it in conjunction with the financial statements, which immediately follow.

Basic Financial Statements

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

The Statement of Net Assets reflects the financial position of the District at June 30, 2003. The statement shows the District's assets, liabilities and other obligations, and net assets. Net assets are defined as total assets less total liabilities, and as such, reflects the institutional equity in the total assets of the District.

The Statement of Revenues, Expenses, and Changes in Net Assets reflects the results of operations and changes for the fiscal year ended June 30, 2003. 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 inflow and outflow for the year ended June 30, 2003. It shows cash flows from operating activities, noncapital financing activities, capital and related financing activities, and investing activities. It also reconciles the beginning cash and cash equivalents amount to the ending cash and cash equivalents amount and cash flows from operating activities to the operating income (loss) as reported on the Statement of Revenues, Expenses, and Changes in Net Assets.

The condensed financial information below reflects the results of activity for fiscal year 2002-03. The financial information for the previous fiscal year 2001-02 is also presented as a reference point to illustrate trends for determining whether the institution's financial health is improving or deteriorating.

Pinal County Community College District
 (Central Arizona College)
 Management's Discussion and Analysis
 Fiscal Year Ended June 30, 2003

Statement of Net Assets

	<u>As of June 30, 2003</u>	<u>As of June 30, 2002</u>
Assets:		
Current assets	\$ 7,014,786	\$ 4,767,174
Noncurrent assets, other than capital assets	2,769,562	3,798,799
Capital assets, net	<u>33,047,346</u>	<u>33,665,253</u>
Total assets	<u>42,831,694</u>	<u>42,231,226</u>
Liabilities:		
Current liabilities	4,464,906	4,825,102
Noncurrent liabilities	<u>17,272,175</u>	<u>18,557,724</u>
Total liabilities	<u>21,737,081</u>	<u>23,382,826</u>
Net assets:		
Invested in capital assets, net of related debt	15,022,346	15,463,110
Restricted net assets	2,661,556	1,828,325
Unrestricted net assets	<u>3,410,711</u>	<u>1,556,965</u>
Total net assets	<u>\$21,094,613</u>	<u>\$18,848,400</u>

Pinal County Community College District
(Central Arizona College)
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2003

Statement of Revenues, Expenses, and Changes in Net Assets

	For year ended <u>June 30, 2003</u>	For year ended <u>June 30, 2002</u>
Operating revenues:		
Tuition and fees (net of scholarship allowances)	\$ 3,030,893	\$ 3,359,976
Grants and contracts	6,072,481	5,512,112
Other operating	<u>1,429,008</u>	<u>1,530,019</u>
Total operating revenues	<u>10,532,382</u>	<u>10,402,107</u>
Operating expenses:		
Educational and general	28,813,941	27,067,069
Auxiliary enterprises	1,868,610	1,813,524
Depreciation	<u>1,974,834</u>	<u>1,908,459</u>
Total operating expenses	<u>32,657,385</u>	<u>30,789,052</u>
Operating loss	<u>(22,125,003)</u>	<u>(20,386,945)</u>
Nonoperating revenues and expenses	<u>23,677,716</u>	<u>21,563,250</u>
Income before other revenues, expenses, gains and losses	1,552,713	1,176,305
Other revenues, expenses, gains, and losses	<u>693,500</u>	<u>1,027,305</u>
Increase in net assets	2,246,213	2,203,610
Net assets, Beginning of year	<u>18,848,400</u>	<u>16,644,790</u>
Net assets, End of year	<u>\$ 21,094,613</u>	<u>\$18,848,400</u>

Pinal County Community College District
(Central Arizona College)
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2003

<u>Revenues by Source</u>	<u>FY 2003</u>	<u>FY 2002</u>	<u>Percent Change</u>
Operating revenues:			
Tuition and fees (net of scholarship allowances)	\$ 3,030,893	\$ 3,359,976	(9.8)%
Grants and contracts	6,072,481	5,512,112	10.2
Other operating	<u>1,429,008</u>	<u>1,530,019</u>	(6.6)
Total operating revenues	<u>10,532,382</u>	<u>10,402,107</u>	1.3
Nonoperating revenues:			
Property taxes	18,433,025	15,910,003	15.9
State appropriations	5,624,400	6,030,400	(6.7)
State-shared sales tax	483,442	443,456	9.0
Grants and contracts	4,424	78,990	(94.4)
Investment income	62,528	108,684	(42.5)
Gain on disposal of capital assets	<u>2,325</u>	<u>10,347</u>	(77.6)
Total nonoperating revenues	<u>24,610,144</u>	<u>22,581,880</u>	9.0
Capital appropriations	693,500	682,900	1.6
Capital grants and gifts	<u> </u>	<u>344,405</u>	(100.0)
Total revenues	<u>\$35,836,026</u>	<u>\$34,011,292</u>	5.4

Pinal County Community College District
(Central Arizona College)
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2003

<u>Expenses by Function</u>	<u>FY 2003</u>	<u>FY 2002</u>	<u>Percent Change</u>
Operating expenses:			
Educational and general			
Instruction	\$13,529,627	\$13,254,766	2.1%
Public service	102,534	110,864	(7.5)
Academic support	2,091,979	2,129,854	(1.8)
Student services	2,506,470	2,201,952	13.8
Institutional support	5,777,725	4,792,254	20.6
Operations and maintenance of plant	3,337,430	3,163,628	5.5
Scholarships	1,468,176	1,413,751	3.8
Auxiliary enterprises	1,868,610	1,813,524	3.0
Depreciation	<u>1,974,834</u>	<u>1,908,459</u>	3.5
Total operating expenses	<u>32,657,385</u>	<u>30,789,052</u>	6.1
Nonoperating expenses:			
Interest expense on debt	<u>932,428</u>	<u>1,018,630</u>	(8.5)
Total nonoperating expenses	<u>932,428</u>	<u>1,018,630</u>	(8.5)
Total expenses	<u>\$33,589,813</u>	<u>\$31,807,682</u>	5.6

Pinal County Community College District
(Central Arizona College)
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2003

Financial Highlights and Analysis

The District's primary mission is to provide educational services to the residents of Pinal County through three campuses and two education centers. Primary sources of funding for these services are property taxes and state and capital appropriations, which together represent approximately 69 percent of the total revenues for the District.

During fiscal year 2003 the financial support from the state continues to decline, and the District's total state and capital appropriations were 5.9 percent lower than the previous year. The reduction, however, was more than offset by the 15.9 percent increase in property tax revenues generated by a growing property tax base within Pinal County.

Although operating revenues showed a slight increase in fiscal year 2003, the tuition and fee revenue recognized for financial statement purposes decreased because of an increase in the scholarship allowance of \$239,389 resulting from additional financial aid. Operating revenues from grants and contracts increased 10.2 percent due to increases in federal financial aid to students. Investment income decreased 42.5 percent as the result of a decline in the rate of return for funds deposited with the county treasurer. The implementation of a district-wide computer equipment replacement program, expenses incurred for the public safety training track, and increases in employer provided employee benefit programs were the main reasons for the abnormally high increase in institutional support expenditures.

For fiscal year 2003, the District recognized an increase in total net assets of over \$2.2 million, similar to the increase in the prior year. The District also had a \$2.2 million increase in current assets and a small decrease in current liabilities. Overall, the District's financial position continues to improve and remains strong.

Capital Assets and Debt Administration

A summary of capital assets, net of accumulated depreciation is presented below.

<u>Capital Assets</u>	
Land	\$ 2,545,147
Buildings	25,834,202
Equipment	1,698,116
Improvements other than buildings	2,542,910
Library books	<u>426,971</u>
Total Capital Assets, net	<u>\$33,047,346</u>

For fiscal year 2003, the District did not have any major construction projects in process.

Pinal County Community College District
(Central Arizona College)
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2003

During the fiscal year, the District made the final scheduled payment on general obligation bond issue for the initial construction of the college campus. The District's bond issues and pledged revenue obligations are rated Baa1 by Moody's Investor Service and no additional long-term debt was issued during the fiscal year. The District also paid the remaining balance on an installment purchase for land adjacent to the Superstition Mountain Campus.

Future Significant Financial Issues

Pinal County is expected to continue experiencing considerable growth, particularly in the northern part of the county. To accommodate the anticipated growth, the District hired a consulting firm to assist in assessing the future educational needs of the District and to assist in developing a capital expansion and financing plan to meet these needs. See Note 8.

It is anticipated that state appropriations will continue to decline as a percentage of total revenue. In order to maintain the quality level of educational services, the District will continue to pursue program funding from other external sources such as federal and local grants and contracts.

Requests for Information

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

Pinal County Community College District
(Central Arizona College)
Statement of Net Assets
June 30, 2003

Assets

Current assets:

Cash and cash equivalents	\$ 3,902,615
Receivables:	
Accounts (net of allowance of \$83,616)	960,227
Property taxes (net of allowance of \$31,406)	1,044,665
Government grants and contracts	616,975
Other	42,034
Inventories	<u>448,270</u>
Total current assets	<u>7,014,786</u>

Noncurrent assets:

Restricted assets:

Cash and cash equivalents	1,164,663
Investments held by trustee	1,574,490
Property taxes receivable (net of allowance of \$186)	5,219
Government grants and contracts receivable	6,636
Student loans receivable	18,554
Capital assets, not being depreciated	2,545,147
Capital assets, being depreciated, net	<u>30,502,199</u>
Total noncurrent assets	<u>35,816,908</u>

Total assets	<u>42,831,694</u>
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(Continued)

See accompanying notes to financial statements.

Pinal County Community College District
(Central Arizona College)
Statement of Net Assets
June 30, 2003
(Continued)

Liabilities

Current liabilities:

Accounts payable	\$ 547,392
Accrued payroll and employee benefits	456,257
Interest payable	455,979
Deposits held in custody for others	417,187
Insurance claims payable	188,071
Deferred revenues	74,566
Current portion of compensated absences payable	1,150,454
Current portion of long-term debt	<u>1,175,000</u>
Total current liabilities	<u>4,464,906</u>

Noncurrent liabilities:

Compensated absences payable	422,175
Long-term debt	<u>16,850,000</u>
Total noncurrent liabilities	<u>17,272,175</u>

Total liabilities	<u>21,737,081</u>
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Net Assets

Invested in capital assets, net of related debt	15,022,346
Restricted:	
Expendable:	
Scholarships	26,140
Grants and contracts	330,021
Loans	96,545
Debt service	1,863,728
Capital projects	345,122
Unrestricted	<u>3,410,711</u>
Total net assets	<u>\$21,094,613</u>

See accompanying notes to financial statements.

Pinal County Community College District
(Central Arizona College)
Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2003

Operating revenues:

Tuition and fees (pledged as security for revenue obligations and bonds and net of scholarship allowances of \$1,839,927)	\$ 3,030,893
Government grants and contracts	5,909,289
Private grants and contracts	163,192
Bookstore income (pledged as security for revenue obligations and bonds and net of scholarship allowances of \$513,526)	730,969
Food service income (pledged as security for revenue obligations and bonds)	56,269
Dormitory rentals and fees (pledged as security for revenue obligations and bonds and net of scholarship allowances of \$170,747)	275,730
Other	<u>366,040</u>
Total operating revenues	<u>10,532,382</u>

Operating expenses:

Educational and general:	
Instruction	13,529,627
Public service	102,534
Academic support	2,091,979
Student services	2,506,470
Institutional support	5,777,725
Operation and maintenance of plant	3,337,430
Scholarships	1,468,176
Auxiliary enterprises	1,868,610
Depreciation	<u>1,974,834</u>
Total operating expenses	<u>32,657,385</u>

Operating loss (22,125,003)

Nonoperating revenues (expenses):

Property taxes	18,433,025
State appropriations	5,624,400
Share of state sales taxes	483,442
Government grants and contracts	4,424
Investment income	62,528
Gain on disposal of capital assets	2,325
Interest expense on debt	<u>(932,428)</u>
Total nonoperating revenues	<u>23,677,716</u>

Income before other revenues, expenses, gains, or losses 1,552,713

Capital appropriations	<u>693,500</u>
Increase in net assets	2,246,213

Total net assets, July 1, 2002 18,848,400

Total net assets, June 30, 2003 \$ 21,094,613

See accompanying notes to financial statements.

Pinal County Community College District
(Central Arizona College)
Statement of Cash Flows
Year Ended June 30, 2003

Cash flows from operating activities:	
Tuition and fees	\$ 3,233,558
Grants and contracts	6,286,928
Bookstore receipts	690,072
Food services receipts	56,269
Dormitory rentals and fees	266,576
Collection of loans from students	64,650
Other receipts	301,390
Payments to employees	(21,430,772)
Payments to suppliers and providers of goods and services	(7,064,818)
Payments to students	(1,470,532)
Loans issued to students	(67,316)
Other payments	<u>(615,891)</u>
Net cash used for operating activities	<u>(19,749,886)</u>
Cash flows from noncapital financing activities:	
Property taxes	17,804,562
State appropriations	5,624,400
Share of state sales taxes	<u>483,442</u>
Net cash provided by noncapital financing activities	<u>23,912,404</u>
Cash flows from capital and related financing activities:	
Property taxes	533,206
Capital appropriations	693,500
Proceeds from sale of capital assets	2,325
Principal paid on capital debt	(1,727,143)
Interest paid on capital debt	(959,388)
Purchases of capital assets	<u>(1,356,927)</u>
Net cash used for capital and related financing activities	<u>(2,814,427)</u>
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	3,241,980
Interest received on investments	62,528
Purchases of investments	<u>(3,265,874)</u>
Net cash provided by investing activities	<u>38,634</u>
Net increase in cash and cash equivalents	1,386,725
Cash and cash equivalents, July 1, 2002, as previously reported	3,045,424
Cash and cash equivalents, July 1, 2002, reclassified from investments	<u>635,129</u>
Cash and cash equivalents, June 30, 2003	<u>\$ 5,067,278</u>

(Continued)

See accompanying notes to financial statements.

Pinal County Community College District
(Central Arizona College)
Statement of Cash Flows
Year Ended June 30, 2003
(Continued)

Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (22,125,003)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	1,974,834
Changes in assets and liabilities:	
Increase in:	
Inventories	(73,926)
Student loans receivable	(1,211)
Accounts payable	176,926
Accrued payroll and employee benefits	55,691
Compensated absences payable	41,923
Decrease in:	
Receivables, net	367,061
Insurance claims payable	(84,850)
Deposits held in custody for others	(81,331)
Net cash used for operating activities	<u>\$ (19,749,886)</u>
Noncash investing, capital, and noncapital financing activities:	
Disposal of capital assets being depreciated	\$ (1,039,243)
Elimination of accumulated depreciation on disposal of capital assets	1,039,243

See accompanying notes to financial statements.

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2003

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

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

B. Basis of Presentation and Accounting

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

A statement of net assets provides information about the assets, liabilities, and net assets of the District at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified according to external donor restrictions or availability of assets to satisfy District obligations. Invested in capital assets, net of related debt represents the value of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the asset. Expendable restricted net assets represent grants, contracts, gifts, and other resources that have been externally restricted for specific purposes. Unrestricted net assets include all other net assets, including those that have been designated by management to be used for other than general operating purposes.

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2003

A statement of revenues, expenses, and changes in net assets provides information about the District's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net assets are reported, including capital contributions and additions to endowments. Generally, revenues generated by the District for instruction and public service are considered to be operating revenues. Other revenues used for instruction and public service, such as property taxes and state appropriations, are not generated from operations and are considered to be nonoperating revenues.

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

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized in the year for which they are levied. State appropriations are recognized as revenue in the year in which the appropriation is first made available for use. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

It is the District's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

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

C. Cash and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the County Treasurer, and highly liquid investments. Investments are stated at fair value.

D. Inventories

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

Pinal County Community College District
 (Central Arizona College)
 Notes to Financial Statements
 June 30, 2003

E. Capital Assets

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

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

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

F. Investment Income

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

G. Compensated Absences

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

Employees may accumulate up to 320 hours of vacation, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Generally, sick leave benefits provide for ordinary sick pay and are cumulative but do not vest with the employees. Therefore, a liability for sick leave benefits is not accrued in the financial statements. However, for employees with 5 or more years of service, 50 percent of unused sick leave benefits do vest at employee termination. Sick leave benefits are accrued to the extent it is probable that the employer will compensate employees through cash payments at termination. Accordingly, those amounts are accrued as a liability in the financial statements.

Pinal County Community College District
 (Central Arizona College)
 Notes to Financial Statements
 June 30, 2003

H. Scholarship Allowances

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

Note 2 - Deposits and Investments

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

Deposits—At June 30, 2003, the carrying amount of the District's deposits was \$2,413,609, and the bank balance was \$2,503,275. Of the bank balance, \$200,000 was covered by federal depository insurance or by collateral held by the District or its agent in the District's name; \$1,666,836 was covered by collateral held by the pledging financial institution's trust department or agent in the District's name; and \$636,439 was uninsured and uncollateralized.

Investments—At June 30, 2003, the District's investments consisted of the following:

	Fair Value
Cash and investments held by the County Treasurer	\$2,628,893
Mutual funds—Invested in U.S. government securities	<u>1,574,490</u>
Total	<u>\$4,203,383</u>

Pinal County Community College District
 (Central Arizona College)
 Notes to Financial Statements
 June 30, 2003

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

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

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

Cash and investments:		Statement of Net Assets:	
Cash on hand	\$ 24,776	Cash and cash equivalents	\$3,902,615
Carrying amount of deposits	2,413,609	Restricted assets:	
Reported amount of		Cash and cash	
investments	<u>4,203,383</u>	equivalents	1,164,663
Total	<u>\$6,641,768</u>	Investments held by	
		trustee	<u>1,574,490</u>
		Total	<u>\$6,641,768</u>

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2003, was as follows:

	Balance July 1, 2002	Increases	Decreases	Balance June 30, 2003
Capital assets not being depreciated:				
Land	<u>\$ 2,545,147</u>			<u>\$ 2,545,147</u>
Total capital assets not being depreciated	<u>2,545,147</u>			<u>2,545,147</u>
Capital assets being depreciated:				
Buildings and improvements	41,947,910	\$ 375,963		42,323,873
Equipment	9,820,753	892,260	\$1,039,243	9,673,770
Library books	<u>1,642,193</u>	<u>88,704</u>	<u> </u>	<u>1,730,897</u>
Total capital assets being depreciated	<u>53,410,856</u>	<u>1,356,927</u>	<u>1,039,243</u>	<u>53,728,540</u>

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2003

	Balance July 1, 2002	Increases	Decreases	Balance June 30, 2003
Less accumulated depreciation for:				
Buildings and improvements	\$12,792,335	\$1,154,426		\$13,946,761
Equipment	8,273,033	741,864	\$1,039,243	7,975,654
Library books	<u>1,225,382</u>	<u>78,544</u>	<u> </u>	<u>1,303,926</u>
Total accumulated depreciation	<u>22,290,750</u>	<u>1,974,834</u>	<u>1,039,243</u>	<u>23,226,341</u>
 Total capital assets being depreciated, net	 <u>31,120,106</u>	 <u>(617,907)</u>	 <u> </u>	 <u>30,502,199</u>
 Capital assets, net	 <u>\$33,665,253</u>	 <u>\$ (617,907)</u>	 <u>\$ -0-</u>	 <u>\$33,047,346</u>

Note 4 - Long-Term Liabilities

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2003:

	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003	Due within one year
Compensated absences payable	<u>\$ 1,530,706</u>	<u>\$936,746</u>	<u>\$ 894,823</u>	<u>\$ 1,572,629</u>	<u>\$1,150,454</u>
Installment purchase contract payable	\$ 212,143		\$ 212,143		
Bonds payable:					
General obligation bonds	465,000		430,000	\$ 35,000	\$ 35,000
Revenue bonds	<u>8,565,000</u>		<u>340,000</u>	<u>8,225,000</u>	<u>365,000</u>
Total bonds payable	9,030,000		770,000	8,260,000	400,000
Pledged revenue obligations payable	<u>10,510,000</u>		<u>745,000</u>	<u>9,765,000</u>	<u>775,000</u>
Total long-term debt	<u>\$19,752,143</u>	<u>\$ -0-</u>	<u>\$1,727,143</u>	<u>\$18,025,000</u>	<u>\$1,175,000</u>

Bonds—The District's bonded debt consists of various issues of general obligation and revenue bonds that are generally callable with interest payable semiannually. Bond proceeds primarily pay for acquiring or constructing capital facilities. The District repays general obligation bonds from voter-approved property taxes. Revenue bonds are repaid from tuition, fees, rentals, and other sales and services. Bonds outstanding at June 30, 2003, were as follows:

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2003

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
Revenue Bonds—Series 1973	300,000	7/1/03-04	5.3%	40,000
Revenue Bonds—Series 1998	9,100,000	7/1/03-14	4.75-5.75%	8,185,000

At June 30, 2003, the District had \$35,000 of General Obligation Bonds in arrears that had matured on July 1, 2002.

The following schedule details debt service requirements to maturity for the District's bonds payable at June 30, 2003:

Year ending June 30,	<u>Revenue Bonds</u>	
	Principal	Interest
2004	\$ 365,000	\$ 411,869
2005	385,000	390,396
2006	385,000	368,977
2007	405,000	347,850
2008	425,000	326,068
2009-13	2,490,000	1,280,236
2014-15	<u>3,770,000</u>	<u>194,565</u>
Total	<u>\$8,225,000</u>	<u>\$3,319,961</u>

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

Pledged revenue obligations outstanding at June 30, 2003, were as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
Pledged Revenue Obligations—Series 1998	\$11,900,000	7/1/03-12	4.5-5.25%	\$9,765,000

The following schedule details debt service requirements to maturity for the District's pledged revenue obligations payable at June 30, 2003.

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2003

Year ending June 30,	<u>Pledged Revenue Obligations</u>	
	Principal	Interest
2004	\$ 775,000	\$ 471,345
2005	810,000	434,468
2006	850,000	392,715
2007	895,000	346,909
2008	945,000	298,609
2009-13	<u>5,490,000</u>	<u>707,871</u>
Total	<u>\$9,765,000</u>	<u>\$2,651,917</u>

Note 5 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all such risks of loss, including workers' compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

Insurance claims—The District finances uninsured risks of loss for certain health and eye care benefits to eligible employees and their dependents. The healthcare plans provide coverage for claims up to \$45,000 for each individual per year, not to exceed an annual stop loss of \$1,000,000. The District purchases commercial insurance for claims in excess of the healthcare coverage. The eye care plan offers substantially reduced prices for eye examinations and eyewear. Settled claims have not exceeded the District's coverage for either plan in any of the past 3 fiscal years. An independent administrator provides claim and recordkeeping services for the plans.

The insurance claims payable liability of \$188,071 at June 30, 2003, is the estimated ultimate cost of settling claims that have been reported but not settled and claims that have been incurred but not reported. This estimate is based on historical data for health insurance and eye care insurance claims reported during the year, prior-year claims of continuing duration, and claims incurred but not reported as of June 30, 2003. Changes in the District's claims payable for the years ended June 30, 2002 and 2003, were as follows:

	2002	2003
Claims payable, beginning of year	\$ 127,950	\$ 272,921
Current-year claims and changes in estimates	1,916,583	2,117,702
Claim payments	<u>(1,771,612)</u>	<u>(2,202,552)</u>
Claims payable, end of year	<u>\$ 272,921</u>	<u>\$ 188,071</u>

Pinal County Community College District
(Central Arizona College)
Notes to Financial Statements
June 30, 2003

Note 6 - Retirement Plan

Plan description—The District contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

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

Funding policy—The Arizona State Legislature establishes and may amend active plan members' and the District's contribution rates. For the year ended June 30, 2003, active plan members and the District were each required by statute to contribute at the actuarially determined rate of 2.49 percent (2.00 percent retirement and 0.49 percent long-term disability) of the members' annual covered payroll. The District's contributions to the System for the years ended June 30, 2003, 2002, and 2001, were \$373,017, \$349,253, and \$348,711, respectively, which were equal to the required contributions for the year.

Note 7 - Operating Expenses

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

Personal services	\$21,443,536
Contract services	2,234,099
Supplies and other services	3,806,749
Communications and utilities	1,112,956
Scholarships	1,468,176
Depreciation	1,974,834
Other	<u>617,035</u>
Total	<u>\$32,657,385</u>

Note 8 - Subsequent Events

On February 11, 2004, the District issued revenue bonds of \$10,500,000 and pledged revenue obligations of \$13,530,000 with varying interest rates from 2 percent to 4.50 percent with the final maturity in July 2018. The proceeds of the debt issuances were used to advance refund the outstanding balance of the series 1998 revenue bonds and pledged revenue obligations at the date of refunding of \$7,840,000 and \$8,990,000, respectively. The remaining proceeds will be used to construct buildings at the Signal Peak campus.

Supplementary Information

Pinal County Community College District
(Central Arizona College)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Agriculture			
Distance Learning and Telemedicine Loans and Grant	10.855		\$ <u>126,416</u>
U.S. Department of Housing and Urban Development			
College Housing Debt Service Grant	14.H-602-4224		<u>4,424</u>
U.S. Department of Justice			
Passed through the Arizona Police Officers Standards and Training Board Police Corps	16.712	2002-PO-R-075	<u>226,766</u>
National Aeronautics and Space Administration			
Passed through Paragon TEC Science, Engineering, Mathematics and Aerospace Academy	43.unknown	NAS3-02123	<u>331,703</u>
U.S. Small Business Administration			
Passed through Maricopa County Community College District Small Business Development Center	59.037	2-6603001-Q-0003-10 2-6603001-Z-0003-11	<u>91,212</u>
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		74,536
Federal Work-Study Program	84.033		91,794
Federal Pell Grant Program	84.063		<u>2,672,573</u>
Total Student Financial Assistance Cluster			<u>2,838,903</u>
Higher Education—Institutional Aid	84.031		497,219
Bilingual Education—Professional Development	84.195		144,678
Special Education—Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325		199,638
Child Care Access Means Parents in School	84.335		1,867
Preparing Tomorrow's Teachers to Use Technology	84.342		140,750

(Continued)

See accompanying notes to schedule.

Pinal County Community College District
(Central Arizona College)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
Passed through the Arizona Department of Education			
Adult Education—State Grant Program	84.002	03FAEABE-370612-02A	\$ 82,500
Special Education—Grants to States	84.027	ED03-0030-08	19,901
Vocational Education—Basic Grants to States	84.048	03FCTDBG-370612-03A	153,205
Even Start—Migrant Education	84.214	03-24-ED	72,397
Passed through the Arizona Commission for Postsecondary Education			
Leveraging Educational Assistance Partnership	84.069	None	6,114
Passed through Pinal County Tech Prep Consortium			
Tech-Prep Education	84.243	03FVEDTP-070734-01A	<u>12,000</u>
Total U.S. Department of Education			<u>4,169,172</u>
 U.S. Department of Health and Human Services			
Passed through the Arizona Department of Economic Security			
Child Care and Development Block Grant	93.575	E5403516, E5402496	<u>561,034</u>
Total Expenditures of Federal Awards			<u>\$ 5,510,727</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, 2003

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 2003 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word "unknown" were used.



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

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Basic Financial Statements
Performed in Accordance with *Government Auditing Standards***

Members of the Arizona State Legislature

The Governing Board of
Pinal County Community College District

We have audited the basic financial statements of Pinal County Community College District as of and for the year ended June 30, 2003, and have issued our report thereon dated June 22, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control over Financial Reporting

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

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

Debbie Davenport
Auditor General

June 22, 2004



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

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

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

Members of the Arizona State Legislature

The Governing Board of
Pinal County Community College District

Compliance

We have audited the compliance of Pinal County Community College District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

As described in item 03-101 in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding matching, level of effort, and earmarking that are applicable to its Preparing Tomorrow's Teachers to Use Technology program. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Pinal County Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 03-101.

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

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

Debbie Davenport
Auditor General

June 22, 2004

Pinal County Community College District
 (Central Arizona College)
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2003

Summary of Auditors' Results

Financial Statements

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

Federal Awards

Material weakness identified in internal control over major programs?	___	<u>X</u>	___
Reportable condition identified not considered to be a material weakness?	___	___	<u>X</u>
Type of auditors' report issued on compliance for major programs:		Unqualified for all major programs except for the Preparing Tomorrow's Teachers Use Technology program, which was qualified.	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	___	<u>X</u>	___

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
43.Unknown	Science, Engineering, Mathematics and Aerospace Academy
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.342	Preparing Tomorrow's Teachers to Use Technology
93.575	Child Care and Development Block Grant

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

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	___	<u>X</u>	___
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Pinal County Community College District
(Central Arizona College)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2003

Federal Award Findings and Questioned Costs

03-101

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

U.S. Department of Education

Award Period: October 1, 1999 – June 30, 2003

Award Number: P342A990211-01

Matching, level of effort, and earmarking

Questioned Cost: \$130,869

The District did not establish adequate policies and procedures to comply with the matching requirement for the Preparing Tomorrow's Teacher to Use Technology program. The District was required to provide at least 50 percent of the total program's costs for the award period October 1, 1999 through June 30, 2003. However, as of June 22, 2003, the District had provided support for only \$841,526, or about 87 percent, of its required matching contribution for the entire award period. As such, the District did not meet the program's matching requirement of \$972,395 by \$130,869, as required by 34 Code of Federal Regulations, section 614.5. This finding is considered both material noncompliance and a material internal control weakness with respect to the program's matching requirement and is similar to a prior-year finding.

July 1, 2004

Debbie Davenport
Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

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

Sincerely,

Dennis A. Jenkins
Vice President of Finance

Pinal County Community College District
(Central Arizona College)
Corrective Action Plan
Year Ended June 30, 2003

Federal Award Findings and Questioned Costs

03-101

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

Dennis Jenkins, Vice President of Finance

Anticipated completion date: August 31, 2004

Corrective Action Plan – The District is continuing to improve procedures and controls for identifying, recording, and reporting non-federal matching grant expenditures. Procedures have been developed to review all grant applications to ensure that proposed matching requirements for grants and contracts are reasonable and will be fully budgeted and funded. Also, procedures have been developed to monitor non-federal matching expenditures throughout the grant to ensure non-federal matching expenditures are incurred in accordance with the grant award.

In reviewing the final report for the Preparing Tomorrow's Teachers to Use Technology grant, it was discovered that our non-federal match of \$841,526 did not include non-federal matching expenditures incurred during our grant extension period from October 1, 2002 through June 30, 2003. The District is in the process of revising the project's final report to the Department of Education to include non-federal matching expenditures through the grant extension period.

June 22, 2004

Debbie Davenport
Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

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

Sincerely,

Dennis A. Jenkins
Vice President of Finance

Pinal County Community College District
(Central Arizona College)
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2003

Status of Federal Award Findings and Questioned Costs

CFDA No.: 84.342 **Preparing Tomorrow's Teachers to Use Technology**
Finding No. 02-101
Status: Partially completed

Corrective Action Plan – The District is continuing to improve procedures and controls for identifying, recording, and reporting non-federal matching grant expenditures. Procedures have been developed to review all grant applications to ensure that proposed matching requirements for grants and contracts are reasonable and will be fully budgeted and funded. Also, procedures have been developed to monitor non-federal matching expenditures throughout the grant to ensure non-federal matching expenditures are incurred in accordance with the grant award.

The District is in the process of revising the project's final report to the Department of Education to include non-federal matching expenditures through the grant extension period.

CFDA No.: 93.575 **Child Care and Development Block Grant**
Finding No. 02-102
Status: Fully Corrected