

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

Single Audit Reporting Package

Year Ended June 30, 2006

Yuma/La Paz Counties Community College District
(Arizona Western College)
Single Audit Reporting Package
Year Ended June 30, 2006

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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, 2006, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 provides a reasonable basis for our opinions.

In our opinion, 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, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 8 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 19, 2006, 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, Osuch & Company, P.C.

Cronstrom, Osuch & Company, P.C.

October 19, 2006

October 19, 2006

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, 2006. 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, 2006. 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, 2006. 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, 2006. 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.

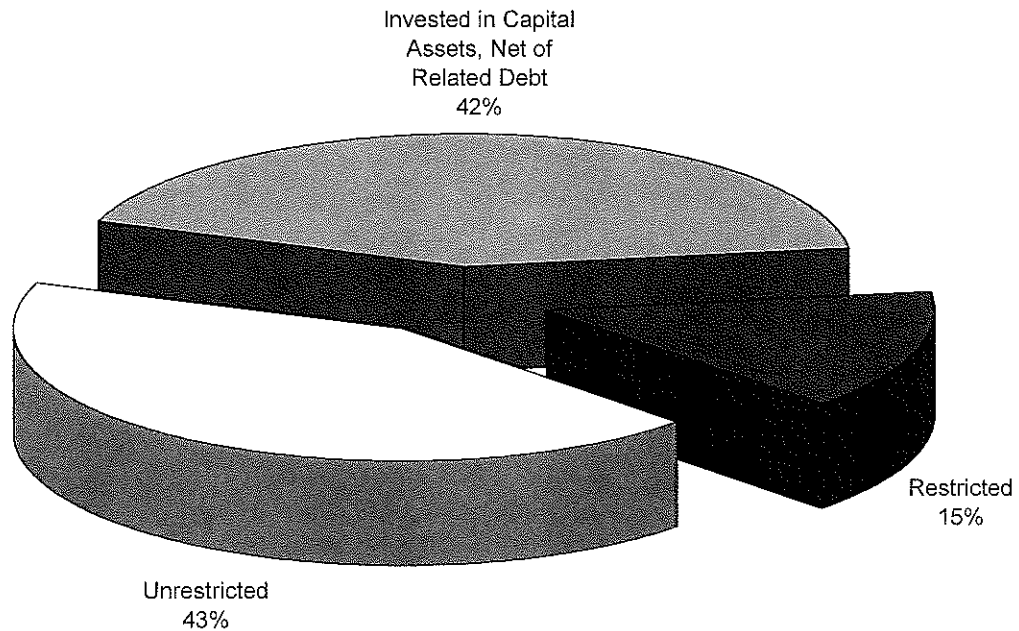
The primary focus of this document is on the results of activity for the fiscal year ended June 30, 2006. This Management's Discussion and Analysis (MD&A) uses prior fiscal year for comparison purposes, which illustrates where the District's financial performance may have changed.

Condensed Financial Information

Condensed Statement of Net Assets as of June 30

	2006	2005
Assets:		
Current assets	\$ 43,217,123	\$ 23,177,297
Noncurrent assets, other than capital assets	624,801	397,254
Capital assets, net	24,081,577	21,039,139
Total assets	\$ 67,923,501	\$ 44,613,690
Liabilities:		
Current liabilities	\$ 9,625,204	\$ 7,948,612
Noncurrent liabilities	28,359,452	9,649,042
Total liabilities	\$ 37,984,656	\$ 17,597,654
Net assets:		
Invested in capital assets, net of related debt	\$ 12,671,546	\$ 12,216,937
Restricted net assets	4,360,184	5,222,473
Unrestricted net assets	12,907,115	9,576,626
Total net assets	\$ 29,938,845	\$ 27,016,036

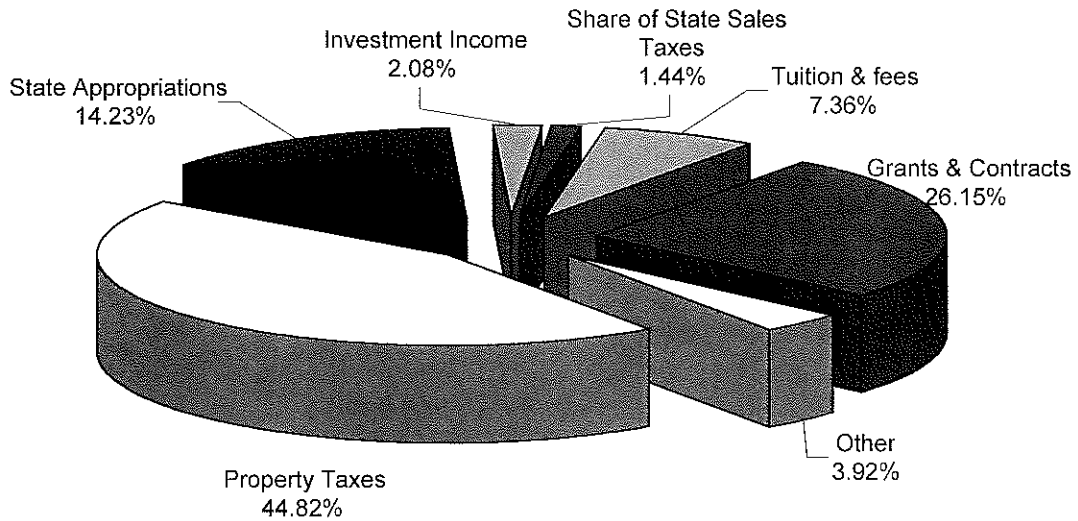
Percent of Net Assets for 2006



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

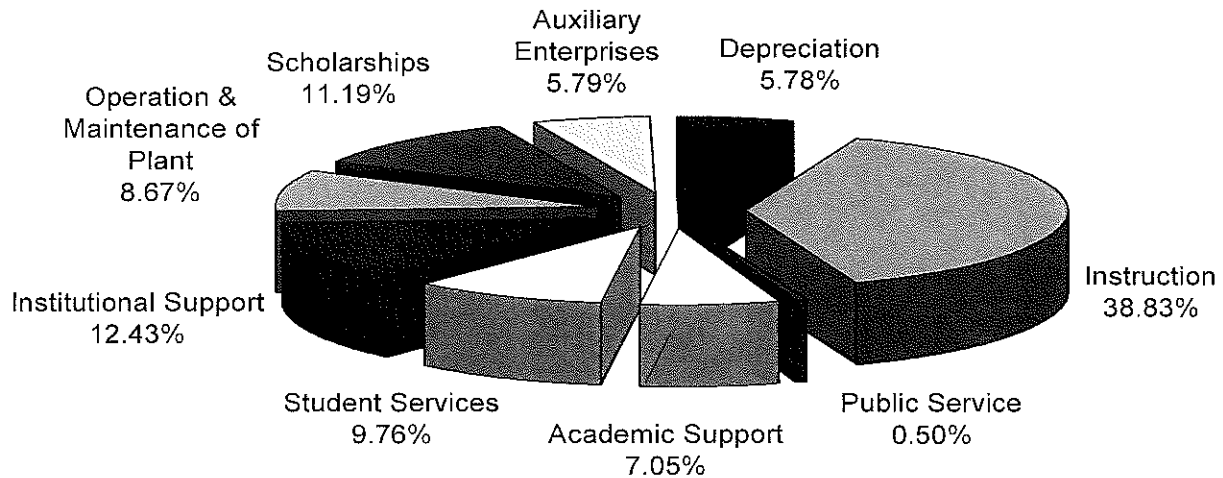
	2006	2005
Revenues		
Operating		
Tuition and fees (net of scholarship allowances)	\$ 3,255,912	\$ 2,691,127
Grants and contracts	11,568,917	12,199,721
Other	1,735,828	1,699,242
Nonoperating		
Property taxes	19,823,443	16,525,259
State appropriations	6,296,600	6,053,800
Investment income	918,265	312,264
Share of state sales taxes	637,473	584,762
Total revenues	44,236,438	40,066,175
Expenses		
Operating		
Total expenses		
	41,064,649	39,500,686
Nonoperating		
Total expenses		
	1,114,380	331,033
	42,179,029	39,831,719
Income before other revenues, expenses, gains or losses	2,057,409	234,456
Capital appropriations	865,400	866,500
Increase in net assets	2,922,809	1,100,956
Total net assets, July 1	27,016,036	25,915,080
Total net assets, June 30	\$ 29,938,845	\$ 27,016,036

Percent of 2006 Revenues by Source



	2006	2005
Operating expenses		
Educational and general:		
Instruction	\$ 15,955,576	\$ 15,476,267
Public service	205,050	192,053
Academic support	2,893,039	2,500,498
Student services	4,007,310	3,839,189
Institutional support	5,104,919	5,052,861
Operation and maintenance of plant	3,561,856	3,493,730
Scholarships	4,594,022	4,620,588
Auxiliary enterprises	2,376,373	2,124,901
Depreciation	2,366,504	2,200,599
Total operating expenses	<u>41,064,649</u>	<u>39,500,686</u>
Nonoperating expenses		
Interest expense on debt	1,114,380	319,151
Other nonoperating expenses	-	11,882
Total nonoperating expenses	<u>1,114,380</u>	<u>331,033</u>
Total expenses	<u><u>\$ 42,179,029</u></u>	<u><u>\$ 39,831,719</u></u>

Percent of 2006 Operating Expenses by Category



Financial Highlights and Analysis:

Statement of Net Assets

The District's overall financial position improved in FY 2006. Total Assets increased \$23.3 million from FY 2005 to FY 2006. The majority of this increase was the result of the District issuing \$20 million of new General Obligation (GO) debt as part of the 2004 Bond Capital Program. The debt was issued in July and approximately \$4.1 million of the cash proceeds had been spent by year-end. The remaining funds will be spent over the next two years in support of the bond program.

Total Liabilities increased by \$20.3 million. This increase is directly attributable to the issuance of the \$20 million in GO debt discussed above.

Total Net Assets for the District increased by \$2.9 million from FY 2005 to FY 2006. The majority of this increase is due to the increase in unrestricted net assets. These funds relate to the District's primary operating funds and are used for general operating activities.

The District's financial position remains strong with adequate resources to meet all current obligations.

Statement of Revenues, Expenses, and Changes in Net Assets

The District has four major revenue sources. These are property taxes, tuition and fees, state appropriations, and grants and contracts.

Total revenue for the District increased by \$4.1 million from FY 2005 to FY 2006. The following revenue sources make up a significant portion of this total increase.

- Increase of \$3.3 million in Property Taxes due to an increase in tax rate, increases in property valuations and new construction.
- Increase of \$565 thousand in Tuition and Fees, due to increased enrollment and a \$1 per credit hour increase in tuition.
- Increase of \$243 thousand in State Appropriations, due to an increase in full-time student enrollment and equalization.
- Increase of \$600 thousand in Investment income primarily due to investment of bond funds.

Total expenses increased by \$2.3 million from FY 2005 to FY 2006. These increases were due to salary increases averaging 4% for all full-time employees, a 13% increase in health insurance contributions, a 49% increase in the Arizona State Retirement Contribution rate, and with equipment/supplies costs and staff enhancements. These expenses are reflected in the District's function/program expenses.

Nonoperating expenses in 2006 for interest expense on debt increased due to scheduled retirements of long-term debt.

Capital Assets and Debt Administration:

The District's capital assets as of June 30, 2006 totaled \$24,081,577 (net of accumulated depreciation). Capital assets include land, construction in progress, buildings, improvements other than buildings, equipment, and library books. The change in the District's capital assets for the current year was an increase of 14.5%. Additional information on capital assets can be found in detail in Note 4 to the District's basic financial statements.

In July 2005, the District sold \$20,000,000 in general obligation (GO) bonds from the total authorized issue of \$73,850,000 approved by the voters in November 2004. These funds will be used to support the construction of Phase 1 projects identified in the District's capital development program. The District's general obligation bond debt issue received an A1 rating from Moody's Investors Service and "A" rating by Standard & Poor's.

At June 30, 2006, the District had three debt issues outstanding: two general obligation bond issues totaling \$26,865,000 and one revenue bond issue for \$320,000. 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 the remaining \$53,850,000 of authorized general obligation bonds on July 6, 2006. These bonds will be funded by a secondary assessment of county property taxes. The District will use these funds to support the construction of facilities approved by the voters in November 2004.

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 2005/2006 was the fifth year of this funding and the District received \$637,473. It is anticipated that the District will continue to receive at least this amount for the next fifteen years.

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 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, 2006

	Business-Type Activities
Assets	
Current assets:	
Cash and cash equivalents	\$ 40,692,866
Receivables (net of allowances for uncollectibles):	
Property taxes	618,123
Government grants and contracts	1,223,999
Interest	53,439
Other	358,152
Prepaid items	232,902
Deferred financing costs	37,642
Total current assets	43,217,123
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents held by trustees	249,456
Property taxes receivable	140,580
Student loans receivable (net of allowances)	14,400
Deferred financing costs	220,365
Capital assets, not being depreciated	3,778,919
Capital assets, being depreciated, net	20,302,658
Total noncurrent assets	24,706,378
Total assets	67,923,501
Liabilities	
Current liabilities:	
Accounts payable	970,632
Accrued payroll and employee benefits	819,431
Interest payable	564,166
Deposits held in custody for others	7,029,246
Deferred revenues	241,729
Current portion of compensated absences payable	129,692
Current portion of long-term debt	3,137,377
Total current liabilities	12,892,273
Noncurrent liabilities:	
Compensated absences payable	796,681
Long-term debt	24,295,702
Total noncurrent liabilities	25,092,383
Total liabilities	37,984,656
Net Assets	
Invested in capital assets, net of related debt	12,671,546
Restricted:	
Nonexpendable:	
Student loans	147,157
Expendable:	
Grants and contracts	846,768
Debt service	1,701,589
Capital projects	1,664,670
Unrestricted	12,907,115
Total net assets	\$ 29,938,845

See accompanying notes to financial statements.

YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT
 (ARIZONA WESTERN COLLEGE)
 Statement of Financial Position - Component Unit
 June 30, 2006

	<u>Arizona Western College Foundation</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 124,797
Investments	2,968,773
Contributions receivable	194,979
Total current assets	<u>3,288,549</u>
Noncurrent assets	
Contributions receivable	232,434
Property and equipment (net)	939,749
Total assets	<u>\$ 4,460,732</u>
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	\$ 10,049
Accrued payroll and related liabilities	2,458
Compensated absences payable	1,815
Total current liabilities	<u>14,322</u>
Noncurrent liabilities	
Compensated absences	11,290
Total liabilities	<u>25,612</u>
Net assets	
Unrestricted	1,359,302
Temporarily restricted	2,031,992
Permanently restricted	1,043,826
Total net assets	<u>4,435,120</u>
Total liabilities and net assets	<u>\$ 4,460,732</u>

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, 2006

	Business-type Activities
Operating revenues:	
Government grants and contracts	\$ 10,864,986
Private grants and contracts	703,931
Pledged for revenue bonds and other obligations:	
Tuition and fees (net of scholarship allowances of \$2,857,855)	3,255,912
Bookstore income	193,345
Food service income	668,362
Dormitory rentals and fees	532,299
Other	341,822
Total operating revenues	16,560,657
Operating expenses:	
Educational and general:	
Instruction	15,955,576
Public service	205,050
Academic support	2,893,039
Student services	4,007,310
Institutional support	5,104,919
Operation and maintenance of plant	3,561,856
Scholarships	4,594,022
Auxiliary enterprises	2,376,373
Depreciation	2,366,504
Total operating expenses	41,064,649
Operating loss	(24,503,992)
Nonoperating revenues (expenses):	
Property taxes	19,823,443
State appropriations	6,296,600
Share of state sales taxes	637,473
Investment income	918,265
Interest expense on debt	(1,122,240)
Other nonoperating revenues	7,860
Total nonoperating revenues (expenses)	26,561,401
Income before other revenues, expenses, gains, or losses	2,057,409
Capital appropriations	865,400
Increase in net assets	2,922,809
Total net assets, July 1, 2005	27,016,036
Total net assets, June 30, 2006	\$ 29,938,845

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, 2006

	<u>Arizona Western College Foundation</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and support				
Donations	\$ 67,246	\$ 549,673	\$ 437,095	\$ 1,054,014
Arizona Western College support	194,012	-	-	194,012
Rental income	231,580	-	-	231,580
Interest revenue	19,434	72,118	-	91,552
Unrealized gains/losses	27,010	23,830	-	50,840
Realized gains/losses	5,986	500,406	-	506,392
Other income	24,078	-	-	24,078
Net assets released from restriction	59,678	(59,678)	-	-
Total revenues and support	<u>629,024</u>	<u>1,086,349</u>	<u>437,095</u>	<u>2,152,468</u>
Expenses				
Program services				
AWC contributed salaries	194,012	-	-	194,012
Scholarships	59,678	-	-	59,678
Supporting services				
Management and general	101,469	-	-	101,469
Century Plaza	122,530	-	-	122,530
Fundraising services				
Fundraising	28,673	-	-	28,673
Total expenses	<u>506,362</u>	<u>-</u>	<u>-</u>	<u>506,362</u>
Change in net assets	122,662	1,086,349	437,095	1,646,106
Net assets at beginning of year, as restated	<u>1,236,640</u>	<u>945,643</u>	<u>606,731</u>	<u>2,789,014</u>
Net assets at end of year	<u>\$ 1,359,302</u>	<u>\$ 2,031,992</u>	<u>\$ 1,043,826</u>	<u>\$ 4,435,120</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, 2006

	<u>Business-type Activities</u>
Cash flows from operating activities:	
Tuition and fees	\$ 3,361,901
Grants and contracts	11,376,470
Bookstore receipts	192,410
Food services receipts	668,362
Dormitory rentals and fees	532,299
Collection of loans to students	2,034
Other receipts	1,031,929
Payments to suppliers and providers of good and services	(13,251,010)
Payments to employees	(25,222,880)
Net cash used for operating activities	<u>(21,308,485)</u>
Cash flows from noncapital financing activities:	
Property taxes	19,778,771
State appropriations	6,296,600
Share of state sales taxes	637,473
Other nonoperating revenues	7,860
Deposits held in custody for others received	26,992,848
Deposits held in custody for others disbursed	(25,848,468)
Net cash provided by noncapital financing activities	<u>27,865,084</u>
Cash flows from capital and related financing activities:	
Proceeds from issuance of bonds	20,210,774
Bond issuance costs	(210,629)
Capital appropriations	865,400
Principal paid on capital debt	(1,565,000)
Interest paid on capital debt	(708,310)
Purchases of capital assets	(5,417,837)
Net cash used for capital and related financing activities	<u>13,174,398</u>
Cash flows from investing activities:	
Interest received on investments	895,226
Net cash provided by investing activities	<u>895,226</u>
Net increase in cash and cash equivalents	20,626,223
Cash and cash equivalents, July 1, 2005	<u>20,316,099</u>
Cash and cash equivalents, June 30, 2006	<u>\$ 40,942,322</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, 2006

	Business-type Activities
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (24,503,992)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	2,366,504
Loss on disposal of capital assets	8,895
Changes in assets and liabilities:	
Increase in:	
Accrued payroll and employee benefits	225,849
Deferred revenues	9,747
Compensated absences payable	99,533
Decrease in:	
Government grants and contracts receivable	511,484
Student loans receivable	2,034
Other receivables	81,483
Prepaid items	1,472
Accounts payable	(111,494)
Net cash used for operating activities	\$ (21,308,485)

Noncash investing, capital and noncapital financing activities:

During the year, \$91,428 of the deferred amount for bond issuance premiums and \$56,531 of the deferred amount for bond refunding were amortized. In addition, \$40,717 of deferred bond financing costs were amortized.

See accompanying notes to financial statements.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Notes to Financial Statements
June 30, 2006

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).

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, the Foundation follows the Financial Accounting Standards Board statements for not-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information included in the District's financial report. Accordingly, those financial statements have been reported on separate pages following the respective counterpart financial statements of the District. For financial reporting purposes only the Foundation's statements of financial position and activities are included in the District's financial statements as required by generally accepted accounting principles for public colleges and universities. The Foundation has a June 30 year-end.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Notes to Financial Statements
June 30, 2006

During the year ended June 30, 2006, the Foundation distributed \$59,678 to the District for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Foundation Office, 281 West 24th 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.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Notes to Financial Statements
June 30, 2006

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.

Yuma/La Paz Counties Community College District
 (Arizona Western College)
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 June 30, 2006

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

	Capitalization Threshold		
Land	\$ 5,000		
Construction in progress	5,000		
		Depreciation Method	Estimated Useful Life
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.

Yuma/La Paz Counties Community College District
 (Arizona Western College)
 Notes to Financial Statements
 June 30, 2006

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, 2006, the total cash on hand was \$2,000, the carrying amount of the District's deposits was \$2,657,464 and the bank balance was \$3,546,247. The District does not have a policy with respect to custodial credit risk for deposits.

Investments - At June 30, 2006, the District's investments consisted of the following:

	Fair Value
Money market mutual funds - U.S. Treasury securities	\$ 249,456
County Treasurer's investment pool	26,924,392
State Treasurer's investment pool	11,109,010
Total	\$ 38,282,858

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.

Credit risk - The District does not have a formal policy with respect to credit risk. As of June 30, 2006, credit risk for the District's investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
State Treasurer's investment pools	Unrated	Not applicable	\$ 11,109,010
County Treasurer's investment pools	Unrated	Not applicable	26,924,392
Money market mutual funds - U.S. Treasury securities	AAA	Standard & Poor's	249,456
			\$ 38,282,858

Yuma/La Paz Counties Community College District
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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, 2006, the District had \$249,456 of money market mutual funds that were uninsured and held by the counterparty not in the District's name.

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, 2006, the District had the following investments in debt securities:

Investment Type	Investment Maturities - Less than 1 Year
State Treasurer's investment pools	\$ 11,109,010
County Treasurer's investment pool	26,924,392
Money market mutual funds - U.S. Treasury securities	<u>249,456</u>
	<u>\$ 38,282,858</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	\$ 40,692,866
Carrying amount of deposits	2,657,464	Restricted assets:	
Reported amount of investments	<u>38,282,858</u>	Cash and cash equivalents held by trustees	<u>249,456</u>
Total	<u>\$ 40,942,322</u>	Total	<u>\$ 40,942,322</u>

Yuma/La Paz Counties Community College District
(Arizona Western College)
Notes to Financial Statements
June 30, 2006

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	\$ -0-	\$ -0-	\$ -0-
Noncurrent	69,168	(54,768)	14,400
Total	\$ 69,168	\$ (54,768)	\$ 14,400

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets not being depreciated:				
Land	\$ 543,607	\$ -0-	\$ -0-	\$ 543,607
Construction in progress	540,225	2,695,087	-0-	3,235,312
Total capital assets not being depreciated	1,083,832	2,695,087	-0-	3,778,919
Capital assets being depreciated:				
Buildings	33,386,619	-0-	-0-	33,386,619
Equipment	7,999,876	670,280	9,883	8,660,273
Other improvements	9,869,156	1,961,650	-0-	11,830,806
Library books	1,719,064	90,820	-0-	1,809,884
Total capital assets being depreciated	52,974,715	2,722,750	9,883	55,687,582
Less accumulated depreciation for:				
Buildings	18,524,924	1,010,484	-0-	19,535,408
Equipment	5,780,826	749,787	988	6,529,625
Other improvements	7,451,700	509,357	-0-	7,961,057
Library books	1,261,958	96,876	-0-	1,358,834
Total accumulated depreciation	33,019,408	2,366,504	988	35,384,924
Total capital assets being depreciated, net	19,955,307	356,246	8,895	20,302,658
Capital assets, net	\$ 21,039,139	\$ 3,051,333	\$ 8,895	\$ 24,081,577

The estimated cost to complete construction in progress at June 30, 2006 was \$1,995,726.

Yuma/La Paz Counties Community College District
 (Arizona Western College)
 Notes to Financial Statements
 June 30, 2006

Note 5 - Long-term Liabilities

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2006:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2006</u>	<u>Due within one year</u>
Compensated absences payable	\$ 826,840	\$ 844,463	\$ 744,930	\$ 926,373	\$ 129,692
Bonds payable:					
Revenue bonds	\$ 370,000	\$ -0-	\$ 50,000	\$ 320,000	\$ 55,000
General obligation bonds	8,380,000	20,000,000	1,515,000	26,865,000	3,050,000
Plus deferred amount for issuance premiums	226,423	210,774	91,428	345,769	83,524
Less deferred amount on refunding	(154,221)	-0-	(56,531)	(97,690)	(51,147)
Total long-term debt	<u>\$ 8,822,202</u>	<u>\$ 20,210,774</u>	<u>\$ 1,599,897</u>	<u>\$ 27,433,079</u>	<u>\$ 3,137,377</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, 2006 have been met.

Revenue bonds outstanding at June 30, 2006 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%	7/1/06-10	<u>\$ 320,000</u>

Yuma/La Paz Counties Community College District
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Revenue bond debt service requirements to maturity are as follows:

Year ending June 30	Principal	Interest
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>\$ 320,000</u>	<u>\$ 58,800</u>

General Obligation Bonds Payable – General obligation bonds payable at June 30, 2006, 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, 2006 were as follows:

Description	Original Amount	Interest Rates	Maturities	Outstanding Principal
General obligation refunding bonds – series 2003	\$ 9,845,000	2.25-4.25%	7/1/06-10	\$ 6,865,000
General obligation bonds – series 2005	\$20,000,000	3.5-5%	7/1/06-30	<u>20,000,000</u>
			Total	<u>\$26,865,000</u>

Yuma/La Paz Counties Community College District
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 Notes to Financial Statements
 June 30, 2006

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

Year ending June 30	<u>Principal</u>	<u>Interest</u>
2007	\$ 3,050,000	\$ 1,058,494
2008	1,590,000	979,256
2009	1,905,000	909,981
2010	1,975,000	831,475
2011	850,000	775,169
2012-16	2,925,000	3,530,200
2017-21	3,730,000	2,778,769
2022-26	4,760,000	1,871,466
2027-31	6,080,000	690,125
Total	<u>\$ 26,865,000</u>	<u>\$ 13,424,935</u>

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, 2006 the following outstanding bonds were considered defeased:

Description	Amount
General obligation – Series of 1993	\$ 7,020,000

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.

Yuma/La Paz Counties Community College District
(Arizona Western College)
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June 30, 2006

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.

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, 2006, active plan members and the District were each required by statute to contribute at the actuarially determined rate of 7.4 percent (6.9 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, 2006, 2005, and 2004, were \$1,243,000, \$976,165, and \$859,579, respectively, which were equal to the required contributions for the year.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Notes to Financial Statements
June 30, 2006

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	\$ 25,548,261
Contract services	2,630,028
Supplies and other services	2,301,044
Communications and utilities	1,178,911
Scholarships	4,594,022
Depreciation	2,366,504
Other	<u>2,445,879</u>
Total	<u>\$ 41,064,649</u>

Note 9 - Subsequent Events

On July 6, 2006, the District sold \$53,850,000 of General Obligation Bonds with interest rates ranging from 3.75 to 5.0 percent to support the construction of facilities approved by voters in November 2004. Bonds maturing on or before July 1, 2010 are noncallable. Bonds maturing on or after July 1, 2010 are subject to early redemption.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Notes to Financial Statements
June 30, 2006

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 - Summary of Significant Accounting Policies

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

The financial statements of the Arizona Western College Foundation have been prepared on the accrual basis of accounting. The Foundation provides funding for educational needs and individual scholarships through Arizona Western College and other special projects. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Preparation - The Foundation follows Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-For-Profit Foundations. Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Restricted Support - Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Support that is restricted by the donor/grantor is reported as an increase in unrestricted net assets if the restrictions expire in the fiscal year in which the support is recognized. All other donor restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Support that is permanently restricted by the donor/grantor is reported as increases in permanently restricted net assets.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Notes to Financial Statements
June 30, 2006

Income Taxes - The Foundation has been granted tax exempt status as a nonprofit Foundation under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been provided in the financial statements.

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.

Cash Equivalents - Cash equivalents consist of short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash; and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

Property and Equipment - Assets with a unit cost greater than \$500 are capitalized at historical cost, or estimated historical cost if actual historical cost is not available. Assets donated to the Foundation are recorded at their estimated fair value at the time received. Depreciation on building improvements and furniture and equipment is computed using the straight-line method over the estimated useful lives of the assets.

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 rental income.

Yuma/La Paz Counties Community College District
 (Arizona Western College)
 Notes to Financial Statements
 June 30, 2006

Note 10b - Prior Period Adjustment

A prior period adjustment was necessary to record unconditional promises to give as revenue when the promise was made. The following summary reconciles beginning net assets, as restated to the prior year audited financial statements.

	Net Assets			Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Net assets, June 30, 2005 (as previously reported)	\$ 1,135,945	\$ 825,043	\$ 606,731	\$ 2,567,719
Unconditional promises to give	100,695	120,600	-	221,295
Net assets, July 1, 2005, (as restated)	<u>\$ 1,236,640</u>	<u>\$ 945,643</u>	<u>\$ 606,731</u>	<u>\$ 2,789,014</u>

Note 10c - Cash and Cash Equivalents

Deposits	
Cash in bank	\$ 124,797
Investments	
Index securities	550,921
Mutual funds	<u>2,417,852</u>
Total cash and investments	3,093,570
Less: Investments	<u>(2,968,773)</u>
Total cash and cash equivalents on the Statement of financial position	<u>\$ 124,797</u>

The cash in bank was fully insured. The Foundation's investments of \$2,968,773 were uninsured.

Yuma/La Paz Counties Community College District
 (Arizona Western College)
 Notes to Financial Statements
 June 30, 2006

Note 10d - Contributions Receivable

Contributions receivable at June 30, 2006, net of allowance for uncollectibles of \$22,500, consisted of the following amounts.

	Contributions Receivable
Unconditional promises to give amounts due:	
Less than one year	\$ 201,012
One to five years	249,200
Less: Unamortized discount	(22,799)
Net unconditional promises to give	\$ 427,413

All unconditional promises to give are discounted to the present value of estimated future cash flows using a discount rate of 3%.

Note 10e - Property and Equipment

Depreciation of all assets is provided on a straight-line basis over the estimated life of the assets, which ranges from seven to thirty-one and one-half years. At June 30, 2006, the costs of such assets were as follows:

Land	\$ 254,740
Building improvement	989,389
Furniture and equipment	3,453
Less: accumulated depreciation	(307,833)
	\$ 939,749

Depreciation expense for the year ended June 30, 2006 totaled \$32,005.

Note 10f - Concentrations

The Foundation relies on funding from Arizona Western College to pay a large portion of its operating expenses for services performed by the Foundation. Consequently, the loss of such funding could have a material impact on revenues and the operations of the Foundation unless such revenues were replaced with additional grants and funding.

Supplementary Information

Yuma/La Paz Counties Community College District
(Arizona Western College)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Agriculture			
Distance Learning and Telemedicine Loans and Grants	10.855		\$ 206,464
Total U.S. Department of Agriculture			<u>206,464</u>
National Science Foundation			
Chromatography	47.076		2,875
Shaking up Hispanic Students	47.050		10,153
Total National Science Foundation			<u>13,028</u>
U.S. Department of Housing and Urban Development			
Neighborhood Learning Center	14.514		89,480
Title IV - College Housing Program	14.Unknown		30,988
HUD Youth Build	14.243		26,045
Total U.S. Department of Housing and Urban Development			<u>146,513</u>
U.S. Department of Labor			
Aprn & Construction	17.261		91,014
Passed through Yuma County			
WIA Cluster:			
WIA Adult Program	17.258	E5702015	302,620
WIA Youth Activities	17.259	AWC99-IIA-C	509,026
WIA Displaced Workers	17.260	E5702015	36,324
Total WIA Cluster			<u>847,970</u>
Passed through Arizona Governor's Office			
WIA Youth Activities	17.259	WF-IGA-05-6181.01	49,277
Total U.S. Department of Labor			<u>988,261</u>
U.S. Small Business Administration			
Passed through Maricopa County Community College District			
Small Business Development Center	59.037	5-603001-Z-0003-12	31,891
Small Business Development Center	59.037	6-603001-Z-0003-12	36,738
Total U.S. Small Business Administration			<u>68,629</u>
U.S. Department of Education			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007		225,340
Federal Work-Study Program	84.033		298,891
Federal Pell Grant Program	84.063		6,102,485
Total Student Financial Aid Cluster			<u>6,626,716</u>
TRIO Cluster:			
Student Support Services	84.042		301,123
Talent Search	84.044		259,710
Upward Bound	84.047		345,795
Total TRIO Cluster			<u>906,628</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, 2006

(Concluded)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
Higher Education – Institutional Aid	84.031		957,023
Child Care Access Means Parents in School	84.335		7,267
Bilingual Education – Professional Development	84.195		6,764
Passed through Arizona Department of Education			
Vocational Education – Basic Grants to States	84.048	04FCTDBG-470521-02A 05FCTDBG-570521-02A	186,353
Tech-Prep Education	84.243	05FCTDTP-570521-01A 06FCTDTP-670521-01A	111,072
Passed through Arizona Commission for Postsecondary Education			
Leveraging Educational Assistance Partnership	84.069		10,227
Total U.S. Department of Education			<u>1,278,706</u>
U.S. Department of Interior			
BLM Military Fire Rehabilitation	15.225		17,205
U.S. Geological Survey Interns	15.808		37,544
Total U.S. Department of Interior			<u>54,749</u>
Total Expenditures of Federal Awards			<u>\$ 10,289,694</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, 2006

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 2006 *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.

**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, 2006, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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, Osuch & Company, P.C.

Cronstrom, Osuch & Company, P.C.

October 19, 2006

**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, 2006. 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 auditing standards generally accepted in the United States of America; 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, 2006.

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, Osuch & Company, P.C.

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October 19, 2006

Yuma/La Paz Counties Community College District
 (Arizona Western College)
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2006

Summary of Auditor's Results

Financial Statements

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

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
WIA Cluster:	
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.260	WIA Displaced Workers
TRIO Cluster:	
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:		\$308,691	
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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