



COCHISE COLLEGE

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Fiscal Year Ended June 30, 2012
Cochise County Community College District
Douglas, Arizona



COCHISE COLLEGE

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Fiscal Year Ended June 30, 2012

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Cochise County Community College District
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2012

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COCHISE COLLEGE

COMPREHENSIVE ANNUAL FINANCIAL REPORT



INTRODUCTORY SECTION



COCHISE COLLEGE

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November 29, 2012

To the Citizens of Cochise County:



I am pleased to present to you the FY 2012 Comprehensive Annual Financial Report (CAFR) for the Cochise County Community College District (the District). This report describes the financial operation of the District and provides you, the taxpayer, evidence that the District takes its fiduciary charge to be a responsible steward of the monies entrusted to it very seriously. We are living in an interesting time - never have the services of Cochise College been more essential to the well being of our communities, our state and our great nation. We seek to fulfill the District's lofty mission of enhancing the quality of life by providing accessible educational opportunities that lead to constructive citizenship, meaningful careers, and lifelong learning. We are committed to making a difference in the lives of our students and in the communities we serve. We strive to offer a wide array of educational and support programs that meet the needs of Cochise County citizens. Since its founding in 1962, the District has provided accessible and affordable opportunities to thousands of students. The District has grown from a single campus organization to a comprehensive community college district with two full service campuses, Douglas and Sierra

Vista, and three additional educational centers located in Benson, Willcox, and on Ft. Huachuca. Through an intergovernmental agreement with the Santa Cruz County Provisional Community College District, the District has also provided educational services to the citizens of Santa Cruz County. The District has developed an online campus to provide students with learning opportunities beyond the boundaries of time and place. Increasing access to affordable educational opportunities has been at the core of the District's mission from its inception.

FY 2012 was a very successful year at Cochise College. Although the past year was difficult for many of our citizens, with the continuing economic struggles, declining property values, and high unemployment, we served over 15,500 credit students and thousands of additional non-credit and life long learners across the District. The 9,210 full-time student equivalents (FTSE) produced by the District demonstrates the on-going educational needs of our residents. The District places a strong emphasis on balancing the educational needs of today while providing a solid asset base and plan for the future. As a District, we have been able to balance shrinking budgets and increasing student numbers with the quality programs and services the citizens of Cochise County have come to expect.

With this philosophy in mind, we continue to plan for the future. New opportunities abound and we are well positioned to address any and all challenges. The District's sound financial management practices have earned an A3 rating from Moody's Investors Services, a rating that provides financial flexibility as we prepare for that future.

As you read this Comprehensive Annual Financial Report, I hope you will agree that FY 2012 represented another year when the Cochise County Community College District served its taxpayers well and used its resources wisely.

Sincerely,

J.D. Rottweiler, Ph.D.
President



COCHISE COLLEGE

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November 29, 2012

To the Citizens and District Governing Board of the Cochise County Community College District:

We are pleased to provide you with the Comprehensive Annual Financial Report (CAFR) of the Cochise County Community College District (the District), Douglas, Arizona, for the fiscal year ended June 30, 2012 (FY 2012).

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the District's management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial status and activities have been included.

District management is responsible for establishing and maintaining internal controls designed to ensure that assets are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformance with generally accepted accounting principles (GAAP) and in conformance with standards of financial reporting as established by the Government Accounting Standards Board (GASB).

This CAFR is presented in three sections: Introductory, Financial and Statistical. The introductory section includes the President's welcome, this transmittal letter, the District's organizational chart and a list of principal officers. The financial section includes the independent auditors' report, the Management's Discussion and Analysis (MD&A), the basic financial statements and supplemental financial information. The State of Arizona, Office of the Auditor General has issued an unqualified opinion on the District's financial statements for the year ended June 30, 2012. The MD&A, which provides a narrative overview and analysis of the basic financial statements, complements this transmittal letter and should be read in conjunction with it. Finally, the statistical section includes selected unaudited financial and demographic information, generally presented on a multi-year basis.

THE REPORTING ENTITY

The District is an independent reporting entity within the criteria established by GAAP and the GASB. Although the District shares the same geographic boundaries with Cochise County, financial accountability over all activities related to public community college education in Cochise County is exercised solely by the District. According to GASB Statement No. 14, the financial reporting entity consists of the primary government organization for which the primary government is financially accountable as well as other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District is a primary government because it is a special purpose political subdivision that has a separately-elected governing body, is legally separate, and is fiscally independent of other state and local governments. The District is not included in any other governmental financial reporting entity. In accordance with GASB Statement No. 39, the financial activity of Cochise College Foundation, Inc. (the Foundation) is discretely presented as a component unit of the District.

History

The Cochise County Community College District was organized in 1961. Ground was broken for the Douglas Campus in 1962 and the District opened its doors to the first students in September of 1964. Having also served students in Sierra Vista and at Fort Huachuca since the mid-1960s, the District opened the Sierra Vista Campus in 1978.

With a constituency base that encompasses more than 6,200 square miles, the District has extended its reach into some of the more rural parts of Cochise County (the County). The Willcox Center opened in 1988 for residents in that part of the county and the expansion continued in 2000 with the opening of the Benson Center to better serve the educational needs of residents in Benson, St. David and surrounding communities. As necessary, the District provides education at various other sites in southeastern Arizona.

The District is accredited by the Higher Learning Commission of the North Central Association. The District also holds Federal Aviation Administration certification for its professional pilot program and Arizona Department of Health Services/Emergency Medical Services certification for its paramedicine and emergency medical technology programs. The nursing program is accredited by the National League for Nursing Accrediting Commission and approved by the Arizona State Board of Nursing.

Organization and Administration

As a political subdivision of the State of Arizona, the Cochise County Community College District is subject to the oversight of the District's Governing Board which is comprised of five elected members representing each of the five precincts of the County. These members are elected for six-year terms on a staggered basis. The District's Governing Board is granted full authority by the Arizona Revised Statutes to manage the business and educational needs of the District. The administrative staff of the District, led by the President, is responsible for the operation and administration of all District functions. The District currently operates from two primary campuses and three centers, with additional programs delivered at various locations throughout Cochise County and through its online campus. The District also provides a growing instructional program to the citizens of neighboring Santa Cruz County through an arm's length intergovernmental agreement with the Santa Cruz County Provisional Community College District.

Service Area

Cochise County, named for the famed chief of the Chiricahua Apaches and established on February 1, 1881, is located in the southeast corner of Arizona, sharing a border with Mexico to the south and New Mexico to the east. The County was formed out of eastern Pima County with Tombstone being designated as the original county seat. In 1929, the county seat was moved to Bisbee, a former hub of copper mining. The County's location makes it a unique crossroads of cultural, natural and historical attractions.

The historic Old West towns of Tombstone, Bisbee, Douglas, Willcox and Benson are located within the County, and Sierra Vista – the County's primary population center – is home to Fort Huachuca, the U.S. Army's intelligence training center. Cochise County's mountain ranges and desert grasslands make it an important destination for migratory birds. The County's temperate climate, open spaces, and proximity to the international border with Mexico make it one of the most culturally, historically and geographically diverse areas in the American Southwest.

LOCAL ECONOMIC OUTLOOK

The population of Cochise County as of 2011 was 130,537, according to estimates by the Arizona Office of Employment and Population Statistics (EPS). The Cochise College Center for Economic Research projects the countywide population will grow by 1 percent per year, reaching 137,196 in 2016.

Because the District receives a significant amount of its annual funding from local property taxes, new construction rates in the County and valuations of existing properties are important economic indicators. A total of 319 new single-family home permits were issued countywide in 2011, down from 347 in 2010. This drop represents the 6th consecutive year of declining new residential construction in Cochise County. The number of new home permits issued countywide in 2011 was at its lowest level since 1991. In the first 7 months of 2012, there were 175 new home permits issued, up from 172 in the same period of 2011. The median home price was down 9.5 percent in 2011 and 15 percent in the first half of 2012, compared to the same period the year prior. Part of the reason for the price declines is a large number of foreclosed homes on the market, which are sold at lower prices. In the first half of 2012, foreclosed homes accounted for 31 percent of all sales countywide. This was down only slightly from 33 percent in the first half of 2011.

According to EPS estimates, the County's civilian labor force, which includes those persons 16 years old and older who are employed or actively seeking work (excluding active duty military), consisted of 61,397 actual or potential workers in 2011. Cochise County's unemployment rate for all of 2011 was 8.8%; in July 2012, the County's seasonally adjusted monthly unemployment rate was 7.8%. In the 12 months ended in July 2012, the County saw a net gain of 200 private-sector jobs but lost 250 government jobs, for a total net loss of 50 jobs. State and local government lost 300 jobs while federal government jobs were up by 50. The private goods-producing subsector and service-providing subsector each saw a net gain of 100 jobs. Within the goods-producing subsector, construction gained 75 jobs and manufacturing gained 25 jobs. Within the private service-providing subsector, the trade, transportation, and utilities industry grouping added 50 and educational and health services, leisure and hospitality, and other services each gained 25 jobs. The number of jobs in financial activities and the information industry stabilized in the 12 months ended in July 2012. Professional and business services lost 25 jobs. A portion of these job losses can be explained by the conversion of defense contracting positions at Fort Huachuca to government civil servant positions which transfers jobs from the professional and business services industry to the federal government.

According to EPS estimates for 2011, the primary non-farm industry in Cochise County was government, which accounted for 34.8% of all non-farm employment. This was followed by trade, transportation, and utilities (16.9%); professional and business services (14.2%); educational and health services (11.3%); and leisure and hospitality (10.8%). The Fort Huachuca Army post was home to approximately 5,900 active duty military personnel as of 2012, approximately half of whom were students temporarily there for training.

Like many places across the U.S., Cochise County's economy was impacted by the recession of 2008-2009 and the slow recovery since. Annual inflation-adjusted retail sales countywide for 2011 were down 17.5% compared to 2006. In the first 7 months of 2012, retail sales were up by 1.8% compared to the same period the year prior. County restaurant and bar sales were flat from 2007 through 2011, and the first 7 months of 2012 saw a 4.5 percent decline. The countywide accommodation industry has struggled recently with monthly sales down in 19 of 22 months ended in July 2012, partly due to changes in travel policy for military personnel on temporary duty to Fort Huachuca and defense budget cuts. Other factors include high gas prices, which discourage RV travel, and construction along I-10, which likely has deterred commercial and recreational travelers from stopping in Benson. The District's Center for Economic Research projects a continued slow recovery through 2012 and 2013.

LONG-TERM FINANCIAL PLANNING

The District engages in a five-year strategic planning cycle that involves all levels of the organization. This plan is updated as external environments or internal opportunities and needs dictate. The process provides a framework for structuring and adjusting the District's mission, vision, core values and goals to best meet the needs of students, faculty/staff and the community. A high-level 15-year financial projection model is also maintained which is based on actual results and reasonable estimates, and which is updated periodically to reflect most recent performance for short and long-term planning purposes.

MAJOR PROGRAM INITIATIVES

District Infrastructure

Continuing with the strategic initiative to leverage competitive advantages, the District determined that art, aviation, and athletics were key areas of focus to drive enrollment. In late 2011, the District received a \$1.9M grant from the Arizona Department of Transportation to reconstruct runway 5/22 at the District's airport. Construction began in May 2012 and will be completed in time for fall classes. Also in May 2012, the District began renovation of the Aviation Building. The renovations fully dedicate the entire building to aviation programs. The plans provide space for faculty offices, simulator rooms, ground school and other classrooms. Classrooms and lab space for our Avionics program allow that program to be relocated from our Sierra Vista campus to cluster with all other aviation programs, including the roll-out of our new Unmanned Aerial System program.

The Career and Technical Education Building on the Douglas campus was repurposed in Spring 2012 to accommodate our art programs. Plans for an addition to the building began Fall 2011 and are being finalized for future construction. Also, the Art Building and General Classroom Building on the Sierra Vista campus were completely remodeled to reflect positively the quality educational programs of the District

The District continues to improve its utility infrastructure. A second photovoltaic array on the Douglas campus was completed in December 2011. This field brings total solar electricity production to just shy of 1 megawatt, which is approximately 95% of the total peak demand of the main meter on the Douglas campus. The telephone system on the Sierra Vista campus was also completely replaced with a modernized system.

Enrollment

During FY 2012, the District served a record total of 9468 Full Time Student Equivalents (FTSE) at all locations, a 3% decline from FY 2011, with an annual unduplicated headcount of 15,504. The District's strong partnership with the County's largest employer, Fort Huachuca, remained a significant factor in both the number of students served and in the number of degrees conferred. For the 2011-12 academic year, the District awarded a total of 1404 associate degrees and 1819 college-level certificates.

Student Achievement

District students again received national and state recognition in FY 2012 for leadership and academic achievements. Four students were named to the All-Arizona Academic Team. The Alpha Beta Zeta chapter of Phi Theta Kappa, based on the Douglas campus, received four regional chapter awards and had two members elected as regional officers. A welding student tied for first place in a contest sponsored by the Arizona section of the American Welding Society.

PROGRAM DEVELOPMENT AND FUTURE INITIATIVES

During FY 2012 the District implemented a program that involves a new approach to developmental mathematics education. The approach changes the classes from a lecture format to a computer software laboratory format using software called My Math Lab. This modular software allows students to move at their own pace as they demonstrate proficiency. A new AAS degree in Engineering was created to improve the transferability of coursework to engineering programs at universities. Instead of offering a traditional AS program, this degree has fewer general education courses and more courses in mathematics and sciences. This helps to balance the overall course load difficulty when the student transfers and is taking the junior and senior year courses.

The District also took a number of steps to improve student completion of academic credentials. In order to simplify and streamline decision-making for students, 13 degrees and 19 certificates with little or no interest were eliminated. Degree maps were created for each credential and included information such as program location(s), program-level outcomes, and semester sequences to help students determine which courses to be taking during which semester. An online catalog and online course schedules were implemented.

As the District continues to emphasize recruiting and preparing students to enter Science, Technology, Engineering, and Mathematics (STEM) fields, a grant from the National Science Foundation via Science Foundation Arizona continued to enhance these efforts. Ten students were placed into internships with one of the companies that contracts with the Joint Interoperability Test Command at Fort Huachuca. This program was very well received and will continue to be expanded. Meetings were held with K-12 STEM faculty members to address issues that mathematics and engineering students may be having as they consider selecting STEM programs and try to successfully complete their mathematics preparation for these fields.

As the District moves into FY 2013 the Paramedic AAS degree program has just completed a process to become the fourth accredited program in Arizona. An accreditation visit is planned for November to permit the development of a new program in Respiratory Therapy. A number of aviation-related improvements are in progress including the development of a program for civilians in the operation and maintenance of unmanned aerial systems (UAS). The District has also moved the Avionics program to the Douglas campus for FY 2013 to provide a critical mass of aviation programming all in one location. Finally, the District is focusing on student success and has hired a student success coordinator to help develop and conduct action-research to transform our student services and instructional approaches to improve student retention, academic performance, and degree completion over the next several years.

FINANCIAL INFORMATION

Effective management of the District's funds through internal control, budgetary controls, cash management, and financial reporting comprises the District's responsibilities for stewardship, safeguarding of assets, and accountability to resource providers. Additional information relating to the District's financial management can be found in the statistical section at the back of this report.

Internal Control

In developing and evaluating the District's accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to provide reasonable, but not absolute assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability

of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from that control element, and that the evaluation of costs and benefits requires estimates and judgments from management. All internal control evaluations occur within the above framework. We believe that the District's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls

The District maintains budgetary controls and budget transfer restrictions by function and major account category. The objective of these budgetary controls is to ensure compliance with the annual budget adopted by the District Governing Board. The District complies with state statutes requiring that a report of the District's adopted budget be published annually within the prescribed format as required by the State of Arizona, Office of the Auditor General. The District also complies with Arizona Revised Statutes governing community colleges by issuing an annual budget expenditure limitation report that is examined by the Office of the Auditor General.

Cash Management

The District is governed by the Arizona Revised Statutes relating to the overall investment of idle public funds. The fiduciary responsibility for such investments is entrusted to the District Governing Board and is orchestrated through the Vice President for Administration. The District invests idle funds in a prudent, conservative, and secure manner for the highest available yield, given cash flow constraints, as prescribed by Arizona Revised Statutes. The principal investment vehicles used during the fiscal year were a pooled investment with the County Treasurer, direct investment in a Local Government Investment Pool (LGIP) with the State Treasurer's office, and direct investment in eligible U.S. Treasury and U.S. Government Agency securities.

The District routinely revisits its changing liquidity needs, and adjusts the structure of its idle funds to properly reflect these needs. In FYE 2012, the District established targeted proportions of its idle funds in various maturity ranges, matching conservative projections of cash flow needs. These maturity range targets are adjusted periodically, as cash flow needs evolve. Most importantly, this approach continually prioritizes the District's primary objectives of maintaining safe, liquid investments, then, after those objectives are met, seeking to maximize yield.

Financial Reporting

This CAFR for the District was formulated with data from various sources including District and Foundation records, the Cochise County Treasurer's Office and the Cochise County Assessor's Office. The statements present information on the financial condition of the District and whether resources were adequate to cover the costs of providing services during the reporting period. The District's CAFR will be distributed to the District Governing Board and executive administration; federal, state and county agencies, and financial institutions as well as others throughout the general public. Internal management reports are customized and provided to meet the information and decision-making needs at all levels of the organization and to aid management in the allocation of resources.

The Notes to the Financial Statements are an integral part of this CAFR and should be read in conjunction with the Financial Statements for a full understanding of the information presented therein.

RISK MANAGEMENT

District staffing includes positions dedicated to the risk management function with responsibilities that include minimization of risks through the implementation of insurance and safety and loss prevention procedures across the District. The District maintains a full complement of insurance in accordance with Arizona Revised Statutes. Liability coverage is carried on a broad basis, including errors and omissions and “wrongful acts” coverage and is maintained with policy limits in excess of \$50,000,000. Property coverage is maintained on a replacement value basis in accordance with an agreed-upon schedule of values. Additional coverage includes vehicle fleet liability, crime and fidelity coverage, boiler and machinery insurance, professional liability, workers’ compensation, aircraft and airport liability and student athlete accident coverage.

INDEPENDENT AUDIT

The District utilizes the audit services of State of Arizona, Office of the Auditor General to determine that the financial statements are free of material misstatements and ensure compliance with Arizona Revised Statutes requiring an annual audit of the District’s financial statements. The Independent Auditors’ Report is included in the financial section of this CAFR. The District received an unqualified opinion for the fiscal year ended June 30, 2012.

GFOA CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Cochise County Community College District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The District believes that the current CAFR continues to meet the Certificate of Achievement program’s requirements and will be submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The College would like to express its appreciation to the District’s Governing Board members, who volunteer their time and expertise on a regular basis to provide vision and guidance to the District. The District’s mission could not be achieved without the President’s continuing leadership through the strategic plan. The District would also like to express its appreciation to the Office of the Auditor General for timely completion of the audit. Finally, this report could not have been developed without the efficient and dedicated efforts of the District Financial Operations staff, others within the District community, and the Cochise County Assessor’s and Treasurer’s offices, all of whom contributed to its preparation.

Respectfully submitted,

Kevin S. Butler
Vice President for Administration

David Gage
Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Cochise County
Community College District
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



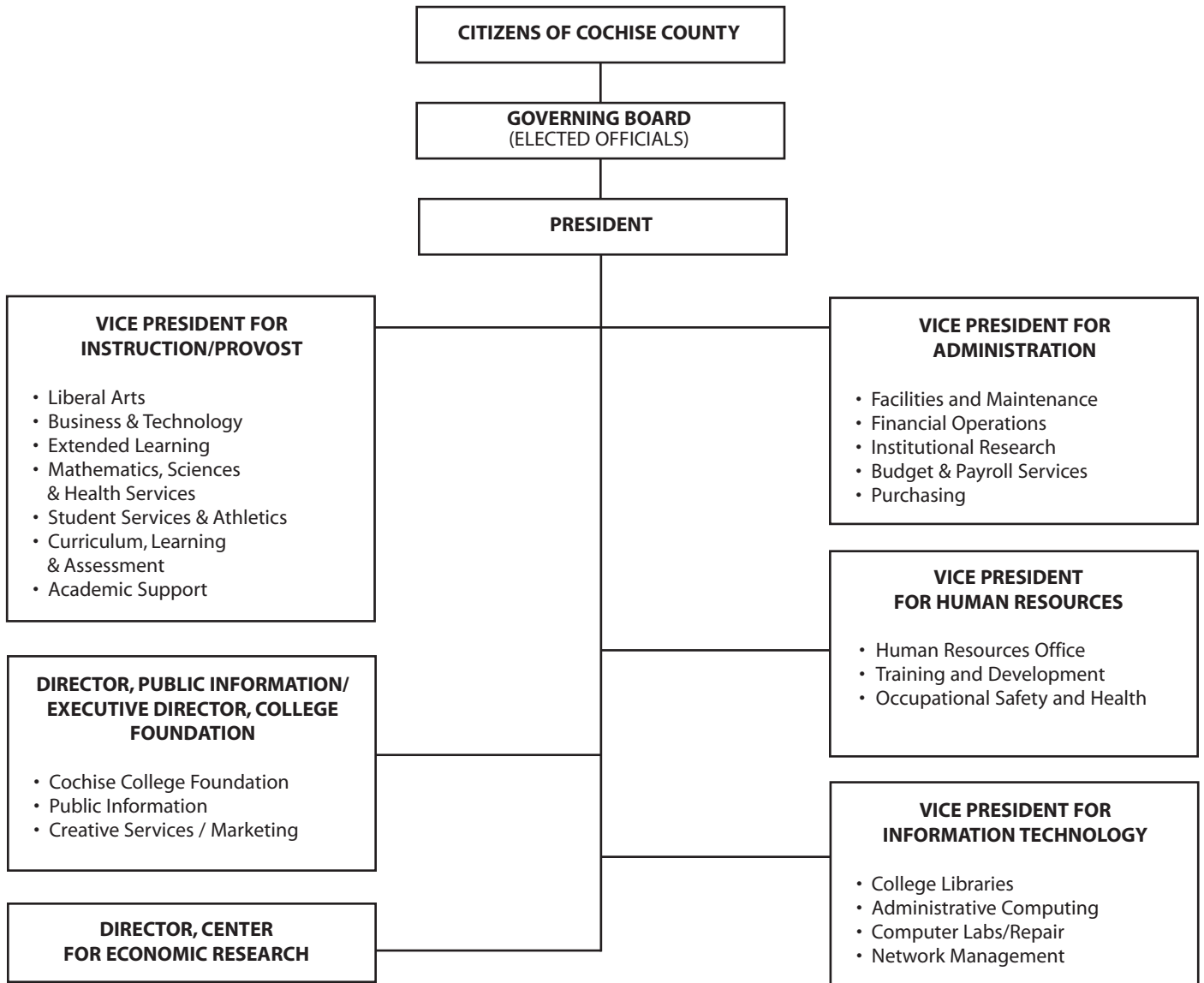
Linda C. Danison

President

Jeffrey R. Emer

Executive Director

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT ORGANIZATIONAL CHART



COCHISE COUNTY COMMUNITY COLLEGE DISTRICT

PRINCIPAL OFFICERS

June 30, 2012

DISTRICT GOVERNING BOARD

Mrs. Jan Guy, *Chair, Precinct 5*

Mrs. Jane C. Strain, *Secretary, Precinct 3*

Mr. David DiPeso, *Precinct 1*

Mr. Donald Hudgins, *Precinct 2*

Dr. John Eaton, *Precinct 4*

PRESIDENT

Dr. James Rottweiler

ADMINISTRATION

Dr. Verlyn Fick, *Vice President for Instruction/Provost*

Mr. Kevin Butler, *Vice President for Administration*

Mr. Carlos Cartagena, *Vice President for Information Technology*

Ms. Wendy Davis, *Vice President for Human Resources*



COCHISE COLLEGE

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FINANCIAL SECTION



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
Cochise County Community College District

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Cochise County Community College District as of and for the year ended June 30, 2012, 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 Cochise County Community College District as of June 30, 2012, 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.

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 15 through 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of

preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

In accordance with *Government Auditing Standards*, we will also issue our report 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 at a future date. 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

November 29, 2012

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

Introduction

This discussion and analysis introduces the basic financial statements and provides an overview of the District's financial activities for the year ended June 30, 2012. It should be read in conjunction with the letter of transmittal, which precedes this section, and with the financial statements and their accompanying notes, which immediately follow.

Basic Financial Statements

The basic financial statements consist of the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. The Statement of Net Assets reflects the financial position of the District at June 30, 2012. It shows the various assets owned or controlled by the District, related liabilities and other obligations, and the various categories of net assets. Net assets is defined as total assets less total liabilities, and as such, represents the institutional equity or ownership in the total assets of the District.

The Statement of Revenues, Expenses, and Changes in Net Assets reflects the results of operations and other changes for the year ended June 30, 2012. It shows the various revenues and expenses, both operating and non-operating, and reconciles the beginning net assets balance to the ending net assets balance shown on the Statement of Net Assets described above.

The Statement of Cash Flows reflects the inflows and outflows of cash and cash equivalents for the year ended June 30, 2012. It indicates the various cash activities by type and reconciles the beginning cash and cash equivalents balance to the ending cash and cash equivalents balance shown on the Statement of Net Assets described above. In addition, this statement reconciles cash flows used for operating activities to the operating loss on the Statement of Revenues, Expenses, and Changes in Net Assets described above.

Although the primary focus of this document is on the results of activities for fiscal year 2011-12 (FY 2012), comparative data is also presented for the previous fiscal year 2010-11 (FY 2011). This Management's Discussion and Analysis (MD&A) uses the prior fiscal year as a reference point in illustrating issues and trends when assessing the institution's financial health.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

**Condensed Financial Information
Net Assets**

	As of June 30, 2012	As of June 30, 2011
<u>Assets</u>		
Current assets	\$ 24,821,097	\$ 22,131,817
Noncurrent assets, other than capital assets	1,482,766	1,959,673
Capital assets, net	<u>57,965,311</u>	<u>58,231,224</u>
Total assets, net	<u>84,269,174</u>	<u>82,322,714</u>
 <u>Liabilities</u>		
Other liabilities	3,180,543	3,153,327
Long-term liabilities	<u>25,461,411</u>	<u>26,188,951</u>
Total liabilities	<u>28,641,954</u>	<u>29,342,278</u>
 <u>Net Assets</u>		
Invested in capital assets, net of related debt	34,554,781	34,051,711
Restricted for:		
Grants and contracts	1,778,535	1,204,129
Debt service	2,303,939	1,398,939
Unrestricted	<u>16,989,965</u>	<u>16,325,657</u>
Total net assets	<u>\$55,627,220</u>	<u>\$52,980,436</u>

Total assets increased by \$1.9 million in FY 2012 due to current year revenues exceeding expenses resulting from conservative budgeting. Total liabilities decreased by \$0.7 million primarily due to payments against long term debt and offset by an increase in accounts payable. Total net assets increased by \$2.6 million (5.0%) in FY 2012 compared with an increase of \$4.2 million (8.5%) in FY 2011 over the previous year. The FY 2012 increase resulted from conservative spending in a difficult economic climate.

For FY 2012, the current ratio increased to 5.7, up from 5.3 last fiscal year, mostly due to an increase in cash and cash equivalents. This increase was due to current year revenues exceeding expenses resulting from conservative budgeting.

Unrestricted net assets increased by \$0.7 million in FY 2012, an increase of 4.1%, due to conservative spending by the District. Unrestricted net assets were 30.5% of total net assets, down from the 30.8% in the prior fiscal year. The investment in capital assets, net of related debt increased by \$0.5 million (1.5%) in FY 2012 as a result of the ongoing renovation of buildings. The investment in capital assets, net of related debt is now 62.1% of total net assets, down from 64.3% last year.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

Revenues, Expenses, and Changes in Net Assets

	Fiscal Year Ended June 30, 2012	Fiscal Year Ended June 30, 2011
<u>Operating Revenues</u>		
Tuition and fees (net of scholarship allowances)	\$5,895,640	\$5,697,196
Contracts	348,206	332,607
Other operating revenues	1,289,536	1,626,343
Total operating revenues	<u>7,533,382</u>	<u>7,656,146</u>
Total operating expenses	<u>44,683,990</u>	<u>45,050,465</u>
Operating loss	<u>(37,150,608)</u>	<u>(37,394,319)</u>
 <u>Nonoperating revenues (expenses)</u>		
Property taxes	17,320,483	16,558,225
State appropriations	13,620,900	15,330,500
Government grants	8,710,077	9,835,411
Other nonoperating revenues	961,059	866,461
Investment earnings	202,428	91,903
Interest on capital asset-related debt	(1,085,531)	(1,121,469)
Gain on disposal of capital assets	67,976	-
Net nonoperating revenues	<u>39,797,392</u>	<u>41,561,031</u>
Increase in net assets	2,646,784	4,166,712
Total net assets, beginning of year	<u>52,980,436</u>	<u>48,813,724</u>
Total net assets, end of year	<u><u>\$55,627,220</u></u>	<u><u>\$52,980,436</u></u>

Total operating revenues had a small decrease of \$0.1 million (1.6%) in FY 2012 versus the prior year. There was a small increase in tuition and fees (\$0.2 million, 3.5%) due to the increase in the tuition per credit hour but the increase was not as large as expected because of a decrease in student enrollment. The increase in tuition and fees was offset by a decrease in other operating revenues of \$0.3 million (20.7%). This decrease was due to a combination of lower revenues received for food service, dormitory rentals, bookstore rent, and other miscellaneous operating income.

Nonoperating revenues decreased \$1.8 million (4.2%) over the prior year mostly due to a large decrease in state appropriations of \$1.7 million (11.2%). There was an increase in the property tax levy revenue of \$0.8 million (4.6%) as a result of increased valuations of existing properties and added new construction in 2011. There was also an increase in other nonoperating revenues of \$0.1 million (10.9%) from an increase in the Prop 301 state sales tax distributions for work force development. These increases were mostly offset by a decrease in government grant revenues of \$1.1 million, a decrease of 11.4%, mostly due to the District's students receiving less federal student aid awards in FY 2012.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

Operating expenses decreased by \$0.4 million (0.8%) for the year ended June 30, 2012. The most significant elements of the overall decrease were as follows:

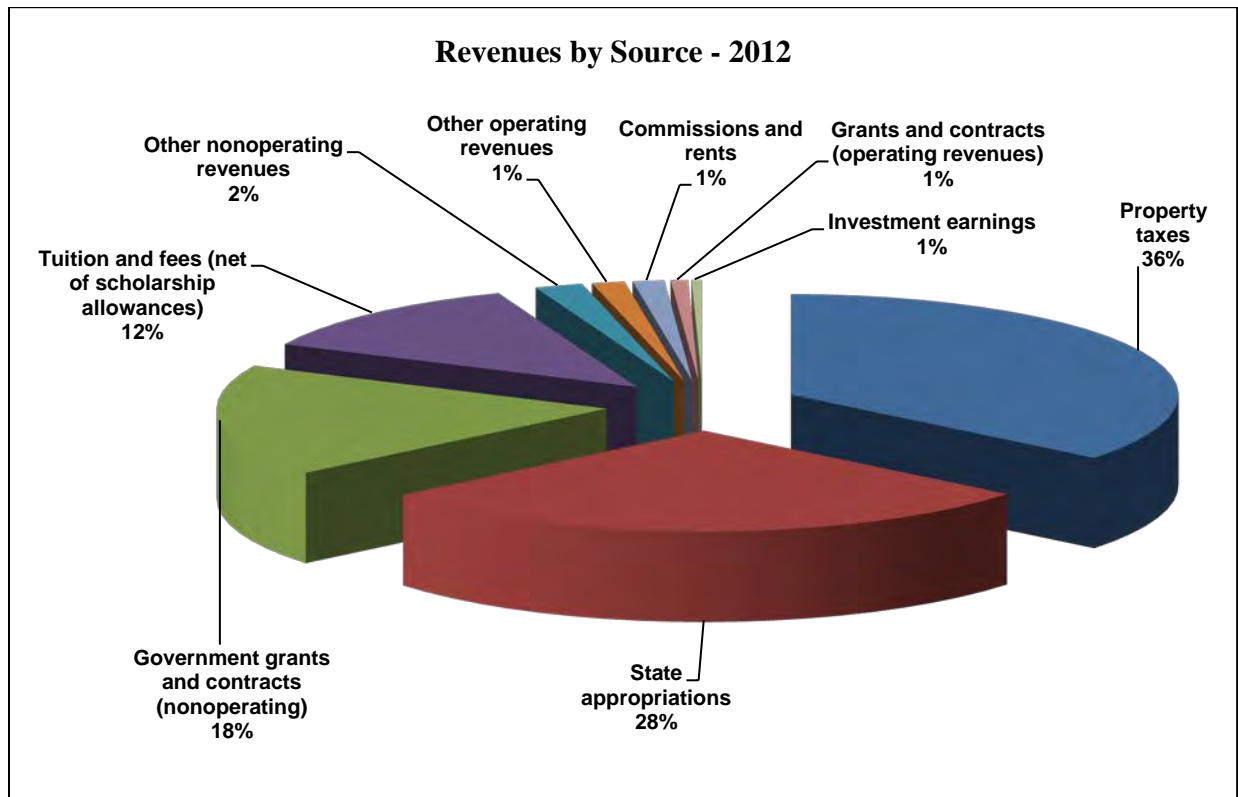
Operating Expenses Comparison (Dollars in thousands)				
	Fiscal Year Ended <u>June 30, 2012</u>	Fiscal Year Ended <u>June 30, 2011</u>	Increase (Decrease)	Increase (Decrease) (%)
Salaries and wages	\$22,135	\$22,163	\$ (28)	(0.1)
Employee benefits	6,270	6,059	211	3.5
Contractual Services	3,338	2,985	353	11.8
Supplies and other services	2,457	2,849	(392)	(13.8)
Scholarships	4,027	5,246	(1,219)	(23.2)
Depreciation	3,062	2,510	552	22.0
Other Expenses	<u>3,395</u>	<u>3,238</u>	<u>157</u>	4.8
Total	\$44,684	\$45,050	\$ (366)	(0.8)

Comparing FY 2012 to the prior year, overall salaries and wages decrease minimally by 0.1%. Employee benefits increased by 3.5%, which was largely due to the increase in the Arizona state retirement rate. Contractual services increased 11.8% because of increases in service fees and meal program expenses. Supplies and other services decreased 13.8% as the District is conserving funds by restricting purchases on supplies. Scholarship expense decreased \$1.2 million, or 23.2%, as a result of decreased federal student aid awards funded. Depreciation expense increased by \$0.6 million, or 22.0%, because the rest of the Master Facilities Plan construction was completed in FY 2011 therefore FY 2012 had a full year of depreciation on the new buildings and renovations.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

The following is a summary of revenues for fiscal years ended June 30, 2012 and June 30, 2011:

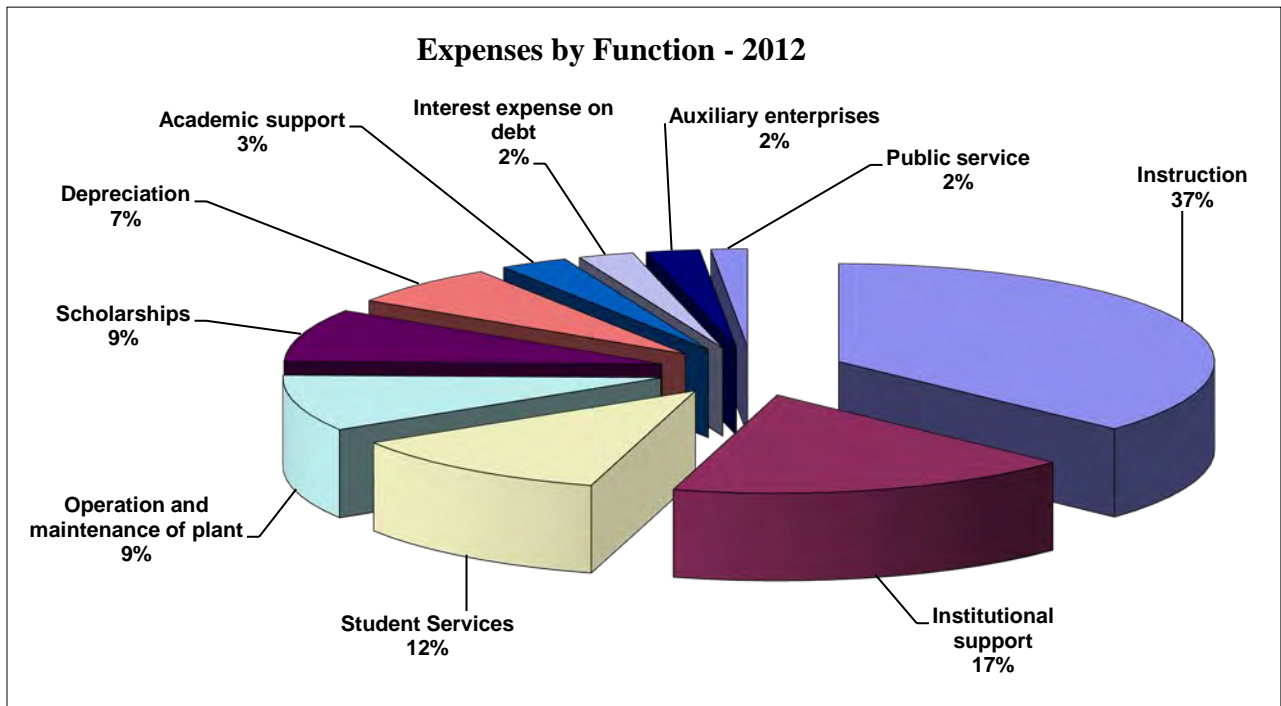
	Fiscal Year Ended June 30, 2012		Fiscal Year Ended June 30, 2011	
<u>Operating revenues</u>				
Tuition and fees (net of scholarship allowances)	\$ 5,895,640	12%	\$ 5,697,196	11%
Grants and contracts	348,206	1	427,620	1
Commissions and rents	633,487	1	746,676	1
Other operating revenues	656,049	1	784,654	2
Total operating revenues	<u>7,533,382</u>	<u>15</u>	<u>7,656,146</u>	<u>15</u>
<u>Nonoperating revenues</u>				
Property taxes	17,320,483	36	16,558,225	33
State appropriations	13,620,900	28	15,330,500	30
Government grants and contracts	8,710,077	18	9,835,411	20
Investment earnings	202,428	1	91,903	-
Other nonoperating revenues	961,059	2	866,461	2
Gain on disposal of capital assets	67,976	-	-	-
Total nonoperating revenues	<u>40,882,923</u>	<u>85</u>	<u>42,682,500</u>	<u>85</u>
 Total revenues	 <u>\$48,416,305</u>	 <u>100%</u>	 <u>\$50,338,646</u>	 <u>100%</u>



**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

The following is a summary of expenses for fiscal years ended June 30, 2012 and June 30, 2011:

	Fiscal Year Ended June 30, 2012		Fiscal Year Ended June 30, 2011	
<u>Operating expenses</u>				
Educational and general:				
Instruction	\$16,943,608	37%	\$17,762,911	39%
Public service	707,786	2	755,106	2
Academic support	1,336,388	3	1,379,655	3
Student services	5,366,567	12	4,980,131	11
Institutional support	7,965,076	17	6,987,892	15
Operation and maintenance of plant	4,230,372	9	4,304,833	9
Scholarships	4,026,671	9	5,245,819	11
Auxiliary enterprises	1,045,291	2	1,123,718	2
Depreciation	3,062,231	7	2,510,400	6
Total operating expenses	<u>44,683,990</u>	<u>98</u>	<u>45,050,465</u>	<u>98</u>
<u>Nonoperating expenses</u>				
Interest expense on debt	<u>1,085,531</u>	<u>2</u>	<u>1,121,469</u>	<u>2</u>
Total expenses	<u>\$45,769,521</u>	<u>100%</u>	<u>\$46,171,934</u>	<u>100%</u>



**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

Capital Assets and Debt Administration

Below is a summary of Capital assets, net of depreciation, as of June 30, 2012 and June 30, 2011. See Note 3 for further details.

	As of June 30, 2012	As of June 30, 2011
Land	\$ 711,384	\$ 711,384
Museum and art collections	66,000	66,000
Construction in progress	887,241	-
Buildings	45,792,343	47,061,292
Equipment	4,255,357	4,136,072
Improvements other than buildings	5,952,932	5,954,832
Library books	300,054	301,644
Total	<u>\$57,965,311</u>	<u>\$58,231,224</u>

The decrease in Capital assets, net of depreciation, is due to all of the major construction/renovation projects associated with the Master Facilities Plan have been completed and depreciation on all assets is more than the purchases of new assets for FY 2012.

During FY 2012, the District reduced its outstanding long-term debt by \$772,397. At June 30, 2012 the District had two outstanding debt issues totaling \$23.0 million. Note 4 to the basic financial statements beginning on page 35 shows additional detail on bond issues and long-term obligations.

Current Factors Having Probable Future Financial Significance

The economic recovery for the State of Arizona has been slow, yet recovering nonetheless. In 2010, the voters of the State put in place a \$.01 sales tax as a temporary measure to help balance the State budget. The beneficiaries of that additional tax revenue were educational institutions, including community colleges and health-related agencies. The citizens placed an initiative on the ballot for the November 2012 election to make permanent this tax increment. This initiative failed. As a result, the tax will sunset at the end of FY2013. It is unclear what the impact for community colleges will be as a result of the election.

District-wide enrollment is beginning to decline following three consecutive years of double-digit growth. The reasons for the decrease stem from a number of factors. The double-digit enrollment growth, largely due to the economic recession of 2008 was not sustainable. Many workers took advantage of community colleges' lower cost programs to gain the additional knowledge and certifications needed to find meaningful employment. Many from this wave of students have made their way through the educational process, completing degrees and certificate programs. In addition, the new processes related to Federal Student Financial Aid are more time-consuming, thus, requiring students to begin the process earlier. These declines in enrollment were anticipated and the District is not concerned about any long-term effects.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

The 66% cut to community colleges' Maintenance and Operation (M&O) State Aid in FY 2012 has created an irreversible, structural impact due to the statutory wording of the formula. As a result of this cut, the average amount of M&O funding per Full Time Student Equivalent for all community college districts fell from \$718 to \$229 in FY 2012. The Governor expressed her desire to implement performance based funding as part of M&O State Aid. While this may offer some relief to community colleges, it is anticipated that the earliest that any legislative action could occur in this regard would be in the 2014 session.

The largest economic impact to the District will be a reduction in Equalization funding. Due to the structure of the equalization formula, the District will receive \$900,000 less in equalization aid in FY 2013. In addition, Capital Outlay State Aid to all community colleges has not been funded since FY 2008. The District is hopeful that capital funding will be restored in FY 2014. As a result, the District plans to continue to keep its tax levy at the maximum allowed by law. It will consider adjustments to tuition as well as continuing to explore additional cost saving measures. Despite these economic pressures, the District believes that it will continue to provide outstanding educational services to our growing constituencies at affordable prices.

Requests for Information

This discussion and analysis is designed to provide a general overview of the Cochise County Community College District's finances for all those with an interest in such matters. Questions concerning any of the information provided in this comprehensive annual financial report or requests for additional financial information should be addressed to the Office of the Director of Financial Operations, Cochise County Community College District, 4190 West Highway 80, Douglas, Arizona 85607.

**Cochise County Community College District
Statement of Net Assets - Primary Government
June 30, 2012**

	Business-Type Activities
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 11,370,107
Investments	10,415,978
Receivables:	
Accounts (less allowances of \$421,436)	324,728
Property taxes (less allowances of \$271,307)	1,223,726
Government grants and contracts	408,970
Interest	26,214
Other	368,945
Inventories	454,384
Prepaid items	228,045
Total current assets	24,821,097
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents held by trustee	1,482,766
Capital assets, not being depreciated	1,664,625
Capital assets, being depreciated, net	56,300,686
Total noncurrent assets	59,448,077
Total assets	84,269,174
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	830,621
Accrued payroll and employee benefits	1,198,973
Interest payable	542,766
Deposits held in custody for others	256,354
Deferred revenues	351,829
Current portion of compensated absences payable	197,387
Current portion of long-term debt	971,772
Total current liabilities	4,349,702
Noncurrent liabilities:	
Compensated absences payable	1,088,162
Long-term debt	23,204,090
Total noncurrent liabilities	24,292,252
Total liabilities	28,641,954
<u>Net Assets</u>	
Invested in capital assets, net of related debt	34,554,781
Restricted for:	
Grants and contracts	1,778,535
Debt service	2,303,939
Unrestricted	16,989,965
Total net assets	\$ 55,627,220

See accompanying notes to financial statements.

**Cochise County Community College District
Statement of Financial Position - Component Unit
June 30, 2012**

	<u>Cochise College Foundation</u>
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 103,764
Total current assets	<u>103,764</u>
Noncurrent assets:	
Long-term investments	5,662,831
Land held as an investment	46,194
Total noncurrent assets	<u>5,709,025</u>
Total assets	<u>\$ 5,812,789</u>
<u>Liabilities</u>	
Current liabilities:	
Deposits held on behalf of others	\$ 26,532
Total current liabilities	<u>26,532</u>
<u>Net Assets</u>	
Unrestricted	
Undesignated, available for operations	231,718
Designated funds	619,335
Total unrestricted net assets	<u>851,053</u>
Temporarily restricted	3,085,021
Permanently restricted	1,850,183
Total net assets	<u>5,786,257</u>
Total liabilities and net assets	<u>\$ 5,812,789</u>

See accompanying notes to financial statements.

Cochise County Community College District
Statement of Revenues, Expenses, and Changes in Net Assets - Primary Government
For the Year Ended June 30, 2012

	Business-Type Activities
Operating revenues:	
Tuition and fees (net of scholarship allowances of \$3,140,924)	\$ 5,895,640
Government contracts	264,702
Private contracts	83,504
Bookstore income	145,643
Food service income	441,992
Dormitory rentals and fees	45,852
Other	656,049
Total operating revenues	7,533,382
Operating expenses:	
Educational and general:	
Instruction	16,943,608
Public service	707,786
Academic support	1,336,388
Student services	5,366,567
Institutional support	7,965,076
Operation and maintenance of plant	4,230,372
Scholarships	4,026,671
Auxiliary enterprises	1,045,291
Depreciation	3,062,231
Total operating expenses	44,683,990
Operating loss	(37,150,608)
Nonoperating revenues (expenses):	
Property taxes	17,320,483
State appropriations	13,620,900
Government grants	8,710,077
Share of state sales taxes	961,059
Investment earnings	202,428
Interest on capital asset-related debt	(1,085,531)
Gain on disposal of capital assets	67,976
Net nonoperating revenues	39,797,392
Increase in net assets	2,646,784
Total net assets, July 1, 2011	52,980,436
Total net assets, June 30, 2012	\$ 55,627,220

See accompanying notes to financial statements.

**Cochise County Community College District
Statement of Activities - Component Unit
For the Year Ended June 30, 2012**

	Cochise College Foundation			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue:				
Contributions	\$ 178,310	\$ 390,102	\$ 11,000	\$ 579,412
Investment Income	64,254	407,094	-	471,348
Change in donor intent	-	(3,500)	3,500	-
Net assets released from restriction	453,552	(453,552)	-	-
Total support and revenue	<u>696,116</u>	<u>340,144</u>	<u>14,500</u>	<u>1,050,760</u>
Expenses:				
Program expenses:				
Scholarships	304,900	-	-	304,900
Special programs	143,113	-	-	143,113
Total program expenses	<u>448,013</u>	<u>-</u>	<u>-</u>	<u>448,013</u>
Supporting services:				
Salaries and wages	150,059	-	-	150,059
Other	46,648	-	-	46,648
Total supporting services	<u>196,707</u>	<u>-</u>	<u>-</u>	<u>196,707</u>
Total expenses	<u>644,720</u>	<u>-</u>	<u>-</u>	<u>644,720</u>
Change in net assets	51,396	340,144	14,500	406,040
Net Assets, Beginning of Year	799,657	2,744,877	1,835,683	5,380,217
Net assets, end of year	<u>\$ 851,053</u>	<u>\$ 3,085,021</u>	<u>\$ 1,850,183</u>	<u>\$ 5,786,257</u>

See accompanying notes to financial statements.

**Cochise County Community College District
Statement of Cash Flows - Primary Government
For the Year Ended June 30, 2012**

	Business-Type Activities
Cash flows from operating activities:	
Tuition and fees	\$ 5,792,309
Government and private contracts	341,303
Bookstore receipts	150,243
Food services receipts	441,992
Dormitory rentals and fees	45,852
Other receipts	835,959
Payments to suppliers and providers of goods and services	(8,553,053)
Payments for employees wages and benefits	(28,132,142)
Payments for scholarships	(4,026,671)
Other payments	(170,097)
Net cash used for operating activities	(33,274,305)
Cash flows from noncapital financing activities:	
Property taxes	17,212,438
State appropriations	13,620,900
Government grants	8,561,703
Share of state sales taxes	953,371
Deposits held in custody for others received	1,704,715
Deposits held in custody for others disbursed	(1,707,205)
Net cash provided by noncapital financing activities	40,345,922
Cash flows from capital and related financing activities:	
Principal paid on capital debt	(905,000)
Interest paid on capital debt	(1,103,499)
Proceeds from sale of capital assets	73,039
Purchases of capital assets	(2,980,600)
Net cash used for capital and related financing activities	(4,916,060)
Cash flows from investing activities:	
Sale of investments	4,177,374
Interest received on investments	178,744
Net cash provided by investing activities	4,356,118
Net increase in cash and cash equivalents	6,511,675
Cash and cash equivalents, July 1, 2011	6,341,198
Cash and cash equivalents, June 30, 2012	\$ 12,852,873

(Continued)

See accompanying notes to financial statements.

**Cochise County Community College District
Statement of Cash Flows - Primary Government
For the Year Ended June 30, 2012
(Concluded)**

	Business-Type Activities
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (37,150,608)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	3,062,231
Provision for uncollectable accounts	42,582
Net OPEB obligation	199,375
Changes in assets and liabilities:	
Increase in:	
Accounts receivable	(114,737)
Government grants and contracts receivable	(6,904)
Accounts payable	229,884
Accrued payroll and employee benefits	63,769
Compensated absences payable	9,857
Decrease in:	
Other receivables	184,510
Inventories	37,194
Prepaid items	199,717
Deferred revenues	(31,175)
Net cash used for operating activities	\$ (33,274,305)

Noncash investing, noncapital financing, and capital and related financing transactions:

As of June 30, 2012 the District acquired \$146,915 of capital assets for which cash had not been paid. These acquisitions were included in accounts payable at year end.

The District amortized \$11,206 for premiums received on revenue bonds issued. The District also amortized \$20,566 for premiums received on pledged revenue obligations issued.

The District is amortizing its OPEB obligation for employee/retiree health benefits over 30 years. The Current year net obligation is \$765,332, which is recorded as a long-term liability.

See accompanying notes to financial statements.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cochise County Community College District's accounting policies conform to generally accepted accounting principles (GAAP) applicable to public institutions engaged only in business-type activities adopted 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 Cochise College Foundation, Inc. (the 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 other District operations. Although the District does not control the timing or amount of the receipts from the Foundation, the Foundation's restricted resources can only be used by, or for the benefit of, the District or its constituents. Consequently, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements.

For financial reporting purposes, the Foundation follows the Financial Accounting Standards Board (FASB) 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 District's 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 GAAP for public colleges and universities. The Foundation has a June 30 fiscal year-end.

During the year ended June 30, 2012, the Foundation distributed \$448,013 to and on behalf of the District for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Cochise College Foundation, 4190 West Highway 80, Douglas, Arizona 85607-6190.

B. Basis of Presentation and Accounting

The financial statements include a statement of net assets; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows. A statement of net assets provides information about the assets, liabilities, and net assets of the District at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified according to external donor restrictions or availability of assets to satisfy District obligations. Invested in capital assets, net of related debt represents the value of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the assets. Expendable restricted net assets represents grants, contracts, gifts, and other resources

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

that have been externally restricted for specific purposes. Unrestricted net assets includes all other net assets, including those that have been designated by management to be used for other than general operating purposes.

A statement of revenues, expenses, and changes in net assets provides information about the District's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net assets are reported. Operating revenues and expenses generally result from exchange transactions. Accordingly, revenues, such as tuition, bookstore, food service, 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 on capital asset related debt, are considered to be nonoperating.

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 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 when all eligibility requirements imposed by the provider have been met. The District eliminates all internal activity.

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.

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

C. Cash and Investments

The District's cash and cash equivalents are considered to be cash on hand, cash in the bank, cash and investments held by the County Treasurer, investments in the State Treasurer's Local Government Investment Pool, and highly liquid investments. Cash equivalents are defined as investments with maturities of three months or less. Investments are stated at fair value.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 for depreciation purposes reported in the financial statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$5,000	N/A	N/A
Museum art collection	5,000	N/A	N/A
Improvements other than buildings	5,000	Straight line	15 years
Buildings	5,000	Straight line	40 years
Equipment	5,000	Straight line	5-30 years
Library books	All	Straight line	10 years

E. Investment Earnings

Investment earnings is 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 176 hours of vacation depending on years of service. Any unused vacation hours in excess of the maximum amount at fiscal 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 employees. Therefore, a liability for sick leave benefits is not accrued in the financial statements. However, for employees who are at least 55 years of age or have met the necessary points for full retirement with the Arizona State Retirement System and have been employed by the District for at least 10 years, a portion of their sick leave benefits does vest. Those amounts are accrued as a liability in the financial statements.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)

G. Scholarship Allowances

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

NOTE 2 – CASH AND CASH EQUIVALENTS

At June 30, 2012, the District’s cash and cash equivalents consisted of the following:

	Cash and Cash Equivalents
Deposits:	
Cash on hand	\$ 10,885
Cash in bank	1,796,391
Investments at fair value:	
Cash and investments held by the County Treasurer	291,159
Investment in State Treasurer’s investment pool	242,704
Money market mutual fund	1,482,766
Investments held by US Bank	9,028,968
Total	\$ 12,852,873

A. Bank Deposits

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to the District. The District currently does not have a deposit policy for custodial credit risk. At June 30, 2012, the carrying amount of the District’s cash in bank was \$1,796,391, and the bank balance was \$2,006,193.

B. Cash on deposit with the Cochise County Treasurer

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. 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 those monies. 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.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2 - CASH AND CASH EQUIVALENTS (Cont'd)

As of June 30, 2012, the District reported \$291,159 on deposit with the Cochise County Treasurer's investment pool (CCTIP). The Cochise County Treasurer invests the cash in a pool under policy guidelines established by the County. The Cochise County Treasurer's investment pool is an external investment pool with no regulatory oversight. The CCTIP is not required to register (and is not registered) with the Securities and Exchange Commission. As of June 30, 2012 the CCTIP had not received a quality rating from a national rating agency.

C. Investments

At June 30, 2012, the District's investments consisted of the following:

Investment Type	Maturities		Fair Value
	Less than 1 Year	1-5 Years	
US Bank (Trustee)			
Money market mutual fund	\$ 1,482,766	\$ -	\$ 1,482,766
U.S. Treasuries	650,253	355,716	1,005,969
U.S. Agencies	10,578,260	7,857,786	18,436,046
State Treasurer's investment pool 7	242,704	-	242,704
County Treasurer's investment pool	-	291,159	291,159
Common Stock	2,931	-	2,931
Total Investments Subject to Interest Rate Risk	\$ 12,956,914	\$ 8,504,661	\$ 21,461,575

The State Board of Investment provides oversight for the State Treasurer's pools. The fair value of a participant's position in the pool approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments.

D. Interest Rate Risk

Through its investment policy and in accordance with state statute, the District manages its exposure to fair value losses arising from increasing interest rates by limiting the maturity of any one investment to 5 years.

E. Credit Risk

Through its investment policy and in accordance with state statute, the District manages its credit risk. The State and County Treasurers' investment pool are not rated. The District's investments in U. S. Treasuries are backed by the full faith and credit of the U. S. Government. The investments in U. S. Agencies and the investment in the money market mutual fund were rated AAA by Standard & Poor's and Aaa by Moody's.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 - CASH AND CASH EQUIVALENTS (Concl'd)

F. Concentration of Credit Risk

The District does not have a formal policy regarding concentration of credit risk. The District had investments at June 30, 2012 of 5% or more in Federal National Mortgage Association, Federal Home Loan Banks, Federal Farm Credit Banks and Federal Home Loan Mortgage Corporation. These investments were 41.42%, 26.30%, 7.27% and 5.27% respectively, of the District's total investments.

G. Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of a counterparty's failure, the District will not be able to recover the value of its investments or collateral securities that are in an outside party's possession. The District currently does not have a formal investment policy for custodial credit risk. The District's cash and investments held by the trustee have a custodial credit risk exposure of \$1,482,766 because the related securities are uninsured, unregistered and not in the District's name.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land	711,384	-	-	711,384
Museum art collection	66,000	-	-	66,000
Construction in progress	-	887,241	-	887,241
Total capital assets not being depreciated	<u>777,384</u>	<u>887,241</u>	<u>-</u>	<u>1,664,625</u>
Capital assets being depreciated:				
Buildings	60,832,445	158,839	(9,002)	60,982,282
Equipment	11,874,259	1,363,745	(276,465)	12,961,539
Improvements other than buildings	7,678,693	332,703	-	8,011,396
Library books	951,880	58,853	(57,797)	952,936
Total capital assets being depreciated	<u>81,337,277</u>	<u>1,914,140</u>	<u>(343,264)</u>	<u>82,908,153</u>
Less accumulated depreciation for:				
Buildings	(13,771,153)	(1,422,725)	3,939	(15,189,939)
Equipment	(7,738,187)	(1,244,460)	276,465	(8,706,182)
Improvements other than buildings	(1,723,861)	(334,603)	-	(2,058,464)
Library books	(650,236)	(60,443)	57,797	(652,882)
Total accumulated depreciation	<u>(23,883,437)</u>	<u>(3,062,231)</u>	<u>338,201</u>	<u>(26,607,467)</u>
Total capital assets being depreciated, net	<u>57,453,840</u>	<u>(1,148,091)</u>	<u>(5,063)</u>	<u>56,300,686</u>
Capital assets, net	<u>58,231,224</u>	<u>(260,850)</u>	<u>(5,063)</u>	<u>57,965,311</u>

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 3 - CAPITAL ASSETS (Concl'd)

The District had major contractual commitments related to two capital projects at June 30, 2012, for the remodeling of existing buildings and repaving the airport runway. At June 30, 2012 the District had spent \$887,241 on these projects and had remaining contractual commitments with contractors of \$1,797,017. These projects are being financed by a state grant (90% of the runway costs) and District funds.

NOTE 4 – LONG-TERM LIABILITIES

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2012:

	Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2012</u>	Due within <u>one year</u>
Compensated absences	\$ 1,275,692	\$ 1,463,258	\$ 1,453,401	\$ 1,285,549	\$ 197,387
OPEB obligation	565,957	250,836	51,461	765,332	-
Bonds payable:					
Revenue bonds	10,405,000	-	105,000	10,300,000	105,000
Pledged revenue obligations (PROs)	13,505,000	-	800,000	12,705,000	835,000
Premiums	<u>437,302</u>	<u>-</u>	<u>31,772</u>	<u>405,530</u>	<u>31,772</u>
Total long-term liabilities	<u>\$26,188,951</u>	<u>\$ 1,714,094</u>	<u>\$2,441,634</u>	<u>\$25,461,411</u>	<u>\$1,169,159</u>

Bonds Payable

The District's bonded debt consists of one issue of revenue bonds and one issue of pledged revenue obligations (PROs). Bond proceeds primarily pay for improving, acquiring or constructing capital assets. Bonds are repaid from tuition, fees, rentals, and other charges to students, faculty, and others. Federal arbitrage regulations are applicable to all of the District's bond issues. Interest payments are due on a semi-annual basis. Bonds outstanding at June 30, 2012, were as follows:

<u>Description</u>	<u>Original Amount Issued</u>	<u>Maturity Ranges</u>	<u>Interest Rates</u>	<u>Outstanding Principal</u>
Revenue Bonds				
Series 2008	\$10,595,000	7/1/2012-28	3.75-5.125%	\$10,300,000
Pledged Revenue Obligations				
Series 2008	\$15,000,000	7/1/2012-23	4.00-5.50%	\$12,705,000

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 – LONG-TERM LIABILITIES (Concl'd)

The following schedule details debt service requirements to maturity for the District's bonds and PROs at June 30, 2012:

Year Ending June 30:	Revenue Bonds		Pledged Revenue Obligations		Total Debt Service Requirements
	Principal	Interest	Principal	Interest	
2013	\$ 105,000	\$ 509,675	\$ 835,000	\$ 538,519	\$ 1,988,194
2014	105,000	505,475	870,000	503,719	1,984,194
2015	115,000	500,875	900,000	467,719	1,983,594
2016	115,000	496,275	940,000	430,119	1,981,394
2017	125,000	491,275	975,000	391,119	1,982,394
2018-2022	685,000	2,373,000	5,550,000	1,206,744	9,814,744
2023-2027	5,295,000	1,743,171	2,635,000	60,525	9,733,696
2028-2029	3,755,000	98,656	-	-	3,853,656
Totals	\$ 10,300,000	\$ 6,718,402	\$ 12,705,000	\$ 3,598,464	\$ 33,321,866

A. Revenue Bonds

In July 2008, the District issued \$10,595,000 of revenue bonds to construct, furnish, and equip an academic science building and residence housing and to make related site improvements. Bonds maturing on or before July 1, 2018, are not subject to redemption. Bonds maturing on or after July 1, 2019, are subject to early redemption.

B. Pledged Revenue Obligations

In July 2008, the District issued \$15,000,000 of pledged revenue obligations to construct, furnish, and equip a student services building and two academic buildings and to make related site improvements. Obligations maturing on or before July 1, 2018, are not subject to redemption. Obligations maturing on or after July 1, 2019, are subject to early redemption.

Revenues Pledged

The District has pledged future revenue streams from tuition, fees, rentals, and other payments from students, faculty, and others to make debt service payments on the \$10,595,000 of revenue bonds and \$15,000,000 of pledged revenue obligations. Annual principal and interest payments on the debt issuances, payable solely from these revenues through 2029, are expected to require less than 33% of the annual pledged gross revenues. FY 2012 interest and principal paid and total pledged gross revenues were \$1,990,531 and \$7,387,604, respectively. Total principal and interest remaining to be paid is \$33,321,866.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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. In addition, the District carries specialized commercial insurance for the risks of loss associated with its aircraft program and nursing and emergency medical technician student program. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6 – PENSION AND OTHER POSTEMPLOYMENT BENEFITS

A. Pension Benefits

Plan description – The District contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System (System). The 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 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 N. Central Ave., 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, 2012, active plan members and the District were each required by statute to contribute at the actuarially determined rate of 10.74 percent of the members' annual covered payroll. The employee's contributions of 10.74 percent were broken down as follows: 10.50 percent for retirement and 0.24 percent for long-term disability. The District's contributions of 10.74 percent were broken down as follows: 9.87 percent for retirement, 0.63 percent for health insurance premium, and 0.24 percent for long-term disability.

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

	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
Years ended June 30,			
2012	\$ 1,765,831	\$ 112,713	\$ 42,931
2011	1,570,540	102,847	43,363
2010	1,438,490	113,837	68,363

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 – PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

B. Postemployment Health Care Benefits

Effective for the 2008-09 fiscal year, the District implemented Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB Statement No. 45), for certain postemployment health care benefits provided by the Cochise Combined Trust (the Trust). The requirements of GASB Statement No. 45 are being implemented prospectively, with the actuarially determined liability of \$1,786,136 as of July 1, 2008 (the date of transition), amortized over 30 years.

Plan description – The District has a single-employer plan for postemployment health care benefits. The District subsidizes the premium rates paid by retirees by allowing them to participate in the District's health care plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provided an implicit rate subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The District does not offer any explicit subsidies.

Retiring employees may be retained on the Trust's health insurance plan provided they make the required contributions and comply with all other provisions of the Plan. To be eligible the employee must:

1. Retire from the District under the Arizona State Retirement System;
2. Must have a minimum of ten (10) consecutive years of service with the District and be at least fifty-five years of age;
3. Must have accumulated at least eighty (80) points with the Arizona State Retirement System.

Covered retirees are eligible to participate until the earlier of:

1. Attaining the age of sixty-five (65);
2. Obtaining health care coverage through another employer's health medical plan;
3. The date they are eligible for the Federal Medicare program.

If a covered retiree terminates coverage for any reason, coverage cannot be reinstated. The District does not issue a stand-alone annual report for the plan.

Funding policy – Benefit provisions are pursuant to the District's policy and can be amended by the District Governing Board. The District has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2011-12 fiscal year, 29 retirees received postemployment healthcare benefits. The District provided required contributions of \$51,461, or 20.5%, toward the annual OPEB cost of \$250,836, comprised of partial premium payments made on behalf of retirees for post-retirement medical benefits. Retiree contributions totaled \$135,659.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 – PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the District’s annual OPEB cost for the year, the amount actually contributed to the plan and changes in the District’s OPEB obligation.

	2012	2011	2010	2009
Normal cost (service cost for one year)	\$ 141,174	\$ 147,158	\$ 131,609	\$ 133,036
Amortization of unfunded actuarial:				
Accrued liability	118,495	110,021	107,551	99,320
Interest on normal cost and amortization	-	-	-	-
Annual required contribution (ARC)	259,669	257,179	239,160	232,356
Interest on net OPEB obligation	22,638	14,618	7,275	-
Adjustment to annual required contribution	(31,471)	(20,321)	(10,114)	-
Annual OPEB Cost	250,836	251,476	236,321	232,356
Contribution toward the OPEB cost	(51,461)	(50,968)	(52,752)	(50,476)
Increase in net OPEB obligation	199,375	200,508	183,569	181,880
Net OPEB obligation, beginning of year	565,957	365,449	181,880	-
Net OPEB obligation, end of year	\$ 765,332	\$ 565,957	\$ 365,449	\$ 181,880
Percentage of annual OPEB cost contributed	20.52%	20.27%	22.32%	21.72%

Funded Status and Funding Progress – As of June 30, 2012 the actuarial accrued liability for benefits was \$2,130,985 and is unfunded. The plan has no assets. The covered payroll (annual payroll of active participating employees) was \$16,511,008 for the FY 2012 while the ratio of the unfunded actuarial accrued liability to the covered payroll was 12.9%.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about future employment and termination, mortality, and the health care trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 – PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Concl'd)

The District's initial OPEB actuarial valuation as of July 1, 2008, used the entry age actuarial cost method which was also used to estimate the unfunded actuarial accrued liability (UAAL) as of June 30, 2012.

Method/Assumption

Valuation date	July 1, 2010
Actuarial cost method	Entry age actuarial cost
Initial amortization period, level dollar amortization method, open period	30 years
Remaining amortization period	26 years
Investment rate of return	4 %
Medicare coverage age	65
Retirement and disability age	ASRS assumptions
Health Care Cost Trend Range	5% - 9%
Participation Assumption	100%
Active members	341
Retirees currently receiving benefits	24

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 – Primary Government. The operating expenses can also be classified into the following:

Personnel services	\$28,405,143
Contract services	3,337,706
Supplies and other services	2,457,485
Rent and insurance	1,445,978
Communications and utilities	1,369,180
Travel	409,499
Scholarships	4,026,671
Depreciation	3,062,231
Other	170,097
Total	\$44,683,990

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 8 – DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURE

A. FOUNDATION OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Operations

Cochise College Foundation, Inc. (the Foundation) is an Arizona not-for-profit organization established to support the educational goals of the District primarily through the funding of scholarships to students. Foundation policy is provided and directed by a thirteen member Board of Trustees composed of appointed individuals. The Foundation's major sources of revenue are contributions and investment income.

The significant accounting policies followed by the Foundation are as follows:

The Financial Accounting Standards Board (FASB) sets U.S. generally accepted accounting principles (GAAP) to ensure consistent reporting. References to GAAP issued by the FASB in the accompanying footnotes are to the *FASB Accounting Standards Codification* (FASB ASC).

2. Basis of Presentation

The accompanying financial statements are presented in accordance with FASB ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under FASB ASC 958-205, 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.

3. Management's Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Contributions

The Foundation accounts for contributions in accordance with FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. In accordance with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a 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 statement of activities as net assets released from restrictions. Restricted support, where restrictions are met in the same period as the contribution is made, is shown as unrestricted support.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 8 – DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURE (Cont'd)

5. Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and savings and money market accounts. The Foundation considers all highly liquid investments purchased with an original maturity of ninety days or less to be cash equivalents. Cash deposits are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC). At times, cash and cash equivalents may exceed amounts insured by the FDIC.

6. Investments

The Foundation accounts for its investments in accordance with FASB ASC 958-320 *Not-for-Profit Entities – Investments – Debt and Equity Securities*. Under FASB ASC 958-320, the Foundation is required to report investments in equity securities that have readily determinable fair value and all investments in debt securities, at fair value. The fair values of investments in debt and marketable securities are based on quoted market prices. The fair value of investment in shares of a real estate investment trust are based upon the net asset value of shares held at year-end. Certificates of deposit held as investments in the accompanying statement of financial position are carried at amortized cost.

Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

7. Land Held as an Investment

The Foundation accounts for land held as an investment in accordance with FASB ASC 958-325, *Not-for-Profit Entities – Investments – Other*. Under FASB ASC 958-325, the Foundation reports land held as an investment at its original value at the time of gift. There have been no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment. Therefore, the fair value of land held as an investment was not estimated.

8. Deposits Held on Behalf of Others

Deposits held on behalf of others consist of donated amounts designated by third parties to specified scholarship recipients that have yet to be awarded. At June 30, 2012, deposits held on behalf of others totaled \$26,532 and is held within investments on the accompanying statement of financial position.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 8 – DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURE (Cont'd)

9. Donated Materials and Services

Donated materials and professional services are reflected as contributions in the accompanying financial statements at their estimated values at the date of receipt. Contributions of donated non-monetary assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. No amounts have been reflected in the financial statements for certain donated volunteer services because they did not qualify for recording under the guidelines of FASB ASC 958-605.

10. Functional Expenses

The costs of providing various program support and supporting services have been summarized on a functional basis in the statement of activities. Expenses are charged to the various expense categories based on direct expenditures incurred. Any expenditure not directly chargeable to a functional expense category is charged to the supporting services category.

11. Reclassification of Donor Intent

At times, the Foundation receives requests by donors or their designees to change the use for which the donor's original gift was intended. These donor requests are reviewed by the Foundation for approval, and if approved, may result in the reclassification of net assets between unrestricted, temporarily restricted or permanently restricted net assets. These reclassifications are reflected in the statement of activities for the year ended June 30, 2012 as change in donor intent.

12. Income Tax Status

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, there is no provision for income taxes. In addition, the Foundation qualifies for the charitable contribution deduction and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBTI) would be taxable.

The Foundation evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts.

The Foundation's federal Return of Organizations Exempt From Income Tax (Form 990) for fiscal 2009, 2010, and 2011 are subject to examination by the IRS, generally for the three years after they were filed. As of the date of this report, the Foundation's fiscal 2012 return had not yet been filed.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 8 – DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURE (Cont'd)

13. Subsequent Events

The Foundation has evaluated subsequent events through September 10, 2012, which is the date the financial statements were available to be issued.

B. INVESTMENTS

Investments consist of:	<u>2012</u>
Equity Securities	\$ 490,655
Mutual funds:	
Large growth	221,982
Fixed income	159,590
Large blend	400,735
Large Value	355,862
Mid-cap growth	18,081
Bonds:	
Corporate:	
Financial sector	1,364,674
Industrial sector	1,461,453
Utilities sector	326,274
Municipal	544,139
Unit trusts	119,573
Limited partnership	64,910
Real estate investment trust (REIT)	10,858
Certificates of deposit	46,648
Money Market funds	<u>77,397</u>
Total investments	<u>\$ 5,662,831</u>

Net investment income consists of:

Dividends and interest income	\$ 263,733
Realized/unrealized investment gains	<u>207,615</u>
Investment income	<u>\$ 471,348</u>

The Foundation paid investment broker fees of \$6,003 in 2012, which were charged against investment income.

C. FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. FASB ASC 820 also establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values by requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 8 – DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURE (Cont'd)

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability. Assets reported at net asset value (NAV) using the practical expedient provisions are considered Level 2 when the Foundation has the ability to redeem its investment at net asset value or its equivalent at the measurement date or within a reasonably short period of time subsequent to the measurement date.

Level 3: Unobservable inputs for the asset or liability. Assets reported at NAV using the practical expedient provisions are considered level 3 when investments will never have the ability to be redeemed at the net asset value or the redemption period is long term in nature.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes to methodologies used at June 30, 2012.

Equity securities – Equity securities are measured using the quoted market prices for each security from major stock exchanges or other electronic quotation systems.

Mutual funds and money market funds – Mutual funds are valued at the NAV of shares held by the Foundation at year end based on readily determinable fair values, which are published daily and are the basis for current transactions.

Bonds – Bonds are valued using propriety valuation models incorporating live data from active market makers and inter-dealer brokers as reported on electronic communication networks. The valuation models incorporate benchmark yields, reported trades, broker/dealer quotes, bids, offers, and other data.

Unit trusts – Unit trusts are valued at NAV of shares held by the Foundation at year end based on readily determinable fair values, which are published daily and are the basis for current transactions.

Limited partnerships – Limited partnerships are measured using the quoted market prices for each security from major stock exchanges or other electronic quotation systems.

REITs – REITs are valued at NAV of shares held by the Foundation at year-end which approximates the value of transactions for identical holdings in markets that are not active.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 8 – DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURE (Cont'd)

The following table summarizes the valuation of the Foundation's assets and liabilities subject to fair value measurement by the above FASB ASC 820 categories as of June 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equity Securities	\$ 490,655	\$ -	\$ 490,655
Mutual funds:			
Large growth	221,982	-	221,982
Fixed income	159,590	-	159,590
Large blend	400,735	-	400,735
Large value	355,862	-	355,862
Mid-cap growth	18,081	-	18,081
Bonds:			
Corporate:			
Financial sector	-	1,364,674	1,364,674
Industrial sector	-	1,461,453	1,461,453
Utilities sector	-	326,274	326,274
Municipal	-	544,139	544,139
Unit trusts	119,573	-	119,573
Limited partnership	64,910	-	64,910
REITs	-	10,858	10,858
Money market funds	77,397	-	77,397
Total	<u>\$ 1,908,785</u>	<u>\$ 3,707,398</u>	<u>\$ 5,616,183</u>

D. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of amounts restricted for student scholarships, quasi-endowments, unappropriated endowment earnings, and other educational programs of Cochise County Community College District.

E. ENDOWMENTS

As of year end, the Board of Trustees has designated \$619,335 of unrestricted net assets as a general endowment fund to support the mission of the Foundation. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The Foundation's endowments consist of both donor-restricted contributions and funds designated by the Board to function as endowments. Additionally the Foundation's Board of Trustees has designated certain gifts as quasi-endowments, which are classified as temporarily restricted net assets based upon the original gift purpose. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In September 2008, the State of Arizona enacted ARS Section 10-11801 et seq Management of Charitable Funds Act (MCFA). The Board of Trustees of the Foundation has interpreted the MCFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 8 – DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURE (Cont'd)

As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MCFA.

In accordance with MCFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of the Foundation and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the Foundation
- g. The investment policies of the Foundation

The endowment net asset composition by type of fund as of June 30, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (4,329)	\$ 2,168,722	\$ 1,850,183	\$ 4,014,576
Quasi-endowments	-	453,142	-	453,142
Board-designated endowment funds	619,335	-	-	619,335
Total Funds	<u>\$ 615,006</u>	<u>\$ 2,621,864</u>	<u>\$ 1,850,183</u>	<u>\$ 5,087,053</u>

The changes in endowment net assets for the year ended June 30, 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 599,554	\$ 2,384,966	\$ 1,835,683	\$ 4,820,203
Contributions	360	37,859	11,000	49,219
Investment returns:				
Net appreciation, realized and unrealized	64,254	143,361	-	207,615
Interest and dividend income	-	263,733	-	263,733
Change in donor intent	-	(3,500)	3,500	-
Appropriation of endowment assets for expenditure	(49,162)	(204,555)	-	(253,717)
Endowment net assets, end of year	<u>\$ 615,006</u>	<u>\$ 2,621,864</u>	<u>\$ 1,850,183</u>	<u>\$ 5,087,053</u>

From time to time, the fair values of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MCFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and totaled \$4,329 at June 30, 2012.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 8 – DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURE (Concl'd)

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, up to two-thirds of the endowment assets are invested in fixed income securities, and up to one-third of the endowment assets are invested in equity securities.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that consists of equity-securities, corporate bonds, and government securities.

The Foundation has a policy of appropriating for distribution each year the realized income from the endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

F. RELATED PARTY TRANSACTIONS

The District provides data processing and certain other administrative support services and office space used by the Foundation at no charge. In addition, the District pays certain salaries and administrative expenses for the Foundation. The estimated fair value of these services was \$158,954 for the year ended June 30, 2012. Donated materials and services are recognized as revenue in the accompanying statement of activities as contributions and have been charged to the appropriate expenses to which they relate.

Required
Supplementary
Information



COCHISE COLLEGE

Creating opportunities...changing lives.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
POSTEMPLOYMENT HEALTH CARE BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
June 30, 2012**

Fiscal Year ended 30-Jun	Actuarial Value of Plan Assets	Actuarial Accrued Liability Entry Age (1)	Unfunded Actuarial Accrued Liability (3)	Funded Ratio (2)	Covered Payroll	Actuarial Liability as a Percentage of Covered Payroll
2009	\$ -	\$1,786,136	\$1,786,136	0.00%	\$15,297,505	11.68%
2010	-	1,934,165	1,934,165	0.00%	15,541,344	12.45%
2011	-	1,978,593	1,978,593	0.00%	15,924,770	12.42%
2012	-	2,130,985 (4)	2,130,985	0.00%	16,511,008	12.42%

**Other Post-Employment
Benefits (OPEB)**

Annual		
Fiscal Year	Required Contribution	Percentage Contributed
2009	\$ 232,356	21.72 %
2010	239,160	22.32
2011	257,179	20.27
2012	259,669	20.52

Notes:

- (1) The Entry Age Actuarial Cost Method is used to determine the Plan's funding requirements.
- (2) The percentage funded is derived by dividing the actuarial value of plan assets by the actuarial accrued liability.
- (3) The unfunded actuarial accrued liability is the actuarial accrued liability minus the actuarial value of plan assets.
- (4) Based on data from an actuarial valuation report as of July 1, 2010, dated October 11, 2011.

Isolated analysis of the dollar amounts of the actuarial value of assets, actuarial liability, and unfunded actuarial accrued liability can be misleading.

Expressing the actuarial value of assets as a percentage of the actuarial liability provides one indication of the Plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the Plan is becoming financially stronger or weaker. Generally, the greater the percentage, the stronger the plan.

The District adopted GASB Statement No. 45, effective July 1, 2008, therefore only four years of funding progress information is available.



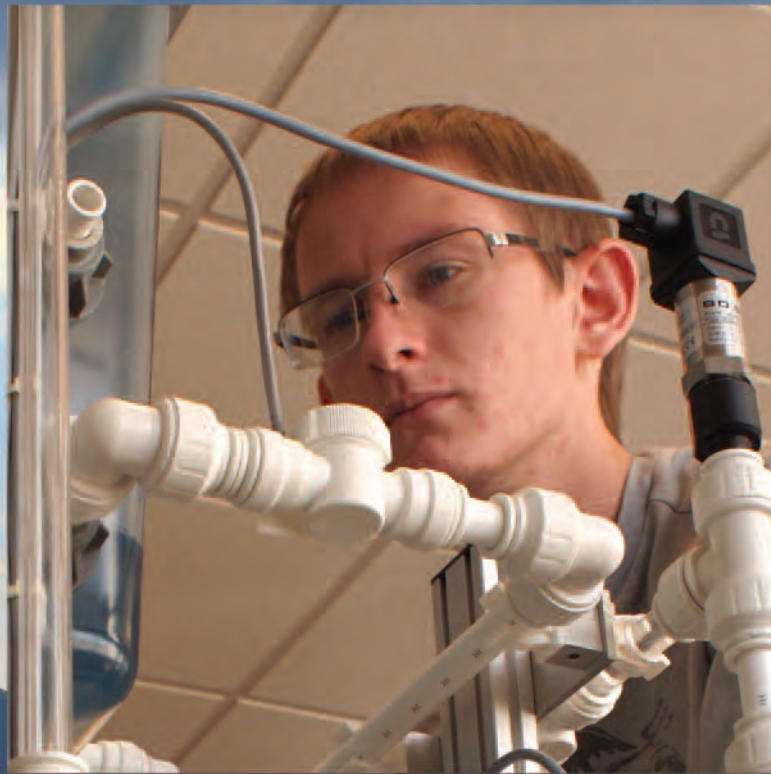
COCHISE COLLEGE

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COCHISE COLLEGE

COMPREHENSIVE ANNUAL FINANCIAL REPORT



STATISTICAL SECTION

Statistical Section

The Cochise County Community College District (the District) implemented the provisions of Governmental Accounting Standards Board Statement No. 44, *Economic Condition Reporting: The Statistical Section*.

This section of the District's Comprehensive Annual Financial Report presents detailed information as a context for further understanding of the information in the financial statements, note disclosures, and supplementary information.

Financial Trends (Pp. 54-57)

These schedules contain trend information to help the reader understand how the District's financial performance has changed over time.

Revenue Capacity (Pp. 58-65)

These schedules contain information to help the reader assess the District's most significant revenue sources.

Debt Capacity (Pp. 66-69)

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information (Pp. 70-72)

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Information (Pp. 73-74)

These schedules contain service and capital asset data to help the reader understand how the information in the District's financial report relates to the services the government provides and the activities it performs.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NET ASSETS by COMPONENT
Last Ten Fiscal Years
Unaudited

	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05	2003/04	2002/03
Primary government										
Invested in capital assets, net of related debt	\$ 34,554,781	\$ 34,051,711	\$ 31,548,105	\$ 15,508,518	\$ 16,861,247	\$ 10,896,801	\$ 10,385,795	\$ 10,628,755	\$ 10,749,501	\$ 10,650,275
Restricted (1)	4,082,474	2,603,068	2,520,295	10,193,018	1,904,829	1,599,298	1,457,979	947,780	449,062	359,452
Unrestricted (1)	16,989,965	16,325,657	14,745,324	18,053,024	22,390,296	24,286,971	20,037,090	15,319,552	10,641,976	7,347,628
Total primary government net assets	\$ 55,627,220	\$ 52,980,436	\$ 48,813,724	\$ 43,754,560	\$ 41,156,372	\$ 36,783,070	\$ 31,880,864	\$ 26,896,087	\$ 21,840,539	\$ 18,357,355

Source: Annual reports on audited financial statements.

Note (1): In FY 2006, Expendable Capital Projects Net Assets and Debt Service Net Assets were reclassified from Restricted Net Assets to Unrestricted Net Assets. Prior years' data have been restated for comparability.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
CHANGES in NET ASSETS
Last Ten Fiscal Years
Unaudited

	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05	2003/04	2002/03
Operating Revenues										
Tuition and fees	\$ 5,895,640	\$ 5,697,196	\$ 5,062,696	\$ 4,641,758	\$ 4,698,520	\$ 4,471,602	\$ 4,115,507	\$ 4,104,156	\$ 3,874,044	\$ 3,395,065
Bookstore sales	145,643	166,818	166,036	165,000	165,000	165,000	165,000	165,000	113,160	113,723
Food service sales	441,992	530,212	410,869	355,009	303,007	296,025	302,222	303,693	302,177	304,974
Dormitory rentals	45,852	49,646	169,018	130,599	188,407	206,825	199,604	210,085	193,778	229,280
Other sales and services	656,049	784,654	314,220	378,493	393,656	529,893	834,528	1,531,498	869,457	352,220
Contracts	348,206	427,620	380,659	702,115	620,393	579,140	554,668	921,593	612,435	633,393
Total operating revenues	7,533,382	7,656,146	6,503,498	6,372,974	6,368,983	6,248,485	6,171,529	7,236,025	5,965,051	5,028,655
Operating Expenses										
Instruction	16,943,608	17,762,911	17,313,386	17,223,291	17,701,763	15,380,470	14,136,315	12,460,037	11,664,764	12,166,791
Public service	707,786	755,106	645,728	545,869	459,213	417,791	498,178	561,156	456,122	340,121
Academic support	1,336,388	1,379,655	1,381,213	1,373,347	1,450,899	1,608,960	1,136,549	1,051,477	903,969	861,049
Student services	5,366,567	4,980,131	4,761,273	4,373,637	4,045,079	3,713,085	3,431,102	2,887,048	2,726,816	2,849,238
Institutional support	7,965,076	6,987,892	6,933,163	8,208,375	6,407,377	6,032,729	5,824,808	5,005,656	4,317,051	4,555,534
Operation & maintenance of Plant	4,230,372	4,304,833	3,771,919	3,407,441	2,896,466	3,403,605	3,180,681	2,716,508	2,588,501	2,448,144
Scholarships	4,026,671	5,245,819	4,983,370	3,173,812	2,763,227	2,674,499	2,681,465	3,009,865	3,027,789	3,325,570
Depreciation	3,062,231	2,510,400	1,561,969	1,217,122	1,388,759	1,096,577	1,225,454	1,189,506	1,112,495	1,010,505
Auxiliary enterprises	1,045,291	1,123,718	1,042,744	1,186,629	1,285,996	1,954,700	2,074,570	2,604,560	1,601,063	1,336,144
Total operating expenses	44,683,990	45,050,465	42,394,765	40,709,523	38,398,779	36,282,416	34,189,122	31,485,813	28,398,570	28,893,096
Operating income (loss)	(37,150,608)	(37,394,319)	(35,891,267)	(34,336,549)	(32,029,796)	(30,033,931)	(28,017,593)	(24,249,788)	(22,433,519)	(23,864,441)
Nonoperating Revenues/(Expenses)										
Property taxes	17,320,483	16,558,225	15,833,368	14,960,185	14,036,854	13,012,950	11,786,056	10,910,652	10,144,554	9,642,802
State appropriations	13,620,900	15,330,500	15,330,500	13,494,004	13,071,100	12,206,400	11,270,300	9,384,000	7,748,800	7,547,001
Government grants (1)	8,710,077	9,835,411	10,122,113	8,305,737	6,549,237	6,369,297	7,361,587	7,147,082	6,744,782	7,084,184
Share of state sales taxes	961,059	866,461	832,908	924,881	1,034,869	1,044,129	962,089	771,765	588,067	424,850
Investment earnings/(loss)	202,428	91,903	152,839	449,061	962,089	1,240,620	715,239	250,213	92,798	(204,595)
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Interest on debt	(1,085,531)	(1,121,469)	(1,161,306)	(1,199,131)	(27,035)	(42,994)	(58,501)	(70,576)	(84,098)	(96,408)
Gain(Loss) on sale/disposal of capital assets	67,976	-	(159,991)	-	(284,616)	33,435	-	-	-	-
Total nonoperating revenues/expenses	39,797,392	41,561,031	40,950,431	36,934,737	35,342,498	33,863,837	32,036,770	28,393,136	25,234,903	24,397,834
Income (loss) before other revenues, expenses, gains or losses	2,646,784	4,166,712	5,059,164	2,598,188	3,312,702	3,829,906	4,019,177	4,143,348	2,801,384	533,393
Capital appropriations	-	-	-	-	1,060,600	1,052,300	965,600	912,200	681,800	681,800
Capital grants and gifts	-	-	-	-	-	20,000	-	-	-	-
Change in Net Assets	\$ 2,646,784	\$ 4,166,712	\$ 5,059,164	\$ 2,598,188	\$ 4,373,302	\$ 4,902,206	\$ 4,984,777	\$ 5,055,548	\$ 3,483,184	\$ 1,215,193

Source: Annual reports on audited financial statements.

Note (1): Government grants have been reclassified for the fiscal years prior to fiscal year 2007/2008 to conform with current year presentation.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
EXPENSES by FUNCTION
Last Ten Fiscal Years
Unaudited

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Function	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05	2003/04	2002/03
Instruction	\$ 16,943,608	\$ 17,762,911	\$ 17,313,386	\$ 17,223,291	\$ 17,701,763	\$ 15,380,470	\$ 14,136,315	\$ 12,460,037	\$ 11,664,764	\$ 12,166,791
Public service	707,786	755,106	645,728	545,869	459,213	417,791	498,178	561,156	456,122	340,121
Academic support	1,336,388	1,379,655	1,381,213	1,373,347	1,450,899	1,608,960	1,136,549	1,051,477	903,969	861,049
Student services	5,366,567	4,980,131	4,761,273	4,373,637	4,045,079	3,713,085	3,431,102	2,887,048	2,726,816	2,849,238
Institutional support	7,965,076	6,987,892	6,933,163	8,208,375	6,407,377	6,032,729	5,824,808	5,005,656	4,317,051	4,555,534
Operation & maintenance of plant	4,230,372	4,304,833	3,771,919	3,407,441	2,896,466	3,403,605	3,180,681	2,716,508	2,588,501	2,448,144
Scholarships	4,026,671	5,245,819	4,983,370	3,173,812	2,763,227	2,674,499	2,681,465	3,009,865	3,027,789	3,325,570
Depreciation	3,062,231	2,510,400	1,561,969	1,217,122	1,388,759	1,096,577	1,225,454	1,189,506	1,112,495	1,010,505
Interest on debt	1,085,531	1,121,469	1,161,306	1,199,131	27,035	42,994	58,501	70,576	84,098	96,408
Other nonoperating expenses	-	-	159,991	-	284,616	-	-	-	-	-
Auxiliary enterprises	1,045,291	1,123,718	1,042,744	1,186,629	1,285,996	1,954,700	2,074,570	2,604,560	1,601,063	1,336,144
Total Expenses	\$45,769,521	\$46,171,934	\$43,716,062	\$41,908,654	\$38,710,430	\$36,325,410	\$34,247,623	\$31,556,389	\$28,482,668	\$28,989,504

Source: Annual reports on audited financial statements.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
EXPENSES by USE
Last Ten Fiscal Years
Unaudited

USE	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05	2003/04	2002/03
Salaries and benefits	\$ 28,405,143	\$ 28,222,002	\$ 27,659,796	\$ 26,798,469	\$ 25,693,154	\$ 23,925,848	\$ 22,388,383	\$ 19,714,317	\$ 18,523,979	\$ 18,217,369
Contract services	3,337,706	2,985,146	2,582,219	3,890,058	2,855,842	2,693,339	2,792,749	2,749,871	1,970,927	2,121,736
Supplies and materials	2,457,485	2,849,171	2,603,551	2,392,886	2,562,210	2,243,703	1,910,767	2,212,951	1,550,110	1,869,146
Subscriptions, dues, insurance and rentals	1,445,978	1,232,396	1,211,054	1,296,725	1,024,344	875,562	875,245	711,074	444,806	635,841
Utilities and communication	1,369,180	1,324,946	1,221,728	1,127,915	1,077,962	1,064,695	913,088	889,455	885,605	863,847
Travel	409,499	393,920	379,702	381,690	519,002	462,069	468,778	419,345	395,312	362,474
Noncapitalized equipment	115,656	138,172	58,030	229,881	207,295	867,186	531,149	280,767	200,456	276,674
Scholarships	4,026,671	5,245,819	4,983,370	3,173,812	2,763,227	2,674,499	2,681,465	3,009,865	3,027,789	3,325,570
Depreciation	3,062,231	2,510,400	1,561,969	1,217,122	1,388,759	1,096,577	1,225,454	1,189,506	1,112,495	1,010,505
Other	54,441	148,493	133,346	200,965	306,984	378,938	402,044	308,662	287,091	209,934
Total operating expenses	44,683,990	45,050,465	42,394,765	40,709,523	38,398,779	36,282,416	34,189,122	31,485,813	28,398,570	28,893,096
Interest on debt	1,085,531	1,121,469	1,161,306	1,199,131	27,035	42,994	58,501	70,576	84,098	96,408
Other nonoperating expenses	-	-	159,991	-	284,616	-	-	-	-	-
Total nonoperating expenses	1,085,531	1,121,469	1,321,297	1,199,131	311,651	42,994	58,501	70,576	84,098	96,408
Total expenses	\$ 45,769,521	\$ 46,171,934	\$ 43,716,062	\$ 41,908,654	\$ 38,710,430	\$ 36,325,410	\$ 34,247,623	\$ 31,556,389	\$ 28,482,668	\$ 28,989,504

Source: Annual reports on audited financial statements.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
REVENUES by SOURCE
Last Ten Fiscal Years
Unaudited

Source of Revenue	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05	2003/04	2002/03
Property taxes	\$ 17,320,483	\$ 16,558,225	\$ 15,833,368	\$ 14,960,185	\$ 14,036,854	\$ 13,012,950	\$ 11,786,056	\$ 10,910,652	\$ 10,144,554	\$ 9,642,802
State appropriations	13,620,900	15,330,500	15,330,500	13,494,004	14,131,700	13,258,700	12,235,900	10,296,200	8,430,600	8,228,801
Grants and contracts	9,058,283	10,263,031	10,502,772	9,007,852	7,169,630	6,946,544	7,909,560	7,996,983	7,353,192	7,715,886
Tuition and fees	5,895,640	5,697,196	5,062,696	4,641,758	4,698,520	4,471,602	4,115,507	4,104,156	3,874,044	3,395,065
Investment income	202,428	91,903	152,839	449,061	962,089	1,240,620	715,239	250,213	92,798	(204,595)
Bookstore sales	145,643	166,818	166,036	165,000	165,000	165,000	165,000	165,000	113,160	113,723
Food services sales	441,992	530,212	410,869	355,009	303,007	296,025	302,222	303,693	302,177	304,974
Dormitory rentals	45,852	49,646	169,018	130,599	188,407	206,825	199,604	210,085	193,778	229,280
Other	1,685,084	1,651,115	1,147,128	1,303,374	1,428,525	1,629,350	1,803,312	2,374,955	1,461,549	778,761
Total Revenues	\$ 48,416,305	\$ 50,338,646	\$ 48,775,226	\$ 44,506,842	\$ 43,083,732	\$ 41,227,616	\$ 39,232,400	\$ 36,611,937	\$ 31,965,852	\$ 30,204,697

Source: Annual reports on audited financial statements.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
EXPENDITURE LIMITATION
STATUTORY LIMIT TO BUDGETED EXPENDITURES
Last Ten Fiscal Years
Unaudited

FISCAL YEAR	STATUTORY EXPENDITURE LIMITATION (1)	BUDGETED EXPENDITURES SUBJECT TO LIMITATION (2)	UNUSED LEGAL LIMIT
2002/03	22,544,097	16,833,821	5,710,276
2003/04	23,778,152	16,483,870	7,294,282
2004/05	30,719,685	19,043,923	11,675,762
2005/06	40,285,804	21,671,982	18,613,822
2006/07	45,302,970	24,274,057	21,028,913
2007/08	47,165,963	31,616,400	15,549,563
2008/09	50,550,255	33,612,389	16,937,866
2009/10	56,193,413	36,546,032	19,647,381
2010/11	61,030,092	30,744,862	30,285,230
2011/12	70,584,273	30,213,535	40,370,738

Source: Audited Annual Budgeted Expenditure Limitation Reports.

Note (1): The Statutory Expenditure Limitation is calculated by the Arizona Department of Revenue Economic Estimates Commission and applies to Current (General, Auxiliary Enterprises, and Restricted) and Plant Funds (Unexpended and Retirement of Indebtedness).

Note (2): Budgeted expenditures are net of allowable exclusions.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
 ASSESSED VALUE and FULL CASH VALUE of ALL TAXABLE PROPERTY
 Last Ten Fiscal Years
 Unaudited

Fiscal Year/ Levy Type	Net Assessed Value (1)	Full Cash Value	Percentage of Net Assessed to Full Cash Value
2002/03 primary	537,737,089	3,976,034,494	13.52%
2002/03 secondary	554,220,855	4,109,659,631	13.49%
2003/04 primary	570,409,342	4,316,623,673	13.21%
2003/04 secondary	586,985,389	4,457,391,244	13.17%
2004/05 primary	611,079,588	4,677,083,356	13.07%
2004/05 secondary	628,655,003	4,824,239,743	13.03%
2005/06 primary	664,734,679	5,135,195,057	12.94%
2005/06 secondary	682,367,252	5,301,085,759	12.87%
2006/07 primary	734,609,559	5,734,972,269	12.81%
2006/07 secondary	767,433,022	5,996,827,619	12.80%
2007/08 primary	812,722,290	6,477,280,505	12.55%
2007/08 secondary	872,912,337	6,991,051,279	12.49%
2008/09 primary	903,521,761	7,310,606,108	12.36%
2008/09 secondary	1,018,740,280	8,314,559,327	12.25%
2009/10 primary	986,677,834	8,079,032,213	12.21%
2009/10 secondary	1,060,241,909	8,674,971,385	12.22%
2010/11 primary	1,049,525,230	8,630,036,695	12.16%
2010/11 secondary	1,111,756,015	9,170,232,226	12.12%
2011/12 primary	1,049,827,355	8,869,023,621	11.84%
2011/12 secondary	1,092,081,033	9,214,115,159	11.85%

Source: Cochise County Assessor's Office, Arizona Department of Revenue.

Note (1): The assessed value of taxable property by class of real and personal property is not currently available.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
 ASSESSED VALUATION, TAX RATE and LEVY HISTORY
 Last Ten Fiscal Years
 Unaudited

Fiscal Year	Primary			Secondary (1)		
	Assessed Valuation	Tax Rate	Tax Levy	Assessed Valuation	Tax Rate	Tax Levy
2002/03	537,737,089	1.7868	9,608,286	554,220,855	-	-
2003/04	570,409,342	1.7868	10,192,074	586,985,389	-	-
2004/05	611,079,588	1.7868	10,918,770	628,655,003	-	-
2005/06	664,734,679	1.7868	11,877,479	682,367,252	-	-
2006/07	734,609,559	1.7868	13,126,004	767,433,022	-	-
2007/08	812,722,290	1.7430	14,165,750	872,912,337	-	-
2008/09	903,521,761	1.6604	15,002,075	1,018,740,280	-	-
2009/10	986,677,834	1.6075	15,860,846	1,060,241,909	-	-
2010/11	1,042,041,186	1.5984	16,655,987	1,111,756,015	-	-
2011/12	1,049,827,355	1.6657	17,486,975	1,092,081,033	-	-

Source: Cochise County Assessor's/Treasurer's Offices and District records.

Note (1): Cochise County Community College District does not currently have any secondary taxes levied.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
PROPERTY TAX RATES, DIRECT and OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years (Per \$100 of Assessed Value)
Unaudited

Fiscal Year		Cochise College	Cochise County	Cities/Towns and Special Districts		School Districts	
				From	To	From	To
2002/03	Primary	1.7868	2.9373	0.0076	2.4556	1.2605	11.9069
	Secondary	-	0.4148	0.1000	2.9986	0.3111	2.3008
2003/04	Primary	1.7868	2.9373	0.1500	2.3675	1.5519	16.5502
	Secondary	-	0.4148	0.1000	3.0000	0.0000	2.5127
2004/05	Primary	1.7868	2.9373	0.1500	2.3817	0.0666	9.9236
	Secondary	-	0.4148	0.1000	2.9999	0.0000	2.5555
2005/06	Primary	1.7868	2.9373	0.1435	2.3609	1.0167	10.5605
	Secondary	-	0.4148	0.0896	2.9686	0.0000	2.5485
2006/07	Primary	1.7868	2.9160	0.1435	2.3798	0.3732	10.6949
	Secondary	-	0.4148	0.0919	3.1540	0.0000	2.3675
2007/08	Primary	1.7430	2.8653	0.1319	2.3026	0.0000	11.7345
	Secondary	-	0.4048	0.0000	3.1749	0.0000	2.4684
2008/09	Primary	1.6604	2.6759	0.1258	2.2212	1.2381	12.1619
	Secondary	-	0.4048	0.0000	5.2156	0.0000	2.2953
2009/10	Primary	1.6075	2.6425	0.1139	2.1446	0.9613	12.1334
	Secondary	-	0.4048	0.0000	3.1570	0.0000	1.7989
2010/11	Primary	1.5984	2.6276	0.0000	2.0817	0.0000	11.1018
	Secondary	-	0.4048	0.0000	2.6551	0.0000	2.0982
2011/12	Primary	1.6657	2.6276	0.0000	2.0363	0.0000	11.1018
	Secondary	-	0.4048	0.0000	2.9500	0.0000	1.7461

Source: Cochise County Treasurer's Office website:
http://cochise.az.gov/cochise_treasurer.aspx?id=98&ekmense=c580fa7b_148_0_98_9

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
 PRINCIPAL TAXPAYERS
 Fiscal Year 2012 and Nine Years Ago
 Unaudited

Taxpayer	2012			2003		
	Primary Assessed Valuation	Rank	Percent of Cochise County's Primary Assessed Valuation	Primary Assessed Valuation	Rank	Percent of Cochise County's Primary Assessed Valuation
Sulphur Springs Valley Electric Co-Op Inc	\$ 34,178,824	1	3.26%	\$ 16,180,633	2	3.01%
Arizona Electric Power Coop Inc	24,129,809	2	2.30%	29,104,001	1	5.41%
El Paso Natural Gas Company	15,487,785	3	1.48%	12,955,319	4	2.41%
Arizona Public Service Company	8,748,948	4	0.83%	6,118,802	6	1.14%
Southwest Gas Corporation	8,701,815	5	0.83%	8,386,187	5	1.56%
Qwest Corporation/US West	6,779,718	6	0.65%	14,636,836	3	2.72%
Wal-Mart Stores Inc	6,509,719	7	0.62%	-	-	-
Union Pacific Railroad	5,993,486	8	0.57%	5,009,106	7	0.93%
SFPP LP DBA Kinder Morgan Energy Ptnrs	5,840,076	9	0.56%	-	-	-
Southwest Transmission (T&D)	5,467,308	10	0.52%	4,408,779	8	0.82%
Price Development Co.	-	-	-	4,185,586	9	0.78%
Level 3 Communications LLC	-	-	-	3,573,471	10	0.66%

Source: Cochise County Assessor's Office and Arizona Department of Revenue

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
PROPERTY TAX LEVIES and COLLECTIONS
Last Ten Fiscal Years
Unaudited

Fiscal Year	Total Tax Levy	Current Tax Collections (1)	Percent of Current Tax Collections to Total Tax Levy	Collections in Subsequent Years (1)	Total Tax Collections (1)	Percent of Total Tax Collections to Total Tax Levy
2002/03	9,608,286	9,179,967	95.54%	416,288	9,596,255	99.87%
2003/04	10,192,074	9,657,550	94.76%	515,701	10,173,251	99.82%
2004/05	10,918,770	10,477,681	95.96%	431,535	10,909,216	99.91%
2005/06	11,877,479	11,464,243	96.52%	402,287	11,866,530	99.91%
2006/07	13,126,004	12,641,430	96.31%	470,287	13,111,717	99.89%
2007/08	14,165,750	13,625,618	96.19%	513,527	14,139,145	99.81%
2008/09	15,002,075	14,286,998	95.23%	648,929	14,935,927	99.56%
2009/10	15,860,846	15,020,601	94.70%	751,560	15,772,161	99.44%
2010/11	16,655,987	15,662,682	94.04%	745,846	16,408,528	98.51%
2011/12	17,486,975	16,563,455	94.72%	-	16,563,455	94.72%

Source: Cochise County Assessors/Treasurer's Office and District records.

Note (1): All tax collections are recorded on a cash basis.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
 HISTORIC ENROLLMENT AND TUITION AND FEES
 Last Ten Fiscal Years
 Unaudited

Fiscal Year	Annual Unduplicated Headcount	Annual Audited FTSE (1)	Annual Tuition and Fees		
			Cost	Increase	
			Dollars	Dollars	Percent
2001/02	9,206	3,597	\$ 970	\$10	1.04
2002/03	10,367	4,344	1,050	80	8.25
2003/04	12,876	6,035	1,200	150	14.29
2004/05	13,608	6,577	1,350	150	12.50
2005/06	13,365	6,629	1,350	0	0.00
2006/07	13,632	6,844	1,410	60	4.44
2007/08	14,938	7,369	1,470	60	4.26
2008/09	15,137	7,671	1,540	70	4.76
2009/10	14,982	8,586	1,630	90	5.84
2010/11	16,520	9,788	1,690	60	3.90
2011/12	15,504	9,468	1,970	340	22.08

Source: State Board of Directors for Community Colleges of Arizona and District records.

Note (1): Full Time Student Equivalent (30 Credit Hours).

Note (2): Tuition based on in-state rate for one year of full-time equivalent credit plus the Registration and Technology fees for 2 semesters.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF RATIOS OF OUTSTANDING DEBT
 Last Ten Fiscal Years
 Unaudited

	For the Fiscal Year Ended June 30				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Other Debt:					
Revenue Bonds	\$ 10,300,000	\$ 10,405,000	\$ 10,505,000	\$ 10,595,000	
Certificates of participation	-	-	-	-	\$ 290,000
Pledged Revenue Obligations	12,705,000	13,505,000	14,270,000	15,000,000	
Total outstanding debt	\$ 23,005,000	\$ 23,910,000	\$ 24,775,000	\$ 25,595,000	\$ 290,000
Per capita	\$ 176.23	\$ 183.17	\$ 188.49	\$ 196.44	\$ 2.22
Per student	1,483.81	1,653.65	1,653.65	1,690.89	19.41
Per FTSE	2,429.76	2,885.51	2,885.51	3,336.59	39.35

	For the Fiscal Year Ended June 30				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Other Debt:					
Certificates of participation	\$ 560,000	\$ 815,000	\$ 1,055,000	\$ 1,280,000	\$ 1,495,000
Total outstanding debt	\$ 560,000	\$ 815,000	\$ 1,055,000	\$ 1,280,000	\$ 1,495,000
Per capita	\$ 4.32	\$ 6.34	\$ 8.34	\$ 10.26	\$ 12.27
Per student	41.08	60.98	77.53	99.41	144.21
Per FTSE	81.82	122.94	160.41	212.10	344.15

Source: Arizona Department of Economic Security, Cochise College Center for Economic Research and District Records.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
 COMPUTATION of LEGAL DEBT MARGIN
 Last Ten Fiscal Years
 Unaudited

	For the Fiscal Year Ended June 30				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Debt Limit	\$ 163,812,155	\$ 166,763,402	\$ 159,036,286	\$ 152,811,042	\$ 130,936,851
Total net debt applicable to the limit	-	-	-	-	-
Legal debt margin	<u>\$ 163,812,155</u>	<u>\$ 166,763,402</u>	<u>\$ 159,036,286</u>	<u>\$ 152,811,042</u>	<u>\$ 130,936,851</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

Fiscal Year	For the Fiscal Year Ended June 30				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Debt Limit	\$ 115,114,953	\$ 102,355,088	\$ 94,298,250	\$ 88,002,808	\$ 83,133,128
Total net debt applicable to the limit	-	-	-	-	-
Legal debt margin	<u>\$ 115,114,953</u>	<u>\$ 102,355,088</u>	<u>\$ 94,298,250</u>	<u>\$ 88,002,808</u>	<u>\$ 83,133,128</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

Legal Debt Margin Calculation for Fiscal Year 2012

Secondary assessed value of real and personal property (1)	<u>\$ 1,092,081,033</u>
Debt limit = 15% of secondary assessed value	<u>163,812,155</u>
Amount of debt applicable to debt limit:	
General obligation bonded debt	<u>-</u>
Legal debt margin, June 30, 2011	<u>\$ 163,812,155</u>

Source: Cochise County Assessor's Office and District records.

Note (1): Tax year 2011.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
DEBT SERVICE COVERAGE
Last Ten Fiscal Years
Unaudited

Fiscal Year	Pledged Revenues (1)	Certificates of Participation Debt Service Requirements (2)			Percentage of Debt Service Requirements To Pledged Revenues
		Principal	Interest	Total	
2003/04	5,445,414	215,000	84,098	299,098	5.49%
2004/05	6,564,645	225,000	70,578	295,578	4.50%
2005/06	6,332,100	240,000	58,501	298,501	4.71%
2006/07	6,909,965	255,000	42,994	297,994	4.31%
2007/08	6,710,679	270,000	27,035	297,035	4.43%
2008/09	6,119,920	290,000	-	290,000	4.74%

Fiscal Year	Pledged Revenues (1)	Revenue Bonds and Pledged Revenue Obligations Debt Service Requirements (3)			Percentage of Debt Service Requirements To Pledged Revenues
		Principal	Interest	Total	
2008/09	\$ 6,119,920	\$ -	\$ 1,199,131	\$ 1,199,131	19.59%
2009/10	6,275,678	820,000	1,161,306	1,981,306	31.57%
2010/11	7,320,429	865,000	1,121,469	1,986,469	27.14%
2011/12	7,387,604	905,000	1,085,531	1,990,531	26.94%

Source: Annual reports on audited financial statements and District records.

Note (1): Pledged revenues include tuition and fees, bookstore revenues, food service sales, dormitory rentals, investment and other income. Beginning in fiscal year 2001-02, tuition and fees, food service sales, and dormitory rentals are presented net of scholarships and allowances in accordance with GASB Statement No. 35.

Note (2): Certificates of Participation were first issued December 16, 1993, with the first interest payment due on July 1, 1994.

Note (3): Revenue Bonds and Pledged Revenue Obligations were first issued July 2, 2008, with the first interest payment due on July 1, 2009.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
RATIO of ANNUAL DEBT SERVICE EXPENSES to OPERATING EXPENSES
Last Ten Fiscal Years
Unaudited

Fiscal Year	Principal	Interest	Total Debt Service	Total Operating Expenses	Percentage of Debt Service to Operating Expenses
2002/03	205,000	96,408	301,408	28,989,504	1.04%
2003/04	215,000	84,098	299,098	28,482,668	1.05%
2004/05	225,000	70,578	295,578	31,556,389	0.94%
2005/06	240,000	58,501	298,501	34,189,122	0.87%
2006/07	255,000	42,994	297,994	36,282,416	0.82%
2007/08	270,000	27,035	297,035	38,398,779	0.77%
2008/09	290,000	1,199,131	1,489,131	40,709,523	3.66%
2009/10	820,000	1,161,306	1,981,306	42,394,765	4.67%
2010/11	865,000	1,121,469	1,986,469	45,050,465	4.41%
2011/12	905,000	1,085,531	1,990,531	44,683,990	4.45%

Source: Annual reports on audited financial statements and District records .

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Fiscal Years
 Unaudited

Year	County Population	County Personal Income (In Thousands)	County Income Per Capita	County Unemployment Rate June
2003	121,871	2,887,003	23,689	5.6%
2004	124,805	3,196,907	25,615	4.9%
2005	126,459	3,519,534	27,831	4.8%
2006	128,623	3,743,029	29,101	4.4%
2007	129,522	4,049,948	31,268	3.9%
2008	130,567	4,337,464	33,220	5.7%
2009	130,296	4,470,308	34,309	7.9%
2010	131,436	4,688,309	35,670	8.8%
2011	130,537	N/A	N/A	8.8%
2012	N/A	N/A	N/A	7.9%

Sources: U. S. Census Bureau, U.S. Bureau of Economic Analysis, Arizona Department of Commerce, Cochise College Center for Economic Research

Notes: N/A= Data not available. Population estimates are from U.S. Census Bureau midyear estimates as of April 2011. Unemployment rate estimates are seasonally adjusted and prepared by the Arizona Department of Economic Security.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
TOP 15 EMPLOYERS for COCHISE COUNTY
Current Year and Nine Years Ago
Unaudited

Major Employers	2012			2003		
	Employees	%	Rank	Employees	%	Rank
Fort Huachuca	9,369	17%	1	11,097	22%	1
Cochise County	875	2%	2	1,046	2%	2
Wal-Mart Stores, Inc.	870	2%	3	522	1%	10
General Dynamics Information Technology (GDIT)	855	2%	4	-	-	-
Eurofresh, Inc.	850	2%	5	-	-	-
Sierra Vista Unified School District No. 68	685	1%	6	798	2%	4
Arizona State Prison Complex	648	1%	7	666	1%	6
Sierra Vista Regional Health Center	611	1%	8	610	1%	7
Mantech Telecommunications and Information Systems Corp.	560	1%	9	-	-	-
Cochise College	560	1%	9	793	2%	5
Advanced Call Center Technologies, L.L.C.	537	1%	11	-	-	-
Aegis Communications Group	531	1%	12	592	1%	8
Douglas Unified School District No. 27	516	1%	13	542	1%	9
Northrop Grumman Corporation	460	1%	14	155	0%	32
City of Sierra Vista	380	1%	15	404	1%	12
U. S. Border Patrol	-	-	-	804	2%	3
Safeway Stores, Inc.	-	-	-	466	1%	11
Sierra Southwest	-	-	-	301	1%	13
New Tech	-	-	-	257	1%	14
Southwest Arizona Behavioral Health Services	-	-	-	243	0%	15

Source: Cochise College Center for Economic Research.

Notes: Total 2012 employment for Cochise County is estimated to be 55,477; total 2003 employment was 50872.
Under survey methodology, a fulltime equivalent (FTE) employee equals one fulltime or two part-time employees.
List includes only employers who responded to the survey.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
STUDENT ENROLLMENT/DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years
Unaudited

Fall Semester Fiscal Year	Attendance		Gender		Completions	
	Full-Time	Part-Time	Male	Female	Degrees Awarded	Certificates Awarded (1)
2002/03	28.3%	71.7%	40.8%	59.2%	416	775
2003/04	28.8%	71.2%	39.0%	61.0%	667	535
2004/05	28.1%	71.9%	40.3%	59.7%	702	561
2005/06	28.2%	71.8%	39.5%	60.5%	914	536
2006/07	34.6%	65.4%	39.0%	61.0%	1030	737
2007/08	35.8%	64.2%	41.5%	58.5%	990	657
2008/09	25.4%	74.6%	41.7%	58.3%	995	952
2009/10	26.5%	73.5%	41.2%	58.8%	1065	691
2010/11	32.4%	67.6%	44.7%	55.3%	1189	1467
2011/12	33.2%	66.8%	44.9%	55.1%	1404	1819

Fall Semester Fiscal Year	Age		Residency			
	Median	Mean	Resident	Resident Unorganized County	Out of State	Foreign
2002/03	25	30	92.8%	0.5%	6.2%	0.6%
2003/04	25	30	92.6%	0.6%	6.0%	0.8%
2004/05	25	29	89.2%	4.7%	5.2%	0.9%
2005/06	24	29	87.3%	6.0%	5.0%	1.7%
2006/07	23	29	88.0%	5.9%	3.9%	2.2%
2007/08	23	28	84.8%	8.2%	4.3%	2.8%
2008/09	23	28	84.7%	8.7%	4.1%	1.8%
2009/10	23	28	85.0%	10.4%	3.6%	1.1%
2010/11	24	28	81.5%	11.3%	6.2%	1.0%
2011/12	24	28	81.8%	10.7%	6.7%	0.9%

Fall Semester Fiscal Year	Ethnic Background					
	American Indian	Asian American	Hispanic	African American	White	Other/ Unknown
2002/03	1.1%	4.2%	27.0%	6.5%	55.2%	6.0%
2003/04	1.0%	3.9%	26.3%	6.8%	55.5%	6.3%
2004/05	0.9%	3.3%	29.5%	6.6%	54.4%	5.3%
2005/06	1.0%	3.4%	33.8%	6.0%	51.0%	4.8%
2006/07	1.0%	2.9%	35.8%	5.0%	51.2%	4.2%
2007/08	0.9%	2.5%	37.1%	5.2%	49.4%	5.0%
2008/09	0.6%	3.1%	35.2%	4.6%	49.8%	6.8%
2009/10	0.9%	2.6%	40.2%	4.4%	45.5%	6.4%
2010/11	0.8%	2.3%	39.7%	5.5%	45.9%	5.8%
2011/12	0.7%	2.0%	39.9%	5.2%	46.1%	6.0%

Source: District records.

Note (1): Starting with FY 2003 the Certificates Awarded do not include what IPEDS considers pre-college level certificates.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
EMPLOYEE STATISTICS
(Headcount)
Last Ten Fiscal Years
Unaudited

	For the Fiscal Year Ended June 30				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Faculty					
Part-time	296	313	292	253	258
Full-time	103	106	108	100	103
Administrative & support staff	503	524	515	489	471
Total employees	902	943	915	842	832
Students per faculty member	39	39	37	43	41
Students per staff member	31	32	29	31	32

	For the Fiscal Year Ended June 30				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Faculty					
Part-time	256	256	284	270	274
Full-time	106	101	93	91	95
Administrative & support staff	495	508	460	465	457
Total employees	857	865	837	826	826
Students per faculty member	38	37	36	36	28
Students per staff member	28	26	30	28	23

Source: District Records.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF CAPITAL ASSET INFORMATION (1)
 Last Seven Fiscal Years
 Unaudited

Location	Fiscal Year						
	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
Douglas Campus							
Total Square Footage	295,069	295,069	295,069	235,177	225,374	225,374	225,374
Total Acreage	518.3	518.3	518.3	518.3	518.3	518.3	518.3
Sierra Vista Campus							
Total Square Footage	188,867	188,867	188,867	159,613	122,139	122,139	122,139
Total Acreage	76.6	76.6	73.6	73.6	73.6	73.6	73.6
Benson Center							
Total Square Footage	12,733	12,733	12,733	12,733	12,733	12,733	12,733
Total Acreage	13.0	13.0	13.0	13.0	13.0	13.0	13.0
Willcox Center (2)							
Total Square Footage	9,340	9,340	9,340	7,200	7,200	7,200	7,200
<hr/>							
Total District							
Total Square Footage	506,009	506,009	506,009	414,723	367,446	367,446	367,446
Total Acreage	607.9	607.9	604.9	604.9	604.9	604.9	604.9

Source: District records.

Note (1): Information is presented in accordance with GASB Statement No. 44 first implemented in FY 2006. Additional information will be added as it becomes available in future years

Note (2): The Willcox Center is located on land leased from Willcox Unified School District.