

Cochise College Comprehensive Annual Financial Report



COCHISE COLLEGE

Fiscal Year Ended June 30, 2013
Cochise County Community College District
Douglas, Arizona

Cochise College Comprehensive Annual Financial Report



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Fiscal Year Ended June 30, 2013

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Cochise County Community College District

4190 West Highway 80

Douglas, Arizona 85607-6190

www.cochise.edu

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Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2013

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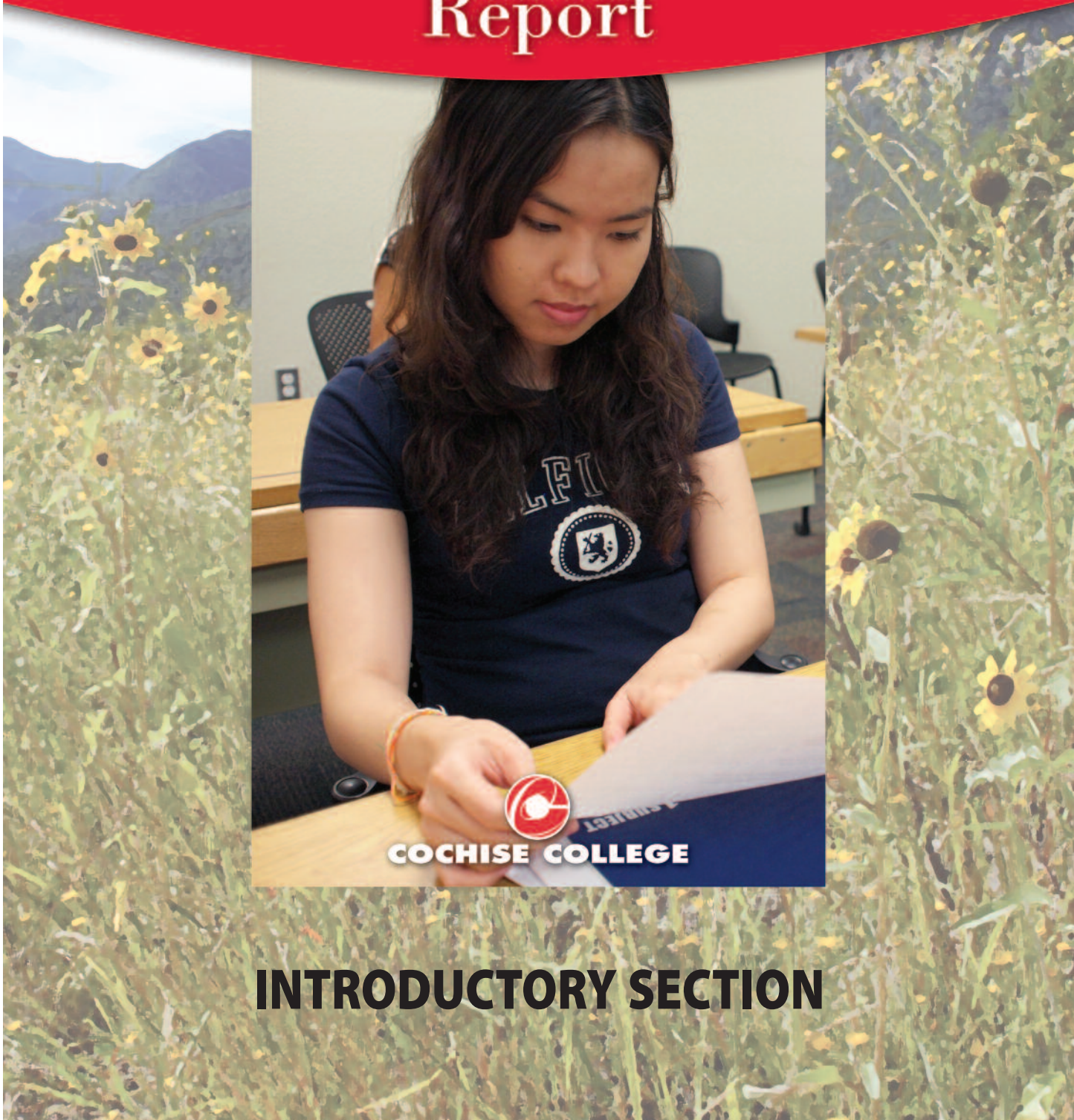
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COCHISE COLLEGE

INTRODUCTORY SECTION



COCHISE COLLEGE

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December 4, 2013

To the Citizens of Cochise County:



I am pleased to present to you the FY 2013 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 2013 was a year of adjustment for Cochise College. Though the economic struggles, declining property values, and high unemployment continued, we served over 13,284 credit students and thousands of additional non-credit and life-long learners across the District. The 7,766 full-time student equivalents (FTSE) produced by the District demonstrates the on-going demand for educational services of our residents. Additionally, the District awarded 1,775 associate degrees and 1,771 certificates to 2,574 individual students. 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 with providing 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 2013 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



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December 4, 2013

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, 2013 (FY 2013).

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, 2013. 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 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 2012 was 130,752, according to estimates by the Arizona Office of Employment and Population Statistics (EPS). EPS projects the countywide population will grow by 1% per year, reaching 142,398 in 2020.

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. New residential construction permits countywide were down 14.1% in 2012, the seventh consecutive year of decline. In the first half of 2013, permits were down nearly 50% from the same period of 2012. A large volume of foreclosed homes offered at lower prices will continue to dampen demand for new home construction countywide through 2014 and beyond. In 2012, foreclosures accounted for 29.1% of home sales in Cochise County, down from 32.3% in 2011. In the first half of 2013, however, foreclosed homes jumped back up to 31.9% of sales. The median home price countywide in 2012 was down 8.9% from 2011—the fifth consecutive year of decline. The median price in 2012 was down more than a third from the 2007 peak and was below levels seen in 2004, prior to the housing market boom. In the first half of 2013, the median price was down 4.2% from the same period of 2012.

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 58,923 actual or potential workers in 2012. Cochise County gained 550 jobs from August 2012 to August 2013. All of Cochise County's job gains from August 2012 to August 2013 were in the private sector, which saw the number of jobs up by 1,000. Within the private sector, the county's private service-providing subsector saw the number of jobs increase by 1,125. Within that subsector, educational and health services expanded by 550 jobs. Countywide professional and business services added 500 jobs, trade, transportation, and utilities increased by 125 jobs, and financial activities grew by 25 jobs. Leisure and hospitality lost 75 jobs while the number of jobs both in the information industry and other services stabilized in the 12 months ended in August 2013. Within the private sector, strong job gains in services were partially offset by losses in the goods-producing subsector, which includes construction, manufacturing, and mining. Goods-producing jobs in Cochise County were down by 125 in the 12 months ended in August 2013. Construction and mining combined shed 75 jobs. Manufacturing lost 50 jobs. The number of government jobs declined by 450 in the 12 months ended in August 2013. Within the government sector, state and local government lost 125 jobs and the number of federal government jobs fell by 325.

According to EPS estimates for 2012, the primary non-farm industry in Cochise County was government. This was followed by trade, transportation, and utilities, educational and health services, professional and business services, and leisure and hospitality. The Fort Huachuca Army post—Cochise County's largest employer—was home to approximately 1,800 permanently assigned active duty military personnel as of September 2012, with an additional 150 deployed from the fort to other locations worldwide. There were also approximately 3,000 military trainees (students) temporarily assigned to the fort for training on any given day, with more than 13,000 trained on site each year. The largest threat to labor market improvement in Cochise County comes from defense budget cuts impacting Fort Huachuca, which are the natural upshot of winding down the wars in Iraq and Afghanistan. While the rest of the state and nation suffered through the severe effects of the Great Recession, Cochise County was largely buffered from the worst of it due to increased spending on the fort and its missions. Those increases were largely tied to the wars. Further defense cuts are likely to continue to hinder labor market improvement at the county level. Of the eight largest defense contractors in Cochise County, every one of them shed jobs from 2012 to 2013. Combined, 463 contracting jobs were lost from those eight firms. Together with declines on Fort

Huachuca, defense-related jobs were down by 1,536 from 2012 to 2013. This includes active duty military personnel assigned permanently to the fort, as well as those on temporary duty for training.

Annual inflation-adjusted retail sales countywide were up 4.5% in 2012. For the first seven months of 2013, sales were up 2.3% compared to the same period the year prior. Retail sales countywide were up in 12 of 17 months ended in July 2013. Countywide restaurant and bar sales were down 4.4% in 2012 and 3.2% in the first seven months of 2013. Restaurant and bar sales were down in 18 of 22 months ended in July 2013. Accommodation sales were down 17.2% in 2012 and 13.7% in the first seven months of 2013. The countywide accommodation industry has struggled in recent years with sales down in 30 of 34 months ended in July 2013, due largely to changes in travel policy for military personnel on temporary duty to Fort Huachuca and defense budget cuts.

The District's Center for Economic Research projects a continued slow recovery through 2013 and 2014.

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

The reconstruction of Runway 5/22 at our airport was completed in time for fall classes beginning in July 2012. Continuing to leverage competitive advantages, the District focused considerable attention on the key area of Athletics in FY 2013. Immediately following graduation in May 2013, a major renovation project was undertaken in the Apache Stronghold Gymnasium that created designated locker rooms for women's soccer and men's and women's basketball as well as those for visiting athletic teams; combined the weight room with the Exercise Physiology lab to enhance safety during use; and provided more functional trainer space, coaches' offices, and an updated suite for the Athletic Director that included a conference room. Eye-catching "Fatheads" of former Cochise College athletes now adorn the lobby area walls, creating a real "WOW" factor.

The District was awarded a \$58,000 grant by the Freeport-McMoRan Foundation to facilitate the installation of campus security phones, increasing safety on the Douglas Campus. The security phones will be installed in FY 2014.

A number of deferred maintenance projects related to the district's infrastructure were accomplished that included, but were not limited to: multiple restroom remodels; energy management system upgrades; repaving of three parking lots; boiler replacements; upgrading of a number of fire alarm panels; and space utilization remodeling projects. Additionally, the District increased its water conservation efforts by exchanging grassy areas for more desert-tolerate landscapes, especially on the Douglas Campus.

Enrollment

During FY 2013, the District served a total of 7766 Full Time Student Equivalents (FTSE) at all locations, a 16% decline from FY 2012, with an annual unduplicated headcount of 13,284. 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. This partnership also has its downside. As the military draw down continues, the college anticipates continuing enrollment declines associated with the Fort. The District has undertaken and continues to explore public-private joint ventures to further enhance and expand its various Aviation and Automotive programs.

For the 2012-13 academic year, the District awarded a total of 1775 associate degrees and 1771 college-level certificates. These awards represent an 8.5% increase over FY 2012. Part of this increase is attributable to an initiative undertaken to identify students that had never filed for graduation but had completed the requirements for a degree or certificate. With the student's permission, degrees and/or certificates were posted to their student record.

Student Achievement

District students again received national and state recognition in FY 2013 for leadership and academic achievements. Four students were named to the All-Arizona Academic Team, one to the first team and three to the third team. A welding student took first place in the state in the Skills USA competition.

PROGRAM DEVELOPMENT AND FUTURE INITIATIVES

During FY 2013 the District launched the online planning and student success tool myDegreePlan, a web-based program that allows students to track academic progress and complete their degrees. The auditing system helps ensure that students choose the classes they need and do not fall behind in finishing their programs of study. The program also allows students to see how changes in their planning may impact their completion.

Other efforts to improve student success include a financial literacy and student success mentoring program supported through grants from USA Funds. The District also held a developmental education summit to increase discussions about how to address issues for students facing challenges in the basics of mathematics, writing and reading. Completion was also addressed as the District went through student records and found close to 500 degrees and certificates unclaimed by students in prior years. These students were contacted and the credentials were awarded. The District will also impact student success by hiring four new full-time faculty members to be based in Nogales and Benson/Willcox.

Working closely with industry partner, Northrop Grumman, the District began a new program in unmanned aerial systems. This program will help provide qualified operators and maintainers as unmanned systems are incorporated into the United States airspace as a major new industry. An upgrade to the aviation department included replacing the runway through a grant from the Arizona Department of Transportation.

Industry input was also received to upgrade the computer security program to a cybersecurity program and to modify the networking program as well. These two programs will undergo the formal modifications in FY 2014.

As the District continues to support Science, Technology, Engineering, and Mathematics (STEM), several 200-level engineering courses were developed to support students pursuing various transfer engineering

options. Work was also started to enable a 2+1+1 Systems Engineering program with the University of Arizona whereby a student would start at Cochise and then continue with online courses and finish with a year on the Tucson campus. Grant funds from APS Foundation have been secured and will assist the District in engaging an academic performance group to extend Science, Technology, Engineering, and Math outreach programs to younger students in rural areas.

Sciences were also emphasized as the District collaborated with the University of Arizona to offer a summer Pharmacy Camp to K-12 students as part of the extensive series of camps available through the K-12 Outreach department. College science students were also able to take advantage of a new undergraduate research effort through a connection to the Community College Undergraduate Research Initiative (CCURI) funded through the National Science Foundation. The District also developed a new degree program in Equine Science and Management for FY 2014.

Health Science programs also moved forward as the District's Paramedicine program was the fifth program in Arizona to be accredited by the Committee on Accreditation of Educational Programs for the Emergency Medical Services Professions (CoAEMSP). Work also began on the development and accreditation of a new respiratory therapy degree program (just accredited in November 2013). This development included remodeling classroom and lab spaces to enhance the new program with state-of-the-art facilities for up to 20 students.

Outreach efforts by the District will be increased in Sonora, Mexico, targeting those students who might benefit from English-language or other educational activities just across the border.

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 2013, the District continued to monitor 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 Auditor's Report is included in the financial section of this CAFR. The District received an unqualified opinion for the fiscal year ended June 30, 2013.

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, 2012. 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,

LeSandra R. Bryan
Interim Vice President for Administration

David Gage
Controller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

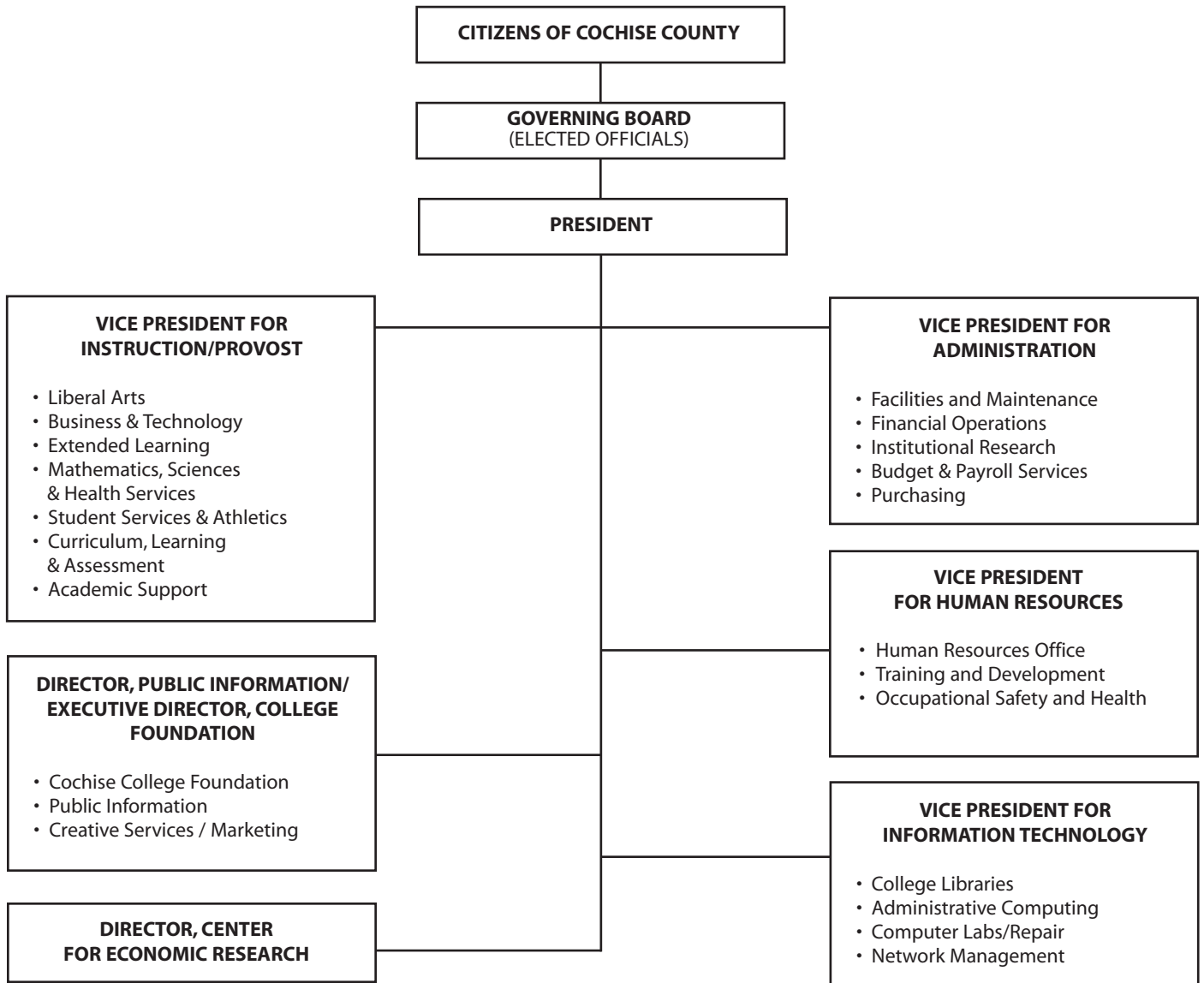
**Cochise County
Community College District
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT ORGANIZATIONAL CHART



COCHISE COUNTY COMMUNITY COLLEGE DISTRICT

PRINCIPAL OFFICERS

June 30, 2013

DISTRICT GOVERNING BOARD

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

Mr. David DiPeso, *Secretary, Precinct 1*

Mr. Donald Hudgins, *Precinct 2*

Mr. John Eaton, *Precinct 4*

Dr. Dennis Nelson, *Precinct 5*

PRESIDENT

Dr. James Rottweiler

ADMINISTRATION

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

Ms. LeSandra Bryan, *Vice President for Administration*

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

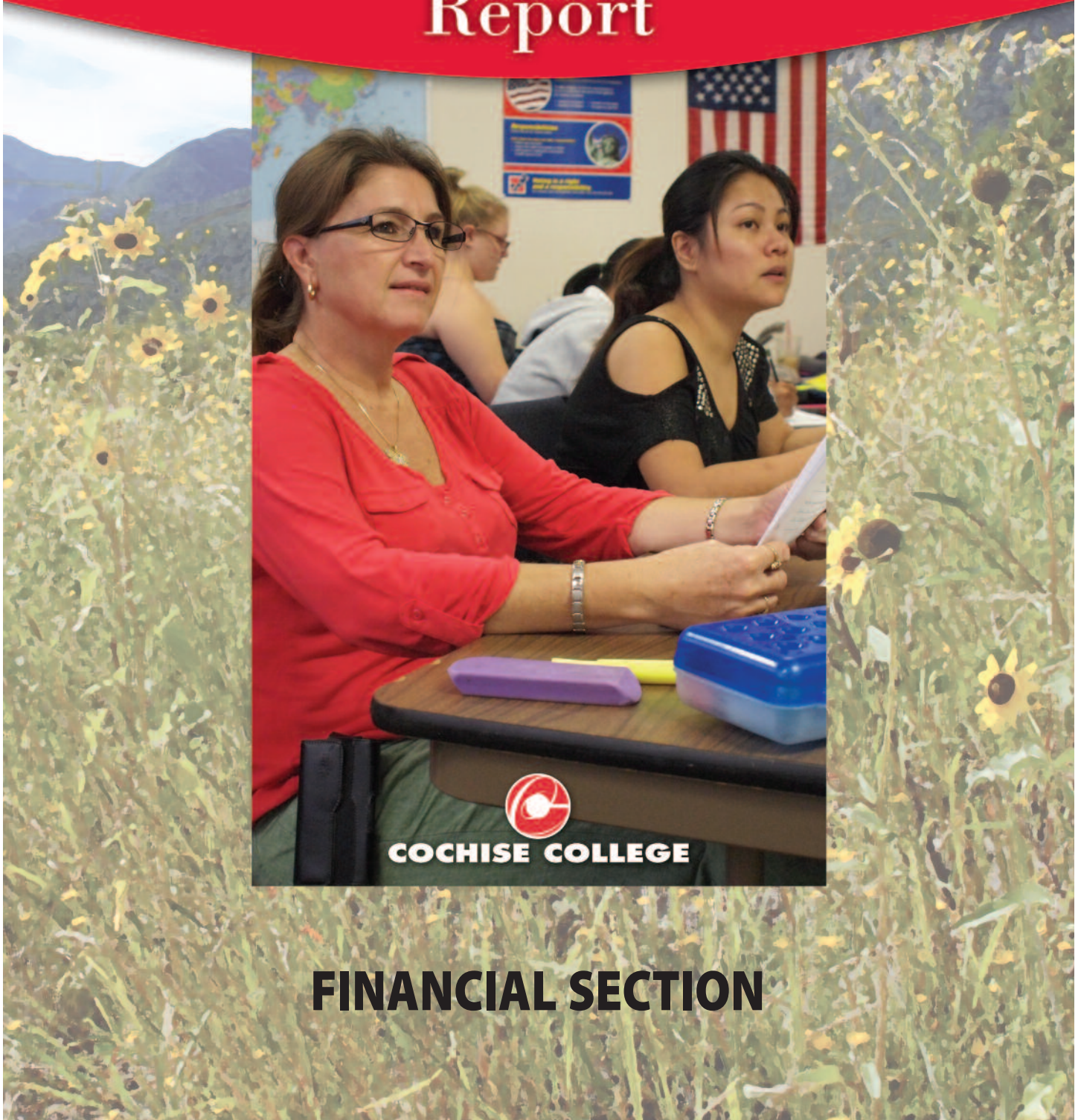
Ms. Wendy Davis, *Vice President for Human Resources*



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Creating opportunities...changing lives.

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the Cochise County Community College District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 statements were audited by other auditors whose report 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 from 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis listed in the table of contents 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.

Other Information

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.

The introductory and statistical sections have 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we will 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* in considering the District's internal control over financial reporting and compliance.

Debbie Davenport
Auditor General

December 4, 2013

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013. 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 Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position reflects the financial position of the District at June 30, 2013. It shows the various assets owned or controlled by the District, related liabilities and other obligations, and the various categories of net position. Net position 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 Position reflects the results of operations and other changes for the year ended June 30, 2013. It shows the various revenues and expenses, both operating and non-operating, and reconciles the beginning net position balance to the ending net position balance shown on the Statement of Net Position described above.

The Statement of Cash Flows reflects the inflows and outflows of cash and cash equivalents for the year ended June 30, 2013. 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 Position 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 Position described above.

Although the primary focus of this document is on the results of activities for fiscal year 2012-13 (FY 2013), comparative data is also presented for the previous fiscal year 2011-12 (FY 2012). 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, 2013**

**Condensed Financial Information
Net Position**

	As of June 30, 2013	As of June 30, 2012
<u>Assets</u>		
Current assets	\$ 25,129,207	\$ 24,821,097
Noncurrent assets, other than capital assets	1,645,570	1,482,766
Capital assets, net	58,854,681	57,965,311
Total assets, net	85,629,458	84,269,174
 <u>Liabilities</u>		
Other liabilities	3,973,979	3,180,543
Long-term liabilities	24,484,458	25,461,411
Total liabilities	28,458,437	28,641,954
 <u>Net Position</u>		
Net investment in capital assets	36,415,925	34,554,781
Restricted for:		
Grants and contracts	940,102	1,778,535
Debt service	975,000	2,303,939
Unrestricted	18,839,994	16,989,965
Total net position	\$57,171,021	\$55,627,220

Total assets increased by \$1.4 million in FY 2013 due to current year revenues exceeding expenses as a result of conservative budgeting. Total liabilities decreased by \$0.2 million primarily due to payments against long term debt offset by an increase in accounts payable. Total net position increased by \$1.5 million (2.8%) in FY 2013 compared with an increase of \$2.6 million (5.0%) in FY 2012 over the previous year. The FY 2013 increase resulted from conservative spending in a difficult economic climate.

For FY 2013, the current ratio decreased to 4.9, down from 5.7 last fiscal year. Total current assets went up slightly but the ratio decreased due to an increase of \$0.7 million in the Accounts payable liabilities and an increase of \$0.2 million in Accrued payroll and employee benefits.

Unrestricted net position increased by \$1.8 million in FY 2013, an increase of 10.9%, due to conservative spending by the District. Unrestricted net position was 33.0% of total net position, up from the 30.5% in the prior fiscal year. The net investment in capital assets increased by \$1.9 million (5.4%) in FY 2013 as a result of the ongoing renovation of buildings. The net investment in capital assets is now 63.7% of total net position, up from 62.1% last year.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Revenues, Expenses, and Changes in Net Position

	Fiscal Year Ended June 30, 2013	Fiscal Year Ended June 30, 2012
<u>Operating Revenues</u>		
Tuition and fees (net of scholarship allowances)	\$4,145,645	\$5,895,640
Contracts	375,176	348,206
Other operating revenues	1,364,346	1,289,536
Total operating revenues	<u>5,885,167</u>	<u>7,533,382</u>
 Total operating expenses	 <u>42,634,760</u>	 <u>44,683,990</u>
 Operating loss	 <u>(36,749,593)</u>	 <u>(37,150,608)</u>
 <u>Nonoperating revenues (expenses)</u>		
Property taxes	17,900,838	17,320,483
State appropriations	11,399,300	13,620,900
Government grants	8,945,661	8,710,077
Share of state sales taxes	982,761	961,059
Investment earnings	81,374	202,428
Interest on capital asset-related debt	(1,016,422)	(1,085,531)
Gain/loss on disposal of capital assets	(118)	67,976
Net nonoperating revenues	<u>38,293,394</u>	<u>39,797,392</u>
 Increase in net position	 1,543,801	 2,646,784
Total net position, beginning of year	<u>55,627,220</u>	<u>52,980,436</u>
Total net position, end of year	<u><u>\$57,171,021</u></u>	<u><u>\$55,627,220</u></u>

Total operating revenues had a decrease of \$1.6 million (21.9%) in FY 2013 compared to the prior year. This decrease is due to a sizeable reduction in tuition and fees of \$1.7 million (29.7%) that resulted from lower enrollments, offset slightly by a tuition increase.

Nonoperating revenues decreased \$1.5 million (3.8%) over the prior year due to another decrease in state appropriations of \$2.2 million (16.3%). This decrease was primarily due to less property tax equalization appropriations as a result of a decrease in the average assessed property values of all rural counties within the State. The decrease in state appropriations was mitigated slightly by an increase in the property tax levy revenue of \$0.6 million (3.4%) as a result of increased valuations of existing properties in conjunction with new construction in 2012.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Operating expenses decreased by \$2.0 million (4.6%) for the year ended June 30, 2013. The most significant elements of the overall decrease were as follows:

Operating Expenses Comparison
(Dollars in thousands)

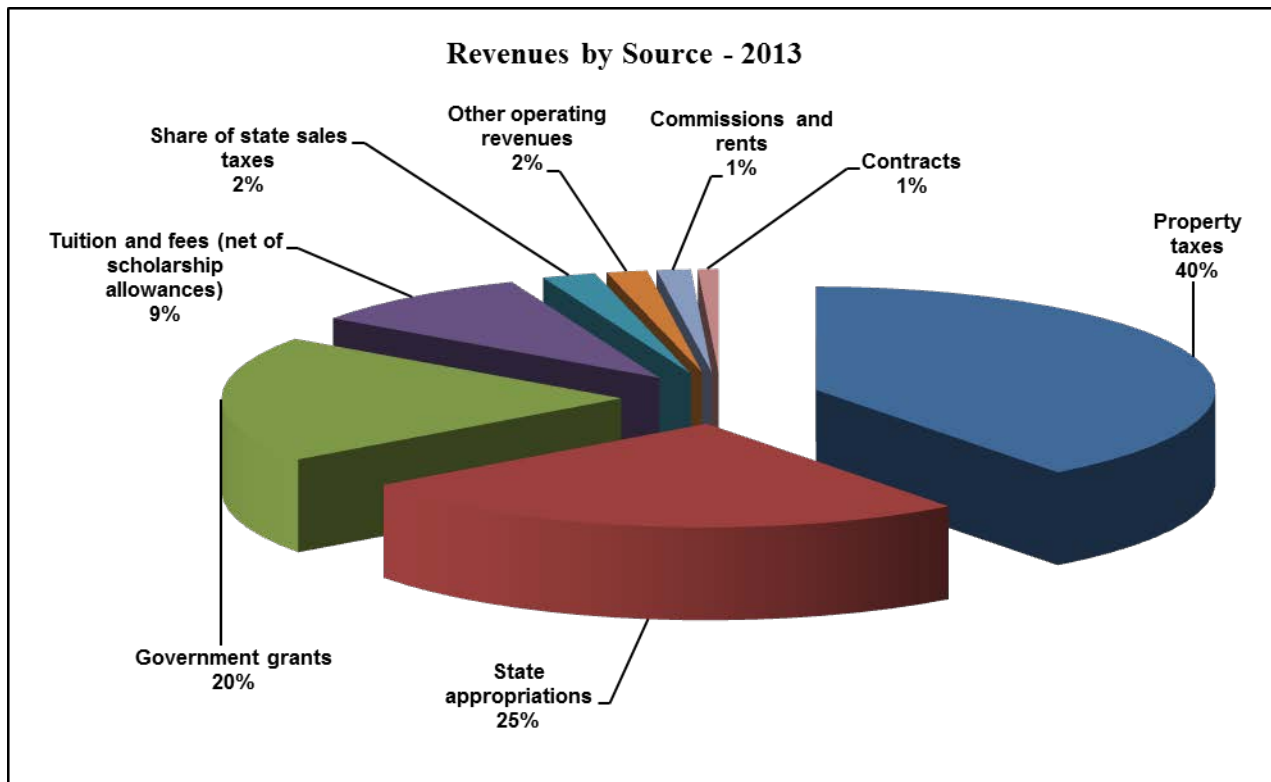
	Fiscal Year Ended <u>June 30, 2013</u>	Fiscal Year Ended <u>June 30, 2012</u>	Increase (Decrease) <u>(Decrease)</u>	Increase (Decrease) <u>(%)</u>
Salaries and wages	\$21,943	\$22,135	\$ (192)	(0.9)
Employee benefits	6,206	6,270	(64)	(1.0)
Contractual services	3,210	3,338	(128)	(3.8)
Supplies and other services	2,311	2,457	(146)	(5.9)
Scholarships	1,967	4,027	(2,060)	(51.2)
Depreciation	3,215	3,062	153	5.0
Other Expenses	<u>3,783</u>	<u>3,395</u>	<u>388</u>	11.4
Total	\$42,635	\$44,684	\$ (2,049)	(4.6)

Comparing FY 2013 to the prior year, overall salaries and wages decreased minimally by 0.9%. Other decreases were seen in employee benefits (1.0%), contractual services (3.8%) and supplies and other services (5.9%) as the District conserved funds by restricting purchases on supplies. The largest part of the decrease in operating expenses for FY 2013 was due to scholarship expense decreasing by \$2.1 million, or 51.2%, as a result of fewer federal student aid awards being funded. Depreciation expense increased by \$0.2 million, or 5.0%, which was the result of additional renovations being completed in FY 2013.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

The following is a summary of revenues for fiscal years ended June 30, 2013 and June 30, 2012:

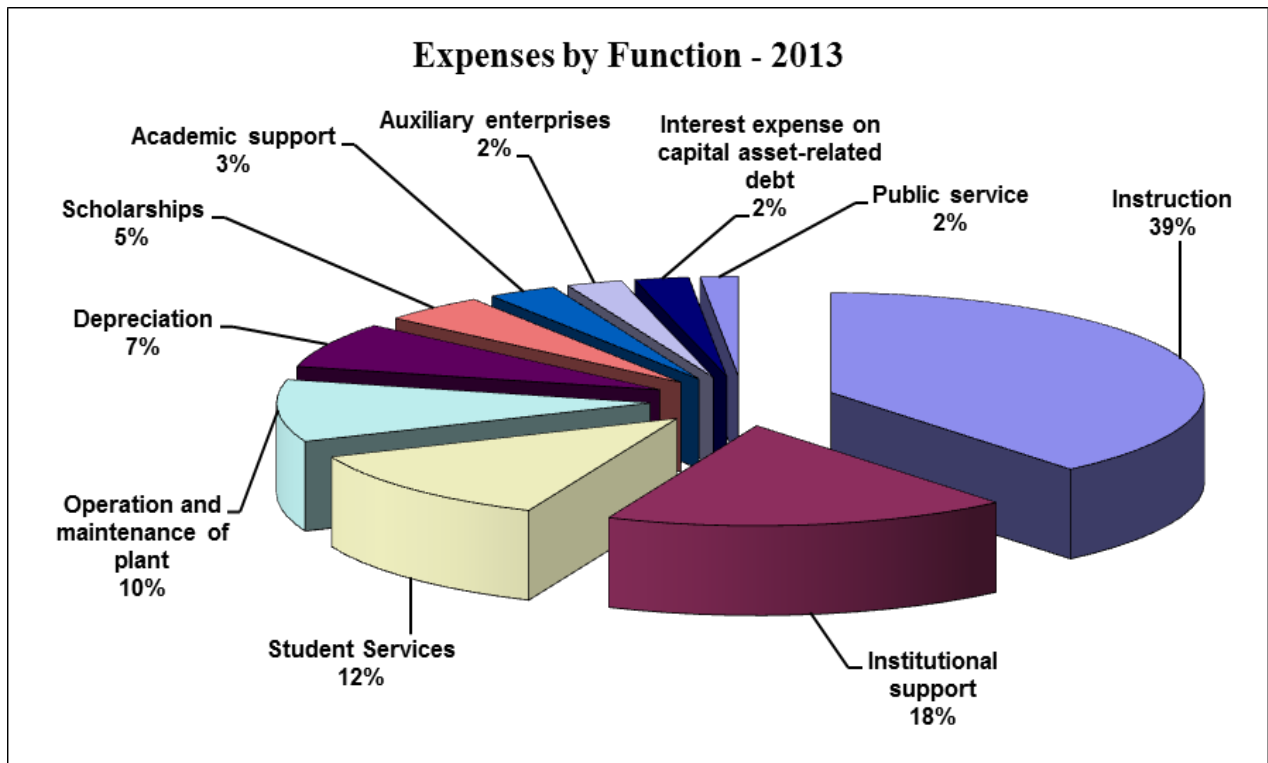
	Fiscal Year Ended June 30, 2013		Fiscal Year Ended June 30, 2012	
<u>Operating revenues</u>				
Tuition and fees (net of scholarship allowances)	\$ 4,145,645	9%	\$ 5,895,640	12%
Contracts	375,176	1	348,206	1
Commissions and rents	619,813	1	633,487	1
Other operating revenues	744,533	2	656,049	1
Total operating revenues	5,885,167	13	7,533,382	15
<u>Nonoperating revenues</u>				
Property taxes	17,900,838	40	17,320,483	36
State appropriations	11,399,300	25	13,620,900	28
Government grants	8,945,661	20	8,710,077	18
Investment earnings	81,374	-	202,428	1
Share of state sales taxes	982,761	2	961,059	2
Gain on disposal of capital assets	-	-	67,976	-
Total nonoperating revenues	39,309,934	87	40,882,923	85
Total revenues	\$45,195,101	100%	\$48,416,305	100%



**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

The following is a summary of expenses for fiscal years ended June 30, 2013 and June 30, 2012:

	Fiscal Year Ended June 30, 2013		Fiscal Year Ended June 30, 2012	
<u>Operating expenses</u>				
Educational and general:				
Instruction	\$16,995,134	39%	\$16,943,608	37%
Public service	712,767	2	707,786	2
Academic support	1,303,798	3	1,336,388	3
Student services	5,344,397	12	5,366,567	12
Institutional support	7,653,628	18	7,965,076	17
Operation and maintenance of plant	4,390,045	10	4,230,372	9
Scholarships	1,966,611	5	4,026,671	9
Auxiliary enterprises	1,053,205	2	1,045,291	2
Depreciation	3,215,175	7	3,062,231	7
Total operating expenses	42,634,760	98	44,683,990	98
<u>Nonoperating expenses</u>				
Interest expense on capital asset-related debt	1,016,422	2	1,085,531	2
Loss on disposal of capital assets	118	-	-	-
Total expenses	\$43,651,300	100%	\$45,769,521	100%



**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Capital Assets and Debt Administration

Below is a summary of Capital assets, net of accumulated depreciation as of June 30, 2013 and June 30, 2012. See Note 3 for further details.

	As of June 30, 2013	As of June 30, 2012
Land	\$ 711,384	\$ 711,384
Museum and art collections	66,000	66,000
Construction in progress	754,954	887,241
Buildings	45,348,479	45,792,343
Equipment	3,651,206	4,255,357
Improvements other than buildings	8,029,270	5,952,932
Library books	293,388	300,054
Total	<u>\$58,854,681</u>	<u>\$57,965,311</u>

The increase in capital assets is due to the completion of additional renovation projects in FY 2013.

During FY 2013, the District reduced its outstanding principal balance on revenues bonds payable by \$105,000 and on pledged revenue obligations by \$835,000. At June 30, 2013 the District had an outstanding principal balance due of \$10,195,000 for revenue bonds and \$11,870,000 for pledged revenue obligations. Note 4 to the basic financial statements beginning on page 37 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 sales tax will cease at the end of FY 2013. It is unclear what the impact for community colleges will be as a result.

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. Further impact is felt by the conflicts in the Middle East coming to an end, resulting in a drawdown of the military and

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

civilian workforce at Fort Huachuca, one of the District's largest source of students. These declines in enrollment were anticipated and the District is engaging in a number of initiatives to create and or enhance programs such as Unmanned Aerial Systems, Respiratory Therapy, and Automotive Technology to attract and grow enrollments. The District has also implemented a 2+1+1 program to integrate a Systems Engineering Program with the University of Arizona whereby a student would start at the College and then continue with online courses and finish with a year on the Tucson Campus.

The 33% reduction in State Equalization Aid to the District in FY 2013 was followed in FY 2014 with an additional 13% decrease, the result of the County's assessed valuations moving closer to the average assessed valuations of the rural counties. The average amount of Maintenance and Operating state funding per Full Time Student Equivalent for all community college districts fell from \$718 in FY 2012 to \$229 in FY 2013. 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. Capital outlay State Aid to all community colleges has not been funded since FY 2008, however rural districts were funded at about 50% of the statutory formula in FY 2014.

As a result of the combined reductions in funding, the District plans to continue to keep its tax levy at the maximum allowed by law. It will consider adjustments to tuition and public-private partnerships as well as continuing to explore additional cost saving measures. Despite these economic pressures, the District 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 Position - Primary Government
June 30, 2013**

	Business-Type Activities
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 8,059,624
Investments	13,765,164
Receivables:	
Accounts (less allowances of \$497,416)	341,854
Property taxes (less allowances of \$283,461)	1,424,266
Government grants and contracts	279,509
Interest	22,155
Other	431,815
Inventories	448,614
Prepaid items	356,206
Total current assets	25,129,207
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents held by trustee	1,645,570
Capital assets, not being depreciated	1,532,338
Capital assets, being depreciated, net	57,322,343
Total noncurrent assets	60,500,251
Total assets	85,629,458
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	1,527,437
Accrued payroll and employee benefits	1,415,172
Interest payable	524,097
Deposits held in custody for others	267,670
Unearned revenues	239,603
Current portion of compensated absences payable	182,487
Current portion of long-term debt	1,006,772
Total current liabilities	5,163,238
Noncurrent liabilities:	
Compensated absences payable	1,165,050
Long-term debt	22,130,149
Total noncurrent liabilities	23,295,199
Total liabilities	28,458,437
<u>Net Position</u>	
Net investment in capital assets	36,415,925
Restricted:	
Expendable:	
Grants and contracts	940,102
Debt service	975,000
Unrestricted	18,839,994
Total net position	\$ 57,171,021

See accompanying notes to financial statements.

**Cochise County Community College District
Statement of Financial Position - Component Unit
June 30, 2013**

		Cochise College Foundation
<u>Assets</u>		
Cash and cash equivalents	\$	254,655
Investments		5,884,306
Land held as an investment		46,194
Assets restricted to investment in property and equipment		
Investments		1,046,409
Real estate		140,000
Total assets restricted to invest in property and equipment		1,186,409
 Total assets	 \$	 7,371,564 <u><u> </u></u>
<u>Liabilities</u>		
Deposits held on behalf of others	\$	32,131
Total current liabilities		32,131
<u>Net Assets</u>		
Unrestricted net assets:		
Undesignated, available for operations		232,416
Designated funds		609,675
Total unrestricted net assets		842,091
Temporarily restricted		4,592,159
Permanently restricted		1,905,183
Total net assets		7,339,433
 Total liabilities and net assets	 \$	 7,371,564 <u><u> </u></u>

See accompanying notes to financial statements.

Cochise County Community College District
Statement of Revenues, Expenses, and Changes in Net Position - Primary Government
Year Ended June 30, 2013

	<u>Business-Type Activities</u>
Operating revenues:	
Tuition and fees (net of scholarship allowances of \$4,237,236)	\$ 4,145,645
Government contracts	286,612
Private contracts	88,564
Bookstore income	139,493
Food service income	436,794
Dormitory rentals and fees	43,526
Other	744,533
Total operating revenues	<u>5,885,167</u>
Operating expenses:	
Educational and general:	
Instruction	16,995,134
Public service	712,767
Academic support	1,303,798
Student services	5,344,397
Institutional support	7,653,628
Operation and maintenance of plant	4,390,045
Scholarships	1,966,611
Auxiliary enterprises	1,053,205
Depreciation	3,215,175
Total operating expenses	<u>42,634,760</u>
Operating loss	<u>(36,749,593)</u>
Nonoperating revenues (expenses):	
Property taxes	17,900,838
State appropriations	11,399,300
Government grants	8,945,661
Share of state sales taxes	982,761
Investment earnings	81,374
Interest expense on capital asset-related debt	(1,016,422)
Loss on disposal of capital assets	(118)
Net nonoperating revenues	<u>38,293,394</u>
Increase in net position	<u>1,543,801</u>
Total net position, July 1, 2012	<u>55,627,220</u>
Total net position, June 30, 2013	<u>\$ 57,171,021</u>

See accompanying notes to financial statements.

Cochise County Community College District
Statement of Activities - Component Unit
Year Ended June 30, 2013

	Cochise College Foundation			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue:				
Contributions	\$ 158,578	\$ 500,135	\$ -	\$ 658,713
Contributions restricted to investment in property and equipment	-	1,057,317	-	1,057,317
Investment income	48,733	462,969	-	511,702
Change in donor intent	-	(55,000)	55,000	-
Net assets released from restriction	458,283	(458,283)	-	-
 Total support and revenue	 <u>665,594</u>	 <u>1,507,138</u>	 <u>55,000</u>	 <u>2,227,732</u>
Expenses:				
Program expenses:				
Scholarships	344,614	-	-	344,614
Special programs	104,379	-	-	104,379
Total program expenses	<u>448,993</u>	<u>-</u>	<u>-</u>	<u>448,993</u>
Supporting services:				
Salaries and wages	147,450	-	-	147,450
Other	78,113	-	-	78,113
Total supporting services	<u>225,563</u>	<u>-</u>	<u>-</u>	<u>225,563</u>
 Total expenses	 <u>674,556</u>	 <u>-</u>	 <u>-</u>	 <u>674,556</u>
Change in net assets	(8,962)	1,507,138	55,000	1,553,176
Net assets, beginning of year	<u>851,053</u>	<u>3,085,021</u>	<u>1,850,183</u>	<u>5,786,257</u>
Net assets, end of year	<u>\$ 842,091</u>	<u>\$ 4,592,159</u>	<u>\$ 1,905,183</u>	<u>\$ 7,339,433</u>

See accompanying notes to financial statements.

**Cochise County Community College District
Statement of Cash Flows - Primary Government
Year Ended June 30, 2013**

	Business-Type Activities
Cash flows from operating activities:	
Tuition and fees	\$ 4,104,258
Government and private contracts	394,258
Bookstore receipts	139,711
Food services receipts	436,794
Dormitory rentals and fees	43,526
Other receipts	692,297
Payments to suppliers and providers of goods and services	(8,651,917)
Payments for employees wages and benefits	(27,938,116)
Payments for scholarships	(1,966,611)
Other payments	(585,706)
Net cash used for operating activities	(33,331,506)
Cash flows from noncapital financing activities:	
Property taxes	17,700,298
State appropriations	11,399,300
Government grants	8,968,075
Share of state sales taxes	971,909
Deposits held in custody for others received	1,141,704
Deposits held in custody for others disbursed	(1,130,388)
Net cash provided by noncapital financing activities	39,050,898
Cash flows from capital and related financing activities:	
Principal paid on capital debt	(940,000)
Interest paid on capital debt	(1,066,864)
Proceeds from sale of capital assets	5,100
Purchases of capital assets	(3,601,554)
Net cash used for capital and related financing activities	(5,603,318)
Cash flows from investing activities:	
Purchases of investments	(3,348,372)
Interest received on investments	84,619
Net cash used for investing activities	(3,263,753)
Net decrease in cash and cash equivalents	(3,147,679)
Cash and cash equivalents, July 1, 2012	12,852,873
Cash and cash equivalents, June 30, 2013	\$ 9,705,194

(Continued)

See accompanying notes to financial statements.

**Cochise County Community College District
Statement of Cash Flows - Primary Government
Year Ended June 30, 2013
(Concluded)**

	Business-Type Activities
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (36,749,593)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	3,215,175
Provision for uncollectable accounts	75,980
Net OPEB obligation	(67,168)
Changes in assets and liabilities:	
Increase in:	
Accounts receivable	(93,106)
Other receivables	(52,018)
Prepaid items	(128,161)
Accounts payable	188,607
Accrued payroll and employee benefits	372,205
Decrease in:	
Inventories	5,770
Government grants and contracts receivable	19,082
Compensated absences payable	(94,018)
Unearned revenues	(24,261)
Net cash used for operating activities	\$ (33,331,506)

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

As of June 30, 2013 the District acquired \$655,662 of capital assets for which cash had not been paid. These acquisitions were included in accounts payable at year end.

The District amortized \$11,207 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 \$698,164, 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, 2013

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).

For the year ended June 30, 2013, the District implemented the provisions of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; GASB Statement 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*; GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 60 improves consistency in financial reporting for service concession arrangements. GASB Statement 61 modifies existing requirements for determining which component units should be included in the financial reporting entity and the related display and disclosure requirements. GASB Statement 62 incorporates certain accounting and financial reporting guidance in FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins into GASB's authoritative literature. GASB Statement 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB Statement 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of GASB Statement No. 60 had no impact on the District's fiscal year 2013 financial statements, and the implementation of GASB Statement Nos. 61-63 and 65 had an insignificant effect on the financial statement amounts and therefore no additional note disclosures were required.

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

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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, 2013, the Foundation distributed \$448,993 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 position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows.

A statement of net position provides information about the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net position is classified according to external donor restrictions or availability of assets to satisfy District obligations. Net investment in capital assets represents the value of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the assets. Expendable restricted net position represents grants, contracts, gifts, and other resources that have been externally restricted for specific purposes. Unrestricted net position consists of all other resources, 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 position 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 position 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.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

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 position are available.

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.

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.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

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 terminating 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.

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 position.

NOTE 2 – CASH AND INVESTMENTS

At June 30, 2013, the District’s cash and cash equivalents consisted of the following:

	Cash and Cash Equivalents
Deposits:	
Cash on hand	\$ 4,306
Cash in bank	2,147,777
Investments at fair value:	
Cash and investments held by the County Treasurer	436,124
Investment in State Treasurer’s investment pool	185,102
Money market mutual fund	1,645,570
Investments held by US Bank	5,286,315
Total	\$ 9,705,194

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 - CASH AND INVESTMENTS (Cont'd)

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, 2013, the carrying amount of the District's cash in bank was \$2,147,777, and the bank balance was \$2,222,087.

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.

As of June 30, 2013, the District reported \$436,124 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, 2013 the CCTIP had not received a quality rating from a national rating agency.

C. Investments

At June 30, 2013, 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	\$ 1,645,570	\$ -	\$ 1,645,570
U.S. Treasuries	2,184,310	2,180,043	4,364,353
U.S. Agencies	7,260,810	7,422,571	14,683,381
State Treasurer's investment pool 7	185,102	-	185,102
County Treasurer's investment pool	436,124	-	436,124
Subtotal - Investments Subject to Interest Rate Risk	11,711,916	9,602,614	21,314,530
Common Stock	N/A	N/A	3,745
Total District Investments	\$ 11,711,916	\$ 9,602,614	\$ 21,318,275

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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. No comparable oversight is provided for the County Treasurer's investment pool, and that pool's structure does not provide for shares.

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 AA+ by Standard & Poor's and Aaa by Moody's.

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, 2013 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 33.69%, 13.10%, 12.25% and 8.99% 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.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land	711,384	-	-	711,384
Museum art collection	66,000	-	-	66,000
Construction in progress	887,241	754,954	(887,241)	754,954
Total capital assets not being depreciated	<u>1,664,625</u>	<u>754,954</u>	<u>(887,241)</u>	<u>1,532,338</u>
Capital assets being depreciated:				
Buildings	60,982,282	964,021	-	61,946,303
Equipment	12,961,539	760,610	(224,986)	13,497,163
Improvements other than buildings	8,011,396	2,489,651		10,501,047
Library books	952,936	53,606	(58,069)	948,473
Total capital assets being depreciated	<u>82,908,153</u>	<u>4,267,888</u>	<u>(283,055)</u>	<u>86,892,986</u>
Less accumulated depreciation for:				
Buildings	(15,189,939)	(1,407,853)	(32)	(16,597,824)
Equipment	(8,706,182)	(1,333,737)	193,962	(9,845,957)
Improvements other than buildings	(2,058,464)	(413,313)		(2,471,777)
Library books	(652,882)	(60,272)	58,069	(655,085)
Total accumulated depreciation	<u>(26,607,467)</u>	<u>(3,215,175)</u>	<u>251,999</u>	<u>(29,570,643)</u>
Total capital assets being depreciated, net	<u>56,300,686</u>	<u>1,052,713</u>	<u>(31,056)</u>	<u>57,322,343</u>
Capital assets, net	<u>57,965,311</u>	<u>1,807,667</u>	<u>(918,297)</u>	<u>58,854,681</u>

The District had major contractual commitments related to two capital projects at June 30, 2013, for the remodeling of an existing building and repaving the airport runway taxiway. At June 30, 2013, the District had spent \$754,954 on these projects and had remaining contractual commitments with contractors of \$513,473. These projects are being financed by a state grant (90% of the runway taxiway 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, 2013:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due within one year
Compensated absences	\$ 1,285,549	\$ 1,427,443	\$ 1,365,455	\$ 1,347,537	\$ 182,487
OPEB obligation	765,332	-	67,168	698,164	-
Bonds payable:					
Revenue bonds	10,300,000	-	105,000	10,195,000	105,000
Pledged revenue obligations (PROs)	12,705,000	-	835,000	11,870,000	870,000
Premiums	405,530	-	31,773	373,757	31,772
Total long-term liabilities	<u>\$25,461,411</u>	<u>\$ 1,427,443</u>	<u>\$2,404,396</u>	<u>\$24,484,458</u>	<u>\$1,189,259</u>

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

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, 2013, 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	7/1/2013-28	4.00-5.125%	\$10,195,000
Pledged Revenue Obligations Series 2008	\$15,000,000	7/1/2013-23	4.00-5.50%	\$11,870,000

The following schedule details debt service requirements to maturity for the District's bonds and PROs at June 30, 2013:

<u>Year Ending June 30:</u>	<u>Revenue Bonds</u>		<u>Pledged Revenue Obligations</u>		<u>Total Debt Service Requirements</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
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	125,000	486,275	1,015,000	350,519	1,976,794
2019-2023	715,000	2,341,728	5,825,000	916,750	9,798,478
2024-2028	6,970,000	1,386,824	1,345,000	-	9,701,824
2029	1,925,000	-	-	-	1,925,000
Totals	\$ 10,195,000	\$ 6,208,727	\$ 11,870,000	\$ 3,059,945	\$ 31,333,672

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 early 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 early redemption. Obligations maturing on or after July 1, 2019, are subject to early redemption.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

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 35% of the annual pledged gross revenues. FY 2013 interest and principal paid and total pledged gross revenues were \$1,988,194 and \$5,591,365, respectively. Total principal and interest remaining to be paid is \$31,333,672.

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 benefit 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 is available on its web site at www.azasrs.gov, or 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.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

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, 2013, active plan members and the District were each required by statute to contribute at the actuarially determined rate of 11.14 percent of the members' annual covered payroll. The employee's contributions of 11.14 percent were broken down as follows: 10.90 percent for retirement and 0.24 percent for long-term disability. The District's contributions of 11.14 percent were broken down as follows: 10.25 percent for retirement, 0.65 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:

Years ended June 30,	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2013	\$ 1,823,028	\$ 115,745	\$ 42,725
2012	1,765,831	112,713	42,931
2011	1,570,540	102,847	43,363

B. Postemployment Health Care Benefits

Plan description – The District has a single-employer plan for postemployment health care benefits. The District subsidizes the premium rates paid by retirees that retired prior to July 1, 2012. This subsidy is an explicit rate that is based on the difference between the actual retiree rate and the active employee rate. For retirees that retired July 1, 2012 and after, the District does not provide this subsidy. This termination of benefit significantly reduced the actuarial accrued liability for FY 2013.

Retired 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.
4. Must have retired from the District prior to July 1, 2012.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

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 2012-13 fiscal year, 19 retirees received postemployment healthcare benefits. The District provided required contributions of \$51,227. The annual OPEB cost of a negative \$15,941 is comprised of amortization on the accrued liability and interest on the net OPEB obligation reduced by an adjustment to the annual required contribution. Retiree contributions totaled \$133,898.

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.

	2013	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	29,907	118,495	110,021	107,551	99,320
Interest on normal cost and amortization	182	-	-	-	-
Annual required contribution (ARC)	30,089	259,669	257,179	239,160	232,356
Interest on net OPEB obligation	30,613	22,638	14,618	7,275	-
Adjustment to annual required contribution	(76,643)	(31,471)	(20,321)	(10,114)	-
Annual OPEB Cost	(15,941)	250,836	251,476	236,321	232,356
Contribution toward the OPEB cost	(51,227)	(51,461)	(50,968)	(52,752)	(50,476)
Increase/decrease in net OPEB obligation	(67,168)	199,375	200,508	183,569	181,880
Net OPEB obligation, beginning of year	765,332	565,957	365,449	181,880	-
Net OPEB obligation, end of year	\$ 698,164	\$ 765,332	\$ 565,957	\$ 365,449	\$ 181,880
Percentage of annual OPEB cost contributed	321.35%	20.52%	20.27%	22.32%	21.72%

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

Funded Status and Funding Progress – As of June 30, 2013, the actuarial accrued liability for benefits was \$310,586 and is unfunded. The plan has no assets. The covered payroll (annual payroll of active participating employees) was \$15,651,222 for the FY 2013 while the ratio of the unfunded actuarial accrued liability to the covered payroll was 1.9%. Additionally, the required schedule of funding progress, presented on page 54 following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

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.

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, 2013.

Method/Assumption

Valuation date	July 1, 2012
Actuarial cost method	Valuation cost method
Initial amortization period, level dollar amortization method, closed period	13 years
Remaining amortization period	12 years
Investment rate of return	4 %
General inflation rate	3.25%
Medicare coverage age	65
Retirement and disability age	ASRS assumptions
Health Care Cost Trend Range	5% - 8%
Participation Assumption	100%
Active members	N/A
Retirees currently receiving benefits	19

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 7 - OPERATING EXPENSES

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

Personnel services	\$28,149,135
Contract services	3,209,859
Supplies and other services	2,311,373
Rent and insurance	1,354,753
Communications and utilities	1,395,966
Travel	446,182
Scholarships	1,966,611
Depreciation	3,215,175
Other	585,706
Total	<u>\$42,634,760</u>

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.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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.

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, which approximates fair value.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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. Fair Value

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a common definition for 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:

- 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.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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, 2013.

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.

Real Estate Investment Trusts (“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.

9. 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, 2013, deposits held on behalf of others totaled \$32,131, and is held within investments on the accompanying statement of financial position.

10. 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.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

11. 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.

12. 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, 2013 as change in donor intent.

13. Conditional Promise to Give

During fiscal year 2013, the Foundation was notified that a donor named the Foundation as the sole beneficiary of his estate. The assets of the donor's estate, which had an estimated value of \$3.5 million at June 30, 2013, are held within a revocable trust. Since the trust is revocable, this contribution is considered a conditional promise to give. The contribution will be recognized in the period in which the trust becomes irrevocable.

14. Assets Restricted to Investment in Property and Equipment

Assets restricted to investment in property and equipment consist of investments, cash and cash equivalents, and real estate that are restricted by a donor for building a technical education building. These assets were recorded as contributions at their estimated fair value at the date of donation. The assets thereafter will continue to be carried at fair value. There were no identified events or change in circumstances from the date of donation to June 30, 2013 that would have a significant adverse effect on the fair value of the real estate; therefore the fair value was not estimated at June 30, 2013. The fair value of the assets restricted at June 30, 2013 was \$1,186,409. The foundation intends to raise additional funds prior to commencing any construction activities. There were no costs incurred related to the construction of the building during the fiscal year 2013.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

15. 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 2010, 2011, and 2012 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 2013 return had not yet been filed.

16. Recent Accounting Pronouncement

In April 2013, the FASB issued ASU No. 2013-06 ("ASU 2013-06") Not-for-Profit Entities (Topic 958) Services Received from Personnel of an Affiliate." ASU 2013-06 provides revenue recognition guidance for not-for-profit entities requiring that contributed services be recognized at fair value if employees of separately governed affiliated entities regularly perform services (in other than an advisory capacity) for and under the direction of the donee. In addition, that guidance indicates that those contributed services should be recognized only if they (1) create or enhance nonfinancial assets or (2) require specialized skills, are provided by individuals possessing those skills, and typically would need to be purchased if not provided by donation. ASU 2013-06 is effective for the first reporting period after December 15, 2013. The Foundation is evaluating the impact of adopting ASU 2013-06, but currently believes there will be no significant impact on its financial statements.

17. Subsequent Events

The Foundation has evaluated subsequent events through November 22, 2013, which is the date the financial statements were available to be issued.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

B. INVESTMENTS

Investments consist of:	<u>2013</u>
Equity securities	\$ 1,911,522
Mutual funds:	
Large growth	268,995
Large blend	471,897
Large value	387,434
Mid-cap growth	22,335
Bonds:	
Corporate:	
Financial sector	1,042,858
Industrial sector	1,374,851
Utilities sector	323,768
Municipal	508,180
Unit trusts	111,482
Limited partnership	153,430
Real estate investment trust (REIT)	10,381
Money market funds	292,392
Cash and cash equivalents	<u>51,190</u>
Total investments	<u>\$ 6,930,715</u>

Net investment income consists of:

Dividends and interest income	\$ 283,488
Realized/unrealized investment gains	<u>228,214</u>
Investment income	<u>\$ 511,702</u>

The Foundation paid investment broker fees of \$9,494 in 2013, which were charged against investment income.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

C. FAIR VALUE MEASUREMENTS

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, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equity securities	\$ 1,911,522	\$ -	\$ 1,911,522
Mutual funds:			
Large growth	268,995	-	268,995
Large blend	471,897	-	471,897
Large value	387,434	-	387,434
Mid-cap growth	22,335	-	22,335
Bonds:			
Corporate:			
Financial sector	-	1,042,858	1,042,858
Industrial sector	-	1,374,851	1,374,851
Utilities sector	-	323,768	323,768
Municipal	-	508,180	508,180
Unit trusts	111,482	-	111,482
Limited partnership	153,430	-	153,430
REITs	-	10,381	10,381
Money market funds	292,392	-	292,392
Total	<u>\$ 3,619,487</u>	<u>\$ 3,260,038</u>	<u>\$ 6,879,525</u>

D. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of amounts restricted for investment in property and equipment, student scholarships, quasi-endowments, unappropriated endowment earnings, and other educational programs of the Cochise County Community College District. Net assets released from restrictions were primarily related to scholarship awards.

E. ENDOWMENTS

As of June 30, 2013, the Board of Trustees has designated \$609,675 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 Directors 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.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

In September 2008, the State of Arizona enacted ARS Section 10-11801 et seq Management of Charitable Funds Act (MCFA). The Board of Directors 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.

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, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (6,157)	\$ 2,276,145	\$ 1,905,183	\$ 4,175,171
Quasi-endowments	-	472,481	-	472,481
Board-designated endowment funds	609,675	-	-	609,675
Total Funds	<u>\$ 603,518</u>	<u>\$ 2,748,626</u>	<u>\$ 1,905,183</u>	<u>\$ 5,257,327</u>

The changes in endowment net assets for the year ended June 30, 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 615,006	\$ 2,621,864	\$ 1,850,183	\$ 5,087,053
Contributions	-	66,676	-	66,676
Investment returns:				
Net appreciation, realized and unrealized	48,733	61,855	-	110,588
Interest and dividend income	-	272,076	-	272,076
Change in donor intent	-	(50,000)	55,000	5,000
Appropriation of endowment assets for expenditure	(60,221)	(223,845)	-	(284,066)
Endowment net assets, end of year	<u>\$ 603,518</u>	<u>\$ 2,748,626</u>	<u>\$ 1,905,183</u>	<u>\$ 5,257,327</u>

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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 \$6,157 at June 30, 2013.

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 Directors, 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 \$154,855 for the year ended June 30, 2013. 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 COUNTY COMMUNITY COLLEGE DISTRICT
POSTEMPLOYMENT HEALTH CARE BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
June 30, 2013**

Fiscal Year ended	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
2011	\$ -	\$1,978,593	\$1,978,593	0.00%	\$15,924,770	12.42%
2012	-	2,130,985	2,130,985	0.00	16,511,008	12.91
2013	-	310,586 (4)	310,586	0.00	15,651,222	1.98

Notes:

- (1) The Entry Age Actuarial Cost Method is used to determine the Plan's funding requirements for 2009 through 2012. The Valuation Cost Method is used to determine the Plan's funding requirements for 2013.
- (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, 2012, dated November 8, 2013. The District changed its policy as of July 1, 2012 to no longer allow current active employees to be eligible for a District subsidy of their health insurance premiums. This greatly reduces the District's liability.

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.

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. 56-59)

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

Revenue Capacity (Pp. 60-67)

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

Debt Capacity (Pp. 68-71)

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. 72-74)

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. 75-76)

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 POSITION by COMPONENT
Last Ten Fiscal Years
Unaudited

	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05	2003/04
Primary government										
Net investment in capital assets	\$ 36,415,925	\$ 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
Restricted (1)	1,997,386	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
Unrestricted (1)	18,757,710	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
Total primary government net position	\$ 57,171,021	\$ 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

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 POSITION
 Last Ten Fiscal Years
 Unaudited

	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05	2003/04
Operating Revenues										
Tuition and fees	\$ 4,145,645	\$ 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
Bookstore sales	139,493	145,643	166,818	166,036	165,000	165,000	165,000	165,000	165,000	113,160
Food service sales	436,794	441,992	530,212	410,869	355,009	303,007	296,025	302,222	303,693	302,177
Dormitory rentals	43,526	45,852	49,646	169,018	130,599	188,407	206,825	199,604	210,085	193,778
Other sales and services	744,533	656,049	784,654	314,220	378,493	393,656	529,893	834,528	1,531,498	869,457
Contracts	375,176	348,206	427,620	380,659	702,115	620,393	579,140	554,668	921,593	612,435
Total operating revenues	5,885,167	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
Operating Expenses										
Instruction	16,995,134	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
Public service	712,767	707,786	755,106	645,728	545,869	459,213	417,791	498,178	561,156	456,122
Academic support	1,303,798	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
Student services	5,344,397	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
Institutional support	7,653,628	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
Operation & maintenance of Plant	4,390,045	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
Scholarships	1,966,611	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
Depreciation	3,215,175	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
Auxiliary enterprises	1,053,205	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
Total operating expenses	42,634,760	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
Operating income (loss)	(36,749,593)	(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)
Nonoperating Revenues/(Expenses)										
Property taxes	17,900,838	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
State appropriations	11,399,300	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
Government grants (1)	8,945,661	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
Share of state sales taxes	982,761	961,059	866,461	832,908	924,881	1,034,869	1,044,129	962,089	771,765	588,067
Investment earnings/(loss)	81,374	202,428	91,903	152,839	449,061	962,089	1,240,620	715,239	250,213	92,798
Interest on debt	(1,016,422)	(1,085,531)	(1,121,469)	(1,161,306)	(1,199,131)	(27,035)	(42,994)	(58,501)	(70,576)	(84,098)
Gain(Loss) on sale/disposal of capital assets	(118)	67,976	-	(159,991)	-	(284,616)	33,435	-	-	-
Total nonoperating revenues/expenses	38,293,394	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
Income (loss) before other revenues, expenses, gains or losses	1,543,801	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
Capital appropriations	-	-	-	-	-	1,060,600	1,052,300	965,600	912,200	681,800
Capital grants and gifts	-	-	-	-	-	-	20,000	-	-	-
Change in net position	\$ 1,543,801	\$ 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

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

Function	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05	2003/04
Instruction	\$ 16,995,134	\$ 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
Public service	712,767	707,786	755,106	645,728	545,869	459,213	417,791	498,178	561,156	456,122
Academic support	1,303,798	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
Student services	5,344,397	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
Institutional support	7,653,628	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
Operation & maintenance of plant	4,390,045	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
Scholarships	1,966,611	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
Depreciation	3,215,175	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
Interest on debt	1,016,422	1,085,531	1,121,469	1,161,306	1,199,131	27,035	42,994	58,501	70,576	84,098
Other nonoperating expenses	118	-	-	159,991	-	284,616	-	-	-	-
Auxiliary enterprises	1,053,205	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
Total expenses	\$43,651,300	\$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

Source: Annual reports on audited financial statements.

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

USE	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05	2003/04
Salaries and benefits	\$ 28,149,135	\$ 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
Contract services	3,209,859	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
Supplies and materials	2,311,373	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
Subscriptions, dues, insurance and rentals	1,354,753	1,445,978	1,232,396	1,211,054	1,296,725	1,024,344	875,562	875,245	711,074	444,806
Utilities and communication	1,395,966	1,369,180	1,324,946	1,221,728	1,127,915	1,077,962	1,064,695	913,088	889,455	885,605
Travel	446,182	409,499	393,920	379,702	381,690	519,002	462,069	468,778	419,345	395,312
Noncapitalized equipment	557,150	115,656	138,172	58,030	229,881	207,295	867,186	531,149	280,767	200,456
Scholarships	1,966,611	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
Depreciation	3,215,175	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
Other	28,556	54,441	148,493	133,346	200,965	306,984	378,938	402,044	308,662	287,091
Total operating expenses	42,634,760	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
Interest on debt	1,016,422	1,085,531	1,121,469	1,161,306	1,199,131	27,035	42,994	58,501	70,576	84,098
Other nonoperating expenses	118	-	-	159,991	-	284,616	-	-	-	-
Total nonoperating expenses	1,016,540	1,085,531	1,121,469	1,321,297	1,199,131	311,651	42,994	58,501	70,576	84,098
Total expenses	\$ 43,651,300	\$ 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

Source: Annual reports on audited financial statements.

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

Source of Revenue	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05	2003/04
Property taxes	\$ 17,900,838	\$ 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
State appropriations	11,399,300	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
Grants and contracts	9,320,837	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
Tuition and fees	4,145,645	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
Investment income	81,374	202,428	91,903	152,839	449,061	962,089	1,240,620	715,239	250,213	92,798
Bookstore sales	139,493	145,643	166,818	166,036	165,000	165,000	165,000	165,000	165,000	113,160
Food services sales	436,794	441,992	530,212	410,869	355,009	303,007	296,025	302,222	303,693	302,177
Dormitory rentals	43,526	45,852	49,646	169,018	130,599	188,407	206,825	199,604	210,085	193,778
Other	1,727,294	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
Total Revenues	\$ 45,195,101	\$ 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

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
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
2012/13	78,573,112	30,997,697	47,575,415

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
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%
2012/13 primary	1,038,327,080	8,850,763,191	11.73%
2012/13 secondary	1,060,199,126	9,043,935,353	11.72%

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
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	-	-
2012/13	1,038,327,080	1.7329	17,993,170	1,060,199,126	-	-

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
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
2012/13	Primary	1.7329	2.6276	0.0000	2.1577	0.0000	11.1018
	Secondary	-	0.4048	0.0000	8.3577	0.0000	1.9239

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 2013 and Nine Years Ago
 Unaudited

Taxpayer	2013			2004		
	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	\$ 36,743,351	1	3.54%	\$ 15,504,094	2	2.72%
Arizona Electric Power Coop Inc	26,135,266	2	2.52%	36,989,500	1	6.48%
El Paso Natural Gas Company	15,391,083	3	1.48%	9,716,489	4	1.70%
Southwest Gas Corporation	9,093,642	4	0.88%	7,937,185	5	1.39%
Arizona Public Service Company	7,359,823	5	0.71%	6,680,176	6	1.17%
Nord Resources Corporation	6,629,999	6	0.64%	-	-	-
Union Pacific Railroad	6,451,915	7	0.62%	5,505,365	7	0.97%
Wal-Mart Stores Inc	6,163,242	8	0.59%	-	-	-
Southwest Transmission (T&D)	5,185,638	9	0.50%	-	-	-
Qwest Corporation/US West	5,003,678	10	0.48%	10,113,388	3	1.77%
Level 3 Communications LLC	-	-	-	4,509,790	8	0.79%
Price Development Co.	-	-	-	4,333,250	9	0.76%
SFPP LP DBA Kinder Morgan Ernergy Pttrs	-	-	-	4,237,760	10	0.74%

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
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%	405,321	11,869,564	99.93%
2006/07	13,126,004	12,641,430	96.31%	471,573	13,113,003	99.90%
2007/08	14,165,750	13,625,618	96.19%	520,730	14,146,348	99.86%
2008/09	15,002,075	14,286,998	95.23%	666,634	14,953,632	99.68%
2009/10	15,860,846	15,020,601	94.70%	772,864	15,793,465	99.58%
2010/11	16,655,987	15,662,682	94.04%	812,303	16,474,985	98.91%
2011/12	17,486,975	16,563,455	94.72%	656,760	17,220,215	98.47%
2012/13	17,993,170	16,971,410	94.32%	-	16,971,410	94.32%

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
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	3.68
2011/12	15,504	9,468	1,970	280	16.57
2012/13	13,783	7,766	2,100	130	6.60

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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Other Debt:					
Revenue Bonds	\$ 10,195,000	\$ 10,300,000	\$ 10,405,000	\$ 10,505,000	\$ 10,595,000
Certificates of participation	-	-	-	-	-
Pledged Revenue Obligations	11,870,000	12,705,000	13,505,000	14,270,000	15,000,000
Total outstanding debt	<u>\$ 22,065,000</u>	<u>\$ 23,005,000</u>	<u>\$ 23,910,000</u>	<u>\$ 24,775,000</u>	<u>\$ 25,595,000</u>
Per capita	\$ 167.05	\$ 174.16	\$ 183.17	\$ 188.49	\$ 196.44
Per student	1,600.89	1,483.81	1,447.34	1,653.65	1,690.89
Per FTSE	2,841.23	2,429.76	2,442.79	2,885.51	3,336.59

	For the Fiscal Year Ended June 30				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Other Debt:					
Certificates of participation	\$ 290,000	\$ 560,000	\$ 815,000	\$ 1,055,000	\$ 1,280,000
Total outstanding debt	<u>\$ 290,000</u>	<u>\$ 560,000</u>	<u>\$ 815,000</u>	<u>\$ 1,055,000</u>	<u>\$ 1,280,000</u>
Per capita	\$ 2.22	\$ 4.32	\$ 6.34	\$ 8.34	\$ 10.26
Per student	19.41	41.08	60.98	77.53	99.41
Per FTSE	39.35	81.82	122.94	160.41	212.10

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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Debt Limit	\$ 159,029,869	\$ 163,812,155	\$ 166,763,402	\$ 159,036,286	\$ 152,811,042
Total net debt applicable to the limit	-	-	-	-	-
Legal debt margin	<u>\$ 159,029,869</u>	<u>\$ 163,812,155</u>	<u>\$ 166,763,402</u>	<u>\$ 159,036,286</u>	<u>\$ 152,811,042</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>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Debt Limit	\$ 130,936,851	\$ 115,114,953	\$ 102,355,088	\$ 94,298,250	\$ 88,002,808
Total net debt applicable to the limit	-	-	-	-	-
Legal debt margin	<u>\$ 130,936,851</u>	<u>\$ 115,114,953</u>	<u>\$ 102,355,088</u>	<u>\$ 94,298,250</u>	<u>\$ 88,002,808</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 2013

Secondary assessed value of real and personal property (1)	<u>\$ 1,060,199,126</u>
Debt limit = 15% of secondary assessed value	<u>159,029,869</u>
Amount of debt applicable to debt limit:	
General obligation bonded debt	<u>-</u>
Legal debt margin, June 30, 2013	<u>\$ 159,029,869</u>

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

Note (1): Tax year 2012.

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%
2012/13	5,591,365	940,000	1,048,194	1,988,194	35.56%

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
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%
2012/13	940,000	1,048,194	1,988,194	42,634,760	4.66%

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
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	4,763,499	36,492	8.8%
2012	132,088	N/A	N/A	8.2%
2013	N/A	N/A	N/A	8.4%

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 2013. 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	2013			2004		
	Employees	%	Rank	Employees	%	Rank
Fort Huachuca	8,296	16%	1	11,939	23%	1
Cochise County	823	2%	2	1,090	2%	2
Sierra Vista Unified School District No. 68	700	1%	3	686	1%	6
General Dynamics Information Technology (GDIT)	698	1%	4	-	-	-
Wal-Mart Stores, Inc.	650	1%	5	580	1%	8
Arizona State Prison Complex	615	1%	6	674	1%	7
Sierra Vista Regional Health Center	522	1%	7	776	1%	5
Cochise College	511	1%	8	781	2%	4
Douglas Unified School District No. 27	477	1%	9	513	1%	9
Northrop Grumman Corporation	450	1%	10	461	1%	12
Mantech Telecommunications and Information Systems Corp.	422	1%	11	-	-	-
City of Sierra Vista	384	1%	12	480	1%	11
Science Applications International Corporation (SAIC)	295	1%	13	100	-	55
Aegis Communications Group	294	1%	14	504	1%	10
Raytheon	287	1%	15	-	-	-
U. S. Border Patrol	-	-	-	1,046	2%	3

Source: Cochise College Center for Economic Research.

Notes: Total 2013 employment for Cochise County is estimated to be 52,880; total 2004 employment was 51,840.
 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)
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
2012/13	32.8%	67.2%	45.5%	54.5%	1775	1774

Fall Semester Fiscal Year	Age		Residency			
	Median	Mean	Resident	Resident Unorganized County	Out of State	Foreign
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%
2012/13	24	28	80.8%	9.3%	9.2%	0.7%

Fall Semester Fiscal Year	Ethnic Background					
	American Indian	Asian American	Hispanic	African American	White	Other/Unknown
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%
2012/13	0.9%	1.9%	40.1%	5.5%	45.5%	6.1%

Source: District records.

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

	For the Fiscal Year Ended June 30				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Faculty					
Part-time	264	296	313	292	253
Full-time	98	103	106	108	100
Administrative & support staff	523	503	524	515	489
Total employees	885	902	943	915	842
Students per faculty member	38	39	39	37	43
Students per staff member	26	31	32	29	31

	For the Fiscal Year Ended June 30				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Faculty					
Part-time	258	256	256	284	270
Full-time	103	106	101	93	91
Administrative & support staff	471	495	508	460	465
Total employees	832	857	865	837	826
Students per faculty member	41	38	37	36	36
Students per staff member	32	28	26	30	28

Source: District Records.

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

Location	Fiscal Year							
	2012-13	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	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	518.3
Sierra Vista Campus								
Total Square Footage	188,867	188,867	188,867	188,867	159,613	122,139	122,139	122,139
Total Acreage	76.6	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	12,733
Total Acreage	13.0	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	9,340	7,200	7,200	7,200	7,200
<hr/>								
Total District								
Total Square Footage	506,009	506,009	506,009	506,009	414,723	367,446	367,446	367,446
Total Acreage	607.9	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.