

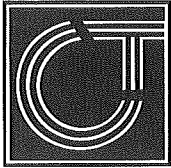
Yuma/La Paz Counties Community College District  
(Arizona Western College)

Single Audit Reporting Package

Year Ended June 30, 2005

Yuma/La Paz Counties Community College District  
(Arizona Western College)  
Single Audit Reporting Package  
Year Ended June 30, 2005

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# CRONSTROM, TRBOVICH & OSUCH

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report

The Auditor General of the State of Arizona

The Governing Board of  
Yuma/La Paz Counties Community College District

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Yuma/La Paz Counties Community College District (District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts for the discretely presented component unit, is based solely on the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component unit were not audited by the other auditors in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Yuma/La Paz Counties Community College District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the District implemented the provisions of Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, for the year ended June 30, 2005, which represents a change in accounting principle.

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Cronstrom, Trbovich & Osuch, P.C.*

Cronstrom, Trbovich & Osuch, P.C.

October 20, 2005

October 20, 2005

## **Management's Discussion and Analysis**

This discussion and analysis introduces the basic financial statements and provides an overview of the District's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the financial statements, which immediately follow.

### **Basic Financial Statements:**

The District's annual financial statements are presented in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 35, "Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities." These statements allow for the presentation in a consolidated, single-column, entity-wide format. This format is similar to the type of financial statements typical of a business enterprise or a not-for-profit organization. The basic financial statements consist of the following:

The Statement of Net Assets reflects the financial position of the District at June 30, 2005. It shows the various assets owned or controlled, related liabilities and other obligations, and the various categories of net assets. Net assets is an accounting concept defined as total assets less total liabilities, and as such, represents institutional equity or ownership in the total assets of the District. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets reflects the results of operations and other changes for the year ended June 30, 2005. It shows the various revenues and expenses, both operating and nonoperating, reconciling the beginning net assets amount to the ending net assets amount – which is shown on the Statement of Net Assets described above.

The Statement of Cash Flows presents the inflows and outflows of cash and cash equivalents for the year ended June 30, 2005. It shows the various cash activities by type, reconciling the beginning cash and cash equivalents amount to the ending cash and cash equivalents amount, which is shown on the Statement of Net Assets described above. In addition, this statement reconciles cash flows from operating activities to operating income/loss on the Statement of Revenues, Expenses, and Changes in Net Assets described above.

### **Financial Highlights and Analysis:**

Consistent with its mission, the District offers educational, career, and lifelong learning opportunities through innovative partnerships, which enhance the lives of people in Yuma and La Paz Counties. Major funding sources supporting all functions include property taxes, government grants and contracts, state appropriations, and tuition and fees. The District exercises primary and secondary property tax levy authority for generation of funds for operating, capital equipment, and debt retirement purposes.

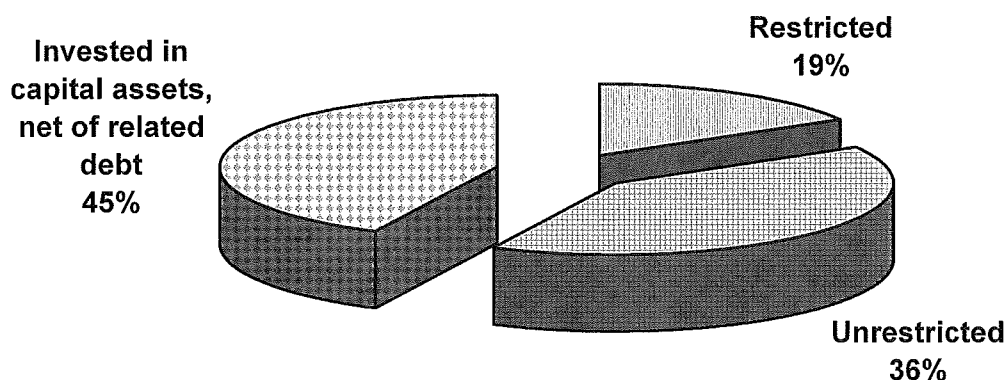
The condensed financial information below highlights the main categories of the Statement of Net Assets. Assets are distinguished as to their current or noncurrent nature. Other liabilities are typically those obligations intended for liquidation or payment within the next fiscal year while current assets are those resources that are available for use in meeting the operating needs of the District, including other liabilities. Long-term liabilities are those liabilities associated with debt or compensated absences which are due within one year or longer. Net assets are divided into three categories reflecting the institutional equity in assets by broad characteristics. In addition to the District's capital assets, the District holds resources that have been restricted by external parties for specific programs or purposes. The remaining net assets are unrestricted but are dedicated to the primary mission of the District.

### Condensed Financial Information

#### Condensed Statement of Net Assets as of June 30

	2005	2004
<b>Assets:</b>		
Current assets	\$ 23,177,297	\$ 20,385,034
Noncurrent assets, other than capital assets	397,254	459,038
Capital assets, net	21,039,139	21,419,263
Total assets	<u>\$ 44,613,690</u>	<u>\$ 42,263,335</u>
<b>Liabilities:</b>		
Current liabilities	\$ 7,948,612	\$ 5,188,078
Noncurrent liabilities	9,649,042	11,160,177
Total liabilities	<u>\$ 17,597,654</u>	<u>\$ 16,348,255</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	\$ 12,216,937	\$ 11,050,087
Restricted net assets	5,222,473	4,344,920
Unrestricted net assets	9,576,626	10,520,073
Total net assets	<u>\$ 27,016,036</u>	<u>\$ 25,915,080</u>

#### PERCENT OF NET ASSETS FOR 2005



The total net assets of the District increased \$1,100,956. In addition, total assets at the close of the fiscal year exceeded its total liabilities by \$27,016,036. Current assets increased \$2,792,263, largely due to the additional \$2,280,594 of member premiums contributed to the investment account of the Yuma Area Benefits Consortium, which the District administers as the fiscal agent. Conversely other liabilities increased \$2,760,534 of which the \$2,280,594 was recognized as an other liability and classified as a deposits held in custody for others. Long-term liabilities decreased due to scheduled retirements of long-term debt. Total net assets increased over the previous fiscal year and the majority of this increase is attributable to the District's reduction in its capital debt and additional capital purchases. The District's financial position improved and remains strong, with adequate resources to meet all current obligations.

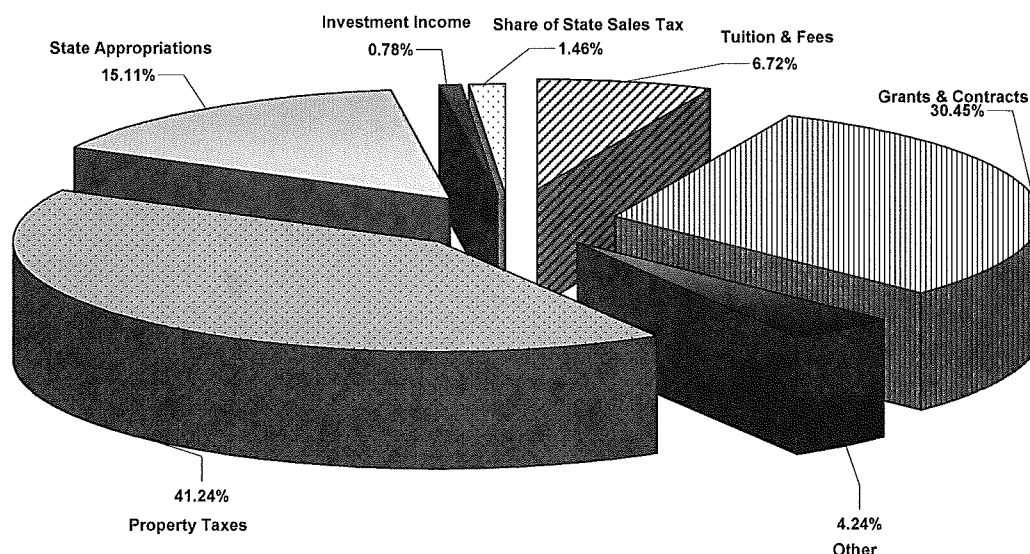
The condensed financial information below highlights the main categories of the Statement of Revenues, Expenses, and Changes in Net Assets. Operating revenues include tuition and fees – net of scholarship discounts and allowances. In compliance with the reporting pronouncements issued by GASB, scholarship discounts and allowances are recorded as an offset to revenue, instead of as an expense. Depreciation expense is recorded in accordance with the full accrual basis of accounting. The construction and acquisition of capital assets, although budgeted and tracked as an expenditure in the accounting system, is not reflected as an expense in these statements. Rather, such transactions are reported as an asset – with the systematic allocation of such costs expensed over the useful life of the asset constructed or acquired. The District shows an operating loss, reflective of the fact that two of the three main revenue sources – property taxes and state appropriations – are considered nonoperating revenues. For a description of the difference between operating and nonoperating revenues and expenses, please refer to the Summary of Significant Accounting Policies, Note 1 to the basic financial statements.

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

	<u>2005</u>	<u>2004</u>
<b>Revenues</b>		
Operating		
Tuition and fees (net of scholarship allowances)	\$ 2,691,127	\$ 2,556,419
Grants and contracts	12,199,721	11,965,625
Other	1,699,242	1,546,504
Nonoperating		
Property taxes	16,525,259	15,383,180
State appropriations	6,053,800	5,425,000
Investment income	312,264	181,786
Share of state sales taxes	584,762	559,461
Total revenues	<u>40,066,175</u>	<u>37,617,975</u>
<b>Expenses</b>		
Operating	39,500,686	36,956,986
Nonoperating	<u>331,033</u>	<u>341,114</u>
Total expenses	<u>39,831,719</u>	<u>37,298,100</u>
Income before other revenues, expenses, gains or losses	234,456	319,875
Capital appropriations	<u>866,500</u>	<u>718,600</u>
Increase in net assets	1,100,956	1,038,475
Total net assets, July 1	<u>25,915,080</u>	<u>24,876,605</u>
<b>Total net assets, June 30</b>	<u><u>\$ 27,016,036</u></u>	<u><u>\$ 25,915,080</u></u>



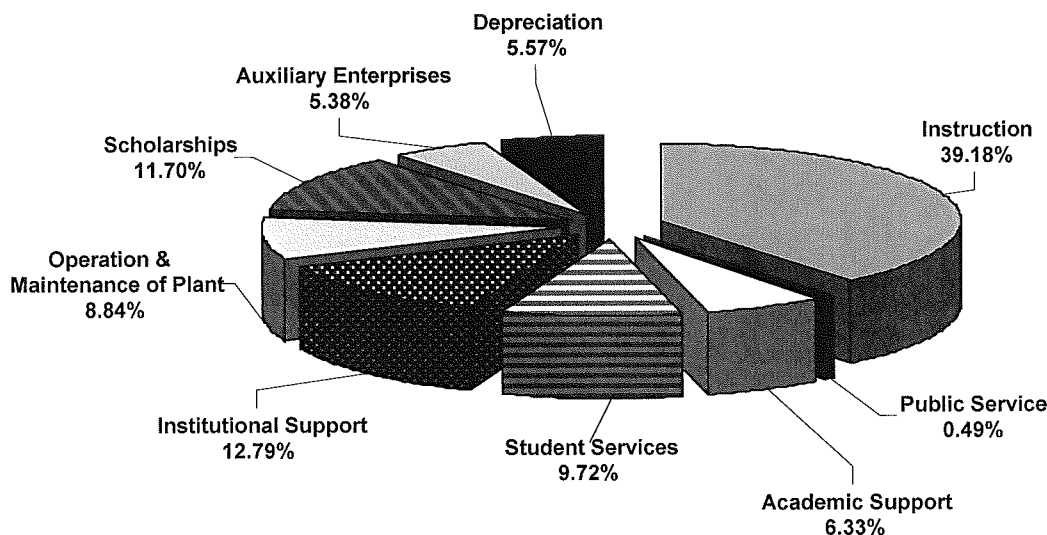
## PERCENT OF 2005 REVENUES BY SOURCE



The increase in tuition was attributable to a \$1/hour increase in tuition fees. Government grants and contracts reflect an increase in grants received for the year. Property tax increases were attributable to a three-cent increase in the tax rate and the continued growth in assessed valuation. State aid increases were attributable to a five percent increase in full-time student equivalents and a one hundred and ninety-nine percent increase in equalization.

	2005	2004
<b>Operating expenses</b>		
Educational and general:		
Instruction	\$ 15,476,267	\$ 14,151,826
Public service	192,053	182,799
Academic support	2,500,498	2,315,786
Student services	3,839,189	3,575,399
Institutional support	5,052,861	4,628,658
Operation and maintenance of plant	3,493,730	3,203,994
Scholarships	4,620,588	4,579,705
Auxiliary enterprises	2,124,901	2,269,784
Depreciation	2,200,599	2,049,035
Total operating expenses	<u>39,500,686</u>	<u>36,956,986</u>
<b>Nonoperating expenses</b>		
Interest expense on debt	319,151	339,455
Other nonoperating expenses	11,882	1,659
Total nonoperating expenses	<u>331,033</u>	<u>341,114</u>
<b>Total expenses</b>	<u><u>\$ 39,831,719</u></u>	<u><u>\$ 37,298,100</u></u>

## PERCENT OF 2005 OPERATING EXPENSES BY CATEGORY



Overall operating expenses in 2005 increased due to salary increases averaging 7.5% for full time faculty and a 4% increase for all other employees, a 9% increase in primary health insurance benefits, staff enhancements and capital purchases.

Nonoperating expenses in 2005 for interest expense on debt decreased due to scheduled retirements of long-term debt.

### Capital Assets and Debt Administration:

This fiscal year represents the fifth year of the District's Facility Master Plan begun in 2000 to increase available classroom and support space throughout the District. The plan includes provisions for major renovation and deferred maintenance projects, energy conservation improvements, and new construction. During fiscal year 03/04 the District began the process of developing a Capital Campaign to finance the facilities plan. During this year the District presented a capital development program totaling \$73,850,000 to the citizens of Yuma/La Paz Counties and at the November 2, 2004 general election the citizens of Yuma/La Paz Counties voted overwhelmingly to support the general obligation bonds of \$73,850,000. The District hired an architectural firm and began developing plans for the construction of phase 1 of the District's capital development program.

At June 30, 2005, the District had two debt issues outstanding: one general obligation bond issue for \$8,380,000 which is funded from secondary property taxes; and one revenue bond issue for \$370,000, which is funded from gross revenues of operations for various facilities.

Additional information on the District's long-term debt can be found in Note 5 to the basic financial statements.

**Current Factors Having Probable Future Financial Significance:**

The District sold \$20,000,000 of its general obligation bonds on July 6, 2005. These bonds will be funded by a secondary assessment of county property taxes. The District intends to begin construction on phase 1 of its capital development program during fiscal year 05/06. The District anticipates selling the remaining \$53,850,000 of its general obligation bonds in fiscal year 06/07.

Proposition 301 was passed by the voters at the general election on November 7, 2000. The proposition increased the state transaction privilege tax rate six-tenths of one per cent for twenty years. This increase was to be used for education from K-12 through higher education. Community Colleges are to use the funds for Workforce Development activities. Fiscal year 2004/2005 was the fourth year of this funding and the District received \$584,762. It is anticipated that the District will continue to receive at least this amount for the next sixteen years.

**Component Unit**

During the year ended June 30, 2004, the District implemented the provisions of the Governmental Accounting Standards Board Statement No. 39 which requires reporting the Arizona Western College Foundation as a component unit since that organization raises and holds economic resources for the direct benefit of the District. Please refer to Note 1 of the basic financial statements for additional information.

**Requests for Information**

This discussion and analysis is designed to provide a general overview of the Yuma/La Paz Counties Community College District's finances for all those with an interest in such matters. Questions concerning any of the information provided in this Single Audit Reporting Package or requests for additional financial information should be addressed to the Vice President for Business and Administrative Services, P.O. Box 929, Yuma, Arizona 85366.

YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
Statement of Net Assets - Primary Government  
June 30, 2005

	Business-Type Activities
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 20,073,332
Receivables (net of allowances for uncollectibles):	
Property taxes	629,581
Government grants and contracts	1,735,483
Student loans, current portion	2,200
Interest	30,400
Other	439,635
Prepaid items	234,374
Deferred financing costs	32,292
Total current assets	<u>23,177,297</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents held by trustees	242,767
Property taxes receivable	84,450
Student loans receivable (net of allowances)	14,234
Deferred financing costs	55,803
Capital assets, not being depreciated	1,083,832
Capital assets, being depreciated, net	19,955,307
Total noncurrent assets	<u>21,436,393</u>
Total assets	<u>44,613,690</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	1,082,126
Accrued payroll and employee benefits	593,582
Interest payable	156,056
Deposits held in custody for others	5,884,866
Deferred revenues	231,982
Current portion of compensated absences payable	124,026
Current portion of long-term debt	1,565,000
Total current liabilities	<u>9,637,638</u>
Noncurrent liabilities:	
Compensated absences payable	702,814
Long-term debt	7,257,202
Total noncurrent liabilities	<u>7,960,016</u>
Total liabilities	<u>17,597,654</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	12,216,937
Restricted:	
Nonexpendable:	
Student loans	115,579
Expendable:	
Grants and contracts	654,295
Debt service	1,694,085
Capital projects	2,758,514
Unrestricted	9,576,626
Total net assets	<u>\$ 27,016,036</u>

See accompanying notes to financial statements.

YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
Statement of Financial Position - Component Unit  
June 30, 2005

Arizona Western  
College Foundation

**ASSETS**

**Current Assets**

1st Bank Yuma	\$ 26,091
YCB Century Plaza Account	19,725
LPL - Checking Account	11,054
LPL - Money Market Account	11,452
LPL Cash and Money Market	311,272
LPL Investments	1,190,861
Pledge Receivable	37,348
<b>Total Current Assets</b>	<u>1,607,803</u>

**Property and Equipment**

Building	915,385
Equipment AWCF	3,453
Land	254,740
Building Improvements	74,004
Less: Accumulated Depreciation	(275,828)
<b>Net Property and Equipment</b>	<u>971,754</u>

**Other Assets**

Pledge Receivable	372,795
Investment Land	108,000
Investment Annuity	24,503
LPL Investments	606,731
Loan Costs	7,346
Less: Accumulated Amortization	(1,061)
<b>Total Other Assets</b>	<u>1,118,314</u>

**Total Assets**

\$ 3,697,871

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$ 8,655
Accrued Expenses	3,602
Century Plaza Sales Tax Collected	290
Current Maturity of LTD	9,357
<b>Total Current Liabilities</b>	<u>21,904</u>

**Long-Term Liabilities**

Deferred Revenue	666,295
FBY Mortgage	451,310
Less: Current Maturity of LTD	(9,357)
<b>Total Long-Term Liabilities</b>	<u>1,108,248</u>

**Total Liabilities**

1,130,152

**Net Assets**

Unrestricted	1,135,945
Temporarily Restricted	825,043
Permanently Restricted	606,731
<b>Total Net Assets</b>	<u>2,567,719</u>

**Total Liabilities and Net Assets**

\$ 3,697,871

See accompanying notes to financial statements.

YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
Statement of Revenues, Expenses, and Changes in Net Assets - Primary Government  
Year Ended June 30, 2005

	Business-type Activities
Operating revenues:	
Government grants and contracts	\$ 11,723,954
Private grants and contracts	475,767
Pledged for revenue bonds and other obligations:	
Tuition and fees (net of scholarship allowances of \$2,975,338)	2,691,127
Bookstore income	183,201
Food service income	567,785
Dormitory rentals and fees	460,723
Other	487,533
Total operating revenues	<u>16,590,090</u>
Operating expenses:	
Educational and general:	
Instruction	15,476,267
Public service	192,053
Academic support	2,500,498
Student services	3,839,189
Institutional support	5,052,861
Operation and maintenance of plant	3,493,730
Scholarships	4,620,588
Auxiliary enterprises	2,124,901
Depreciation	2,200,599
Total operating expenses	<u>39,500,686</u>
Operating loss	<u>(22,910,596)</u>
Nonoperating revenues (expenses):	
Property taxes	16,525,259
State appropriations	6,053,800
Share of state sales taxes	584,762
Investment income	312,264
Interest expense on debt	(319,151)
Other nonoperating expenses	(11,882)
Total nonoperating revenues (expenses)	<u>23,145,052</u>
Income before other revenues, expenses, gains, or losses	234,456
Capital appropriations	<u>866,500</u>
Increase in net assets	1,100,956
Total net assets, July 1, 2004	<u>25,915,080</u>
Total net assets, June 30, 2005	<u><u>\$ 27,016,036</u></u>

See accompanying notes to financial statements.

YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
Statement of Activities - Component Unit  
Year Ended June 30, 2005

	Arizona Western College Foundation			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, Gains, and Other Support</b>				
Investment Income - Interest and Dividends	\$ 26,158	\$ 19,350	\$ -	\$ 45,508
Investment Income - Gains or Losses	123,653	4,998	-	128,651
Investment Income - Unrealized Gain or Loss	26,859	19,086	-	45,945
Contribution Income - Donations	26,503	142,587	32,125	201,215
Contribution Income - AWC Support	116,883	-	-	116,883
Century Plaza Income - Century Plaza	232,500	-	-	232,500
Century Plaza Income - Other Income	313	-	-	313
Net Assets Released From Restriction	40,733	(40,733)	-	-
<b>Total Revenues, Gains and Other Support</b>	<u>593,602</u>	<u>145,288</u>	<u>32,125</u>	<u>771,015</u>
<b>Expenses</b>				
AWC Contributed Salaries	107,162	-	-	107,162
Investment Advisor Fee	15,217	-	-	15,217
Scholarships Disbursed - Endowed Scholarships	28,515	-	-	28,515
Scholarships Disbursed - Non-Endowed Scholarships	12,218	-	-	12,218
Travel and Subsistence	3,034	-	-	3,034
Promotion and Fundraising Expense	19,547	-	-	19,547
Professional Publications	195	-	-	195
Foundation Operating Expenses - Grant	1,209	-	-	1,209
Foundation Operating Expenses - Office	1,956	-	-	1,956
Foundation Operating Expenses - Bank Fee	543	-	-	543
Foundation Operating Expenses - Equipment	2,216	-	-	2,216
Foundation Operating Expenses - Postage	1,070	-	-	1,070
Foundation Operating Expenses - Repair/Maintenance	1,425	-	-	1,425
Foundation Operating Expenses - Tax and License	1,846	-	-	1,846
Foundation Operating Expenses - Meals	821	-	-	821
Foundation Operating Expenses - Professional Service	6,000	-	-	6,000
Foundation Operating Expenses - Telephone	3,443	-	-	3,443
Foundation Operating Expenses - Printing and Copies	3,233	-	-	3,233
Foundation Operating Expenses - Dues	556	-	-	556
Century Plaza Expenses - Depreciation	29,927	-	-	29,927
Century Plaza Expenses - Interest Expense	25,891	-	-	25,891
Century Plaza Expenses - Repair and Maintenance	20,671	-	-	20,671
Century Plaza Expenses - Utilities	44,135	-	-	44,135
Century Plaza Expenses - Bank Fee	2,132	-	-	2,132
Century Plaza Expenses - Other	(21)	-	-	(21)
Amortization Expense	490	-	-	490
<b>Total Expenses</b>	<u>333,431</u>	<u>-</u>	<u>-</u>	<u>333,431</u>
<b>Change in Net Assets</b>	260,171	145,288	32,125	437,584
<b>Net Assets at Beginning of Year</b>	<u>875,774</u>	<u>679,755</u>	<u>574,606</u>	<u>2,130,135</u>
<b>Net Assets at End of Year</b>	<u>\$ 1,135,945</u>	<u>\$ 825,043</u>	<u>\$ 606,731</u>	<u>\$ 2,567,719</u>

See accompanying notes to financial statements.

YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
Statement of Cash Flows - Primary Government  
Year Ended June 30, 2005

	Business-type Activities
Cash flows from operating activities:	
Tuition and fees	\$ 2,748,952
Grants and contracts	10,979,566
Bookstore receipts	182,865
Food services receipts	567,785
Dormitory rentals and fees	460,723
Collection of loans to students	4,936
Other receipts	857,486
Payments to suppliers and providers of good and services	(12,516,421)
Payments to employees	(24,862,816)
Net cash used for operating activities	<u>(21,576,924)</u>
Cash flows from noncapital financing activities:	
Property taxes	16,685,628
State appropriations	6,053,800
Share of state sales taxes	584,762
Other nonoperating expenses	(11,882)
Deposits held in custody for others received	22,608,667
Deposits held in custody for others disbursed	(19,874,220)
Net cash provided by noncapital financing activities	<u>26,046,755</u>
Cash flows from capital and related financing activities:	
Capital appropriations	866,500
Principal paid on capital debt	(1,515,000)
Interest paid on capital debt	(335,838)
Purchases of capital assets	(1,820,475)
Net cash used for capital and related financing activities	<u>(2,804,813)</u>
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	2,914
Interest received on investments	294,724
Net cash provided by investing activities	<u>297,638</u>
Net increase in cash and cash equivalents	1,962,656
Cash and cash equivalents, July 1, 2004	<u>18,353,443</u>
Cash and cash equivalents, June 30, 2005	<u><u>\$ 20,316,099</u></u>

See accompanying notes to financial statements.



YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
Statement of Cash Flows - Primary Government  
Year Ended June 30, 2005

	<u>Business-type Activities</u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (22,910,596)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	2,200,599
Changes in assets and liabilities:	
Increase in:	
Government grants and contracts receivable	(728,894)
Prepaid items	(49,446)
Other receivables	(179,174)
Accounts payable	625,582
Deferred revenues	115,355
Compensated absences payable	35,839
Decrease in:	
Student loans receivable	4,936
Accrued payroll and employee benefits	(691,125)
Net cash used for operating activities	<u>\$ (21,576,924)</u>

Noncash investing, capital and noncapital financing activities:

During the year, \$100,269 of the deferred amount for issuance premiums and \$68,295 of the deferred amount on refunding were amortized. In addition, \$39,012 of deferred financing costs were amortized.

See accompanying notes to financial statements.

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**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Yuma/La Paz Counties Community College District (the District) conform to generally accepted accounting principles applicable to public institutions engaged only in business-type activities adopted by the Governmental Accounting Standards Board (GASB).

During the year ended June 30, 2005, the District implemented the provisions of the Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*. GASB Statement No. 40 establishes and modifies the risk disclosures about the District's deposits and investments. The implementation of GASB Statement No. 40 requires only additional disclosures, and had no effect on reported amounts for deposits, investments, net assets, or changes in net assets.

**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 Arizona Western College Foundation (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 special projects. Although the District does not control the timing or amount of receipts from the Foundation, the Foundation's restricted resources can only be used by, or for the benefit of, the District or its constituents. Consequently, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements. For financial reporting purposes only the Foundation's statements of financial position and activities are included in the District's financial statements as required by generally accepted accounting principles for public colleges and universities.

For financial reporting purposes, the Foundation follows the 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 respective counterpart financial statements of the District. The Foundation has a June 30 year-end.

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During the year ended June 30, 2005, the Foundation distributed \$40,733 to the District for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Foundation Office, 281 West 24<sup>th</sup> Street, Suite 132, Yuma, Arizona, 85364.

**B. Basis of Presentation and Accounting**

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

A statement of net assets provides information about the assets, liabilities, and net assets of the District at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified according to external donor restrictions or availability of assets to satisfy District obligations. Invested in capital assets, net of related debt represents the value of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the assets. Nonexpendable restricted net assets consist of the District's and federal government's capital contributions for the Federal Perkins Loan program that are restricted for the purpose of issuing loans to students and cannot be expended by the District. Expendable restricted net assets represent grants, contracts, gifts, and other resources that have been externally restricted for specific purposes. Unrestricted net assets include all other net assets, including those that have been designated by management to be used for other than general operating purposes.

A statement of revenues, expenses, and changes in net assets provides information about the District's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net assets are reported, including capital contributions. Operating revenues and expenses generally result from providing instructional, public, and auxiliary services, which is consistent with the District's mission. Accordingly, revenues such as tuition, educational grants, and bookstore, food service, and dormitory charges are considered to be operating revenues. Other revenues, such as property taxes and state appropriations, are not generated from operations and are considered to be nonoperating revenues. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense on debt, are considered to be nonoperating expenses.

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

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

The effect of internal activity has been eliminated from the financial statements.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

**C. Cash and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the County Treasurer, investments in the State Treasurer's Local Government Investment Pool, and highly liquid investments.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

**D. Capital Assets**

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

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

	<b>Capitalization Threshold</b>		
Land	\$ 5,000		
Construction in progress	5,000		
		<b>Depreciation Method</b>	<b>Estimated Useful Life</b>
Buildings	5,000	Straight line	40 years
Other improvements	5,000	Straight line	15 years
Equipment	5,000	Straight line	5 years
Library book collections	5,000	Straight line	10 years

**E. Investment Income**

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

**F. Compensated Absences**

Compensated absences consist of vacation leave earned by employees based on services already rendered.

Employees may accumulate up to 330 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Generally, sick leave benefits provide for ordinary sick pay and are cumulative but do not vest with employees. Therefore, a liability for sick leave benefits is not accrued in the financial statements.

**G. Scholarship Allowances**

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

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**Note 2 - Deposits and Investments**

Arizona Revised Statutes (A.R.S.) requires the District to deposit special tax levies for the District's maintenance or capital outlay with the County Treasurer. 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.

**Deposits** - At June 30, 2005, the total cash on hand was \$2,000, the carrying amount of the District's deposits was \$4,400,677 and the bank balance was \$4,857,603. The District does not have a policy with respect to custodial credit risk for deposits.

**Investments** - At June 30, 2005, the District's investments consisted of the following:

	<b>Fair Value</b>
Money market mutual funds - U.S. Treasury securities	\$ 242,767
County Treasurer's investment pool	5,694,902
Investments in State Treasurer's investment pool	9,975,753
Total	<u>\$ 15,913,422</u>

The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. 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.

**Credit risk** - The District does not have a formal policy with respect to credit risk. The County Treasurer and State Treasurer investment pools were unrated.

**Custodial credit risk** - For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy with respect to custodial credit risk. At June 30, 2005, the District had \$242,767 of U.S. Treasury securities that were uninsured and held by the counterparty not in the District's name.

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**Interest rate risk** - As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's policy limits the District's investment portfolio to maturities of less than one year. At June 30, 2005, the District had the following investments in debt securities:

Investment Type	Investment Maturities - Less than 1 Year
State Treasurer's investment pools	\$ 9,975,753
County Treasurer's investment pool	5,694,902
U.S. Treasury securities	242,767
	<u>\$ 15,913,422</u>

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

Cash, deposits, and investments:		Statement of Net Assets:	
Cash on hand	\$ 2,000	Cash and cash equivalents	\$ 20,073,332
Carrying amount of deposits	4,400,677	Restricted assets:	
Reported amount of investments	<u>15,913,422</u>	Cash and cash equivalents held by trustees	<u>242,767</u>
Total	<u>\$ 20,316,099</u>	Total	<u>\$ 20,316,099</u>

**Note 3 - Student Loans Receivable**

A summary of student loans receivable and the related allowance for uncollectibles follows:

Receivables	Gross Receivable	Allowance for Uncollectibles	Net Receivable
Student loans:			
Current	\$ 2,200	\$ -0-	\$ 2,200
Noncurrent	87,267	(73,033)	14,234
Total	<u>\$ 89,467</u>	<u>\$ (73,033)</u>	<u>\$ 16,434</u>

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**Note 4 - Capital Assets**

Capital asset activity for the year ended June 30, 2005, was as follows:

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Capital assets not being depreciated:				
Land	\$ 543,607	\$ -0-	\$ -0-	\$ 543,607
Construction in progress	-0-	540,225	-0-	540,225
Total capital assets not being depreciated	<u>543,607</u>	<u>540,225</u>	<u>-0-</u>	<u>1,083,832</u>
Capital assets being depreciated:				
Buildings	33,386,619	-0-	-0-	33,386,619
Equipment	7,350,041	649,835	-0-	7,999,876
Other improvements	9,320,237	548,919	-0-	9,869,156
Library books	1,637,568	81,496	-0-	1,719,064
Total capital assets being depreciated	<u>51,694,465</u>	<u>1,280,250</u>	<u>-0-</u>	<u>52,974,715</u>
Less accumulated depreciation for:				
Buildings	17,663,668	861,256	-0-	18,524,924
Equipment	5,099,939	680,887	-0-	5,780,826
Other improvements	6,881,166	570,534	-0-	7,451,700
Library books	1,174,036	87,922	-0-	1,261,958
Total accumulated depreciation	<u>30,818,809</u>	<u>2,200,599</u>	<u>-0-</u>	<u>33,019,408</u>
Total capital assets being depreciated, net	<u>20,875,656</u>	<u>(920,349)</u>	<u>-0-</u>	<u>19,955,307</u>
Capital assets, net	<u>\$ 21,419,263</u>	<u>\$ (380,124)</u>	<u>\$ -0-</u>	<u>\$ 21,039,139</u>

The estimated cost to complete construction in progress at June 30, 2005 was \$4,073,059.



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**Note 5 - Long-term Liabilities**

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2005:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2005</u>	<u>Due within one year</u>
Compensated absences payable	<u>\$ 791,001</u>	<u>\$ 820,260</u>	<u>\$ 784,421</u>	<u>\$ 826,840</u>	<u>\$ 124,026</u>
Bonds payable:					
Revenue bonds	\$ 420,000	-0-	\$ 50,000	\$ 370,000	\$ 50,000
General obligation bonds	9,845,000	-0-	1,465,000	8,380,000	1,515,000
Plus deferred amount for issuance premiums	326,692	-0-	100,269	226,423	-0-
Less deferred amount on refunding	<u>(222,516)</u>	<u>-0-</u>	<u>(68,295)</u>	<u>(154,221)</u>	<u>-0-</u>
Total long-term debt	<u>\$ 10,369,176</u>	<u>-0-</u>	<u>\$ 1,546,974</u>	<u>\$ 8,822,202</u>	<u>\$ 1,565,000</u>

**Revenue Bonds Payable** – The District's revenue bonds of 1971 were issued to provide monies to acquire, construct, equip, and furnish dormitories, a college union, classroom facilities, and appurtenant facilities. The bonds are payable solely from special sinking funds that are funded by stipulated amounts of gross revenues from the operations of various facilities. The issue is generally callable and interest is payable semiannually. In accordance with the bond indenture, the required debt service reserve fund has been established and all requirements as of June 30, 2005 have been met.

Revenue bonds outstanding at June 30, 2005 were as follows:

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding Principal</u>
Series A of 1971	\$ 1,700,000	7%	7/1/05-10	<u>\$ 370,000</u>

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Revenue bond debt service requirements to maturity are as follows:

Year ending June 30	Principal	Interest
2006	\$ 50,000	\$ 24,150
2007	55,000	20,475
2008	60,000	16,450
2009	65,000	12,075
2010	70,000	7,350
2011	70,000	2,450
Total	<u>\$ 370,000</u>	<u>\$ 82,950</u>

**General Obligation Bonds Payable** – General obligation bonds payable at June 30, 2005, consisted of the outstanding general obligation bonds presented below. The bonds are generally callable with interest payable semiannually.

Principal and interest on the bonds are payable from an ad valorem tax levied against all the taxable property in the District. The bonds issued are payable from such a tax without limit as to rate or amount.

General obligation bonds outstanding at June 30, 2005 were as follows:

Description	Original Amount	Interest Rates	Maturities	Outstanding Principal
General obligation refunding bonds – series 2003	\$ 9,845,000	2.25- 4.25%	7/1/05-10	<u>\$ 8,380,000</u>

General obligation bond debt service requirements to maturity are as follows:

Year ending June 30	Principal	Interest
2006	\$ 1,515,000	\$ 267,275
2007	1,550,000	230,900
2008	1,590,000	181,663
2009	1,655,000	116,762
2010	1,725,000	47,006
2011	345,000	5,175
Total	<u>\$ 8,380,000</u>	<u>\$ 848,781</u>

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In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the District's financial statements. At June 30, 2005 the following outstanding bonds were considered defeased:

Description	Amount
General obligation – Series of 1993	\$ 8,470,000

**Note 6 - Risk Management**

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

In addition, the District is a member of the Yuma Area Benefit Consortium which provides life insurance, accidental death and dismemberment, disability, basic or major medical coverage for accidents or sicknesses, as well as dental insurance coverage to its employees through the Consortium. The Consortium, currently composed of four members, provides benefits up to \$100,000 per individual per calendar year through a self-funding agreement with its participants and purchases commercial insurance to cover claims in excess of this limit. An independent administrator provides the Consortium with claims and recordkeeping services. The District is responsible for paying the premiums, but may require its employees to contribute a portion of them. The District would be assessed an additional contribution should the Consortium become insolvent. This additional contribution shall not exceed the amount of the District's annual contribution (i.e., premium), and once made, thereby releases the District from further legal obligations of any type. Should the District withdraw from the Consortium, it would then be responsible for its proportional share of claims run-out costs that exceed the Consortium reserves established for the incurred but not reported claims liability. If the Consortium were to terminate, the District would be responsible for its proportional share of any Consortium deficit. The District's proportional share upon termination shall not exceed the amount of the District's annual contributions, and once made, releases the District from all further legal obligations of any type.

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**Note 7 - Retirement Plan**

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

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

**Funding policy** - The Arizona State Legislature establishes and may amend active plan members' and the District's contribution rates. For the year ended June 30, 2005, active plan members and the District were each required by statute to contribute at the actuarially determined rate of 5.7 percent (5.2 percent retirement and .5 percent long-term disability) of the members' annual covered payroll. The District's contributions to the System for the years ended June 30, 2005, 2004, and 2003, were \$976,165, \$859,579, and \$670,925, respectively, which were equal to the required contributions for the year.

**Note 8 - Operating Expenses**

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

Personal services	\$ 24,207,531
Contract services	2,641,594
Supplies and other services	2,470,169
Communications and utilities	1,131,855
Scholarships	4,620,588
Depreciation	2,200,599
Other	<u>2,228,350</u>
Total	<u>\$ 39,500,686</u>

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**Note 9 - Subsequent Events**

On July 6, 2005, the District sold \$20,000,000 of General Obligation Bonds with interest rates ranging from 3.5 to 5.0 percent to begin construction on phase one of its capital development program. Bonds maturing on or before July 1, 2015 are noncallable. Bonds maturing on or after July 1, 2015 are subject to early redemption.

**Note 10 - Discretely Presented Component Unit Disclosures**

The District's discretely presented component unit is comprised of the Arizona Western College Foundation (Foundation).

**Note 10a - Nature of Activities and Summary of Significant Accounting Policies**

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

**Basis of accounting** - The financial statements of the Foundation have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

**Basis of presentation** - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Use of estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Donated assets** - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation.

**Investments** - Investments in marketable securities are stated at fair value.

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**Contributions** - Contributions are recognized as revenue in the period received when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Property and equipment** - Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method.

**Income taxes** - The Foundation qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code, and therefore, is not subject to federal income tax.

**Note 10b - Long-Term Investments**

The Foundation invests in equity mutual funds, annuities, and land.

Investments at June 30, 2005, are comprised of the following:

Equity Mutual Fund	\$ 606,731
Annuities	24,503
Investment Land	<u>108,000</u>
Total Investments	<u>\$ 739,234</u>

**Note 10c - Financial Instruments**

The Foundation maintains its cash and equity balances with two financial institutions, Yuma Community Bank for Century Plaza rentals, and Linsco Private Ledger for the Organization. The Yuma Community Bank Account is FDIC insured up to \$100,000. The LPL accounts are not insured by the Federal Deposit Insurance Corporation up to \$100,000. Uninsured balances were \$2,131,370 at June 30, 2005.

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**Note 10d - Property and Equipment**

Property and equipment include the following at June 30, 2005:

Land and Building	\$ 1,244,129
Equipment	3,453
	<u>1,247,582</u>
Less Accumulated Depreciation	<u>275,828</u>
Net Property and Equipment	<u>\$ 971,754</u>

**Note 10e - Long Term Debt**

The Foundation has a mortgage note that is payable to First Bank Yuma in monthly payments of \$3,201 that is secured by the Century Plaza land and building. The mortgage has a principal outstanding balance of \$451,310 at 6/30/05, interest rate of 6.25%, 25 years amortization, 15 years maturity. The note principal amount may not exceed \$1,481,085, and if utilized, would increase the monthly payment to \$9,856. This note has a variable interest rate and may change due to the Wall Street Journal Prime Rate Index.

Long-term debt matures as follows:

2006	\$ 9,357
2007	9,983
2008	10,652
2009	11,366
2010	12,127
Thereafter	<u>397,825</u>
	<u>\$ 451,310</u>

**Note 10f - Conditional Promises to Give and Deferred Revenue**

The Foundation has donor-imposed conditions on pledge contributions for the Agricultural Science Building. The restricted pledges are contingent on legislative funds from the Arizona Legislature for the building. The restricted pledges amount to \$445,000, of which \$291,000 has been received at June 30, 2005. These funds are refundable if the contingency is not met.

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**Note 10g - Support**

Donated services and assets are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made.

Arizona Western College pays the compensation and fringe benefits of the foundation employees and other foundation expenses.

**Note 10h - Advertising**

The Foundation uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the fiscal year of 2005, advertising costs totaled \$19,547.

**Note 10i - Net Assets**

Net assets are designated as being permanently restricted due to scholarship endowments. The endowment principal is permanently restricted. Temporarily restricted assets include non-endowed scholarship contributions, and investment income from the endowment principal. Unrestricted assets are foundation contributions, investment income from non-endowed scholarships, and Century Plaza complex net rent income.



## Supplementary Information

Yuma/La Paz Counties Community College District  
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Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<b>U.S. Department of Agriculture</b>			
Hispanic Serving Institution Education Grants	10.223		\$ 50,761
Distance Learning and Telemedicine Loans and Grants	10.855		257,477
Total U.S. Department of Agriculture			<u>308,238</u>
<b>National Science Foundation</b>			
Chromatography	47.076		6,478
Shaking up Hispanic Students	47.050		33,761
Total National Science Foundation			<u>40,239</u>
<b>U.S. Department of Housing and Urban Development</b>			
Neighborhood Learning Center	14.514		263,306
Title IV - College Housing Program	14.Unknown		30,988
HUD Youth Build	14.243		18,863
Total U.S. Department of Housing and Urban Development			<u>313,157</u>
<b>U.S. Department of Labor</b>			
Passed through Yuma County			
WIA Cluster:			
WIA Adult Program	17.258	E5702015	600,844
WIA Youth Activities	17.259	AWC99-IIA-C	621,002
WIA Displaced Workers	17.260	E5702015	41,875
Passed through Arizona Governor's Office			
WIA Youth Activities	17.259	WF-IGA-05-6181.01	27,538
Total U.S. Department of Labor			<u>1,291,259</u>
<b>U.S. Small Business Administration</b>			
Passed through Maricopa County Community College District			
Small Business Development Center	59.037	4-603001-Z-0003-12	25,683
Small Business Development Center	59.037	5-603001-Z-0003-12	30,970
Total U.S. Small Business Administration			<u>56,653</u>
<b>U.S. Department of Education</b>			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007		239,147
Federal Work-Study Program	84.033		287,011
Federal Pell Grant Program	84.063		6,183,590
Total Student Financial Aid Cluster			<u>6,709,748</u>
TRIO Cluster:			
Student Support Services	84.042		332,988
Talent Search	84.044		228,512
Upward Bound	84.047		351,663
Total TRIO Cluster			<u>913,163</u>

(Continued)

See accompanying notes to schedule.

Yuma/La Paz Counties Community College District  
(Arizona Western College)  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2005

(Concluded)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
Higher Education – Institutional Aid	84.031		1,036,924
Child Care Access Means Parents in School	84.335		38,195
Bilingual Education – Professional Development	84.195		35,627
Passed through Arizona Department of Education			
Vocational Education – Basic Grants to States	84.048	04FCTDBG-470521-02A 05FCTDBG-570521-02A	233,379
Tech-Prep Education	84.243	04FCTDTP-470521-01A 04FCTDTP-470521-03A 05FCTDTP-570521-01A	136,450
Passed through Arizona Commission for Postsecondary Education			
Leveraging Educational Assistance Partnership	84.069		10,827
Total U.S. Department of Education			<u>9,114,313</u>
<b>U.S. Department of Defense</b>			
Department of the Army - Science	12.431		7,174
<b>U.S. Department of Interior</b>			
BLM Military Fire Rehabilitation	15.225		4,853
U.S. Geological Survey Interns	15.808		5,906
Total U.S. Department of Interior			<u>10,759</u>
Total Expenditures of Federal Awards			<u>\$ 11,141,792</u>

See accompanying notes to schedule.

Yuma/La/Paz Counties Community College District  
(Arizona Western College)  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2005

**Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Yuma/La Paz Counties Community College District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

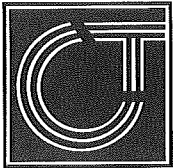
**Note 2 - Catalog of Federal Domestic Assistance (CFDA) Numbers**

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2005 *Catalog of Federal Domestic Assistance*. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word "unknown" were used.

**Note 3 - Loans Outstanding**

The expenditures reported on the Schedule of Expenditures of Federal Awards for certain programs did not include loan balances outstanding at June 30, 2005, as follows:

<b>Program Title</b>	<b>CFDA Number</b>	<b>Amount Outstanding</b>
Federal Perkins Loan Program—Federal Capital Contributions	84.038	\$ 89,467



# CRONSTROM, TRBOVICH & OSUCH

CERTIFIED PUBLIC ACCOUNTANTS

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

The Auditor General of the State of Arizona

The Governing Board of  
Yuma/La Paz Counties Community College District

We have audited the financial statements of the business-type activities and discretely presented component unit of Yuma/La Paz Counties Community College District (District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 20, 2005. Our report was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement No. 40 and was modified due to our reliance 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. The financial statements of the discretely presented component unit were not audited by the other auditors in accordance with *Government Auditing Standards*.

### **Internal Control over Financial Reporting**

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

## Compliance and Other Matters

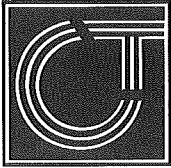
As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

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

*Cronstrom, Trbovich & Osuch, P.C.*

Cronstrom, Trbovich & Osuch, P.C.

October 20, 2005



# CRONSTROM, TRBOVICH & OSUCH

CERTIFIED PUBLIC ACCOUNTANTS

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

The Auditor General of the State of Arizona

The Governing Board of  
Yuma/La Paz Counties Community College District

### Compliance

We have audited the compliance of Yuma/La Paz Counties Community College District (District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Yuma/La Paz Counties Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

## Internal Control over Compliance

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

Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

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

*Cronstrom, Trbovich & Osuch, P.C.*

Cronstrom, Trbovich & Osuch, P.C.

October 20, 2005



Yuma/La Paz Counties Community College District  
(Arizona Western College)  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2005

**Summary of Auditor's Results**

**Financial Statements**

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

**Federal Awards**

Material weakness identified in internal control over major programs?	_____	X _____
Reportable condition identified not considered to be a material weakness?	_____	X _____
		(None reported)
Type of auditors' report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	_____	X _____

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
<b>WIA Cluster:</b>	
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.260	WIA Displaced Workers
<b>TRIO Cluster:</b>	
84.042	Student Support Services
84.044	Talent Search
84.047	Upward Bound
84.031	Higher Education – Institutional Aid

Dollar threshold used to distinguish between Type A and Type B programs:	\$334,254
Auditee qualified as low-risk auditee?	X _____

**Other Matters**

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