

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

Single Audit Reporting Package

Year Ended June 30, 2004

Yuma/La Paz Counties Community College District  
 (Arizona Western College)  
 Single Audit Reporting Package  
 Year Ended June 30, 2004

Table of Contents	Page
<b>Financial Section</b>	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Statement of Net Assets - Primary Government	9
Statement of Financial Position - Component Unit	10
Statement of Revenues, Expenses, and Changes in Net Assets—Primary Government	11
Statement of Activities - Component Unit	12
Statement of Cash Flows - Primary Government	13
Notes to Financial Statements	15
Supplementary Information	
Schedule of Expenditures of Federal Awards	31
<b>Single Audit Section</b>	
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 <i>Government Auditing Standards</i>	34
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	36
Schedule of Findings and Questioned Costs	
Summary of Auditor's Results	38



CRONSTROM & TRBOVICH

CERTIFIED PUBLIC ACCOUNTANTS

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### Independent Auditor's Report

The Auditor General of the State of Arizona

Members of the Arizona State Legislature

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 as of and for the year ended June 30, 2004, 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, 2004, 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 the Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, for the year ended June 30, 2004, which requires reporting as a component unit those organizations that raise and hold economic resources for the direct benefit of the District or its constituents.

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 November 18, 2004, 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, P.C.

November 18, 2004



November 18, 2004

## **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, 2004. 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, 2004. 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, 2004. It shows the various revenues and expenses, both operating and non-operating, 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, 2004. 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.

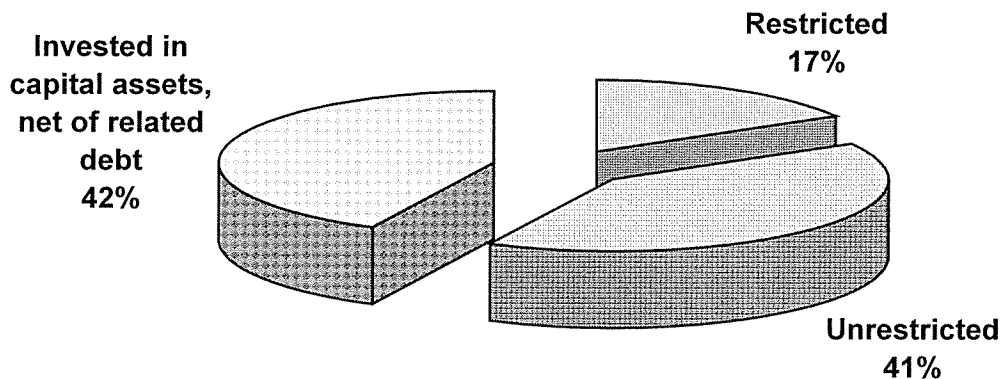
The condensed financial information below highlights the main categories of The Statement of Net Assets. Assets and liabilities are distinguished as to their current or noncurrent nature. Current liabilities are typically those obligations intended for liquidation or payment within the next fiscal year while current assets are those resources that are available for use in meeting the operating needs of the District, including current liabilities. 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

	2004	2003
<b>Assets:</b>		
Current assets	\$ 20,385,034	\$ 20,402,396
Noncurrent assets, other than capital assets	459,038	903,431
Capital assets, net	21,419,263	21,424,330
Total assets	<u>\$ 42,263,335</u>	<u>\$ 42,730,157</u>
<b>Liabilities:</b>		
Current liabilities	\$ 6,758,448	\$ 6,847,612
Noncurrent liabilities	9,589,807	11,005,940
Total liabilities	<u>\$ 16,348,255</u>	<u>\$ 17,853,552</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	\$ 11,050,087	\$ 9,192,885
Restricted net assets	4,344,920	3,935,961
Unrestricted net assets	10,520,073	11,747,759
Total net assets	<u>\$ 25,915,080</u>	<u>\$ 24,876,605</u>

#### PERCENT OF NET ASSETS FOR 2004



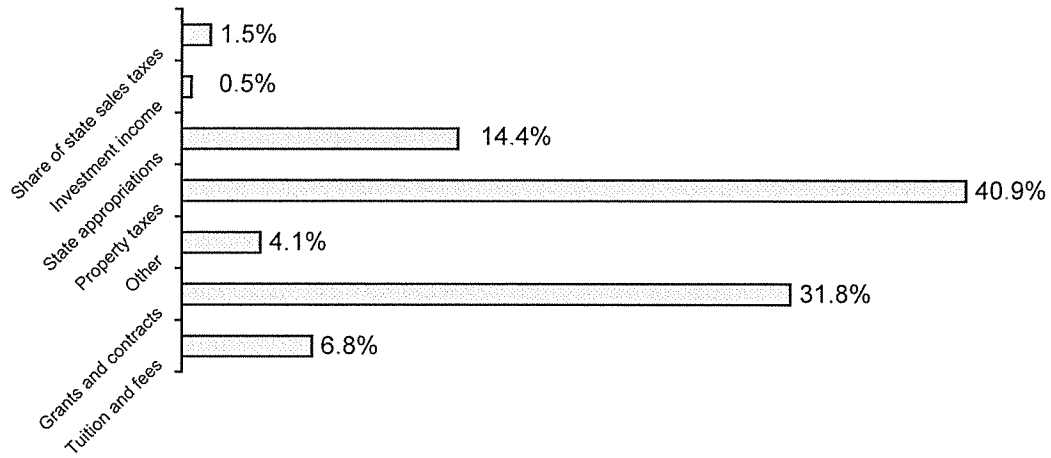
The total net assets of the District increased \$1,038,475. In addition, total assets at the close of the fiscal year exceeded its total liabilities by \$25,915,080. The current assets are approximately 3.02 times the amount of current liabilities. Long-term liabilities decreased due to scheduled retirements 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, are 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, 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**

	2004	2003
<b>Revenues</b>		
Operating		
Tuition and fees (net of scholarship allowances)	\$ 2,556,419	\$ 2,258,716
Government grants and contracts	11,965,625	10,401,285
Other	1,546,504	1,513,962
Nonoperating		
Property taxes	15,383,180	14,947,256
State appropriations	5,425,000	5,435,600
Investment income	181,786	(229,454)
Share of state sales taxes	559,461	521,439
Total revenues	37,617,975	34,848,804
<b>Expenses</b>		
Operating	36,956,986	33,601,254
Nonoperating	341,114	625,332
Total expenses	37,298,100	34,226,586
Income before other revenues, expenses, gains or losses	319,875	622,218
Capital appropriations	718,600	756,400
Increase in net assets	1,038,475	1,378,618
Total net assets, July 1	24,876,605	23,497,987
<b>Total net assets, June 30</b>	<b>\$ 25,915,080</b>	<b>\$ 24,876,605</b>

## PERCENT OF 2004 REVENUES BY SOURCE

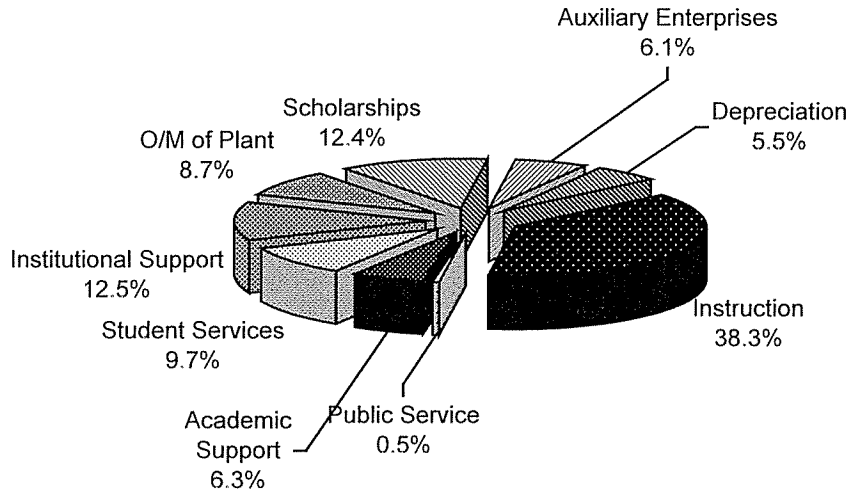


The increase in tuition was largely attributable to a \$2/hour increase in tuition. Government grants and contracts reflect an increase in grants received for the year and property tax increases were credited to the continued growth in assessed valuation.

	2004	2003
<b>Operating expenses</b>		
Educational and general:		
Instruction	\$ 14,151,826	\$ 12,578,775
Public service	182,799	184,254
Academic support	2,315,786	2,451,960
Student services	3,575,399	3,256,317
Institutional support	4,628,658	4,069,406
Operations and maintenance of plant	3,203,994	2,828,788
Scholarships	4,579,705	4,161,121
Auxiliary enterprises	2,269,784	2,093,005
Depreciation	2,049,035	1,977,628
Total operating expenses	36,956,986	33,601,254
<b>Nonoperating expenses</b>		
Interest expense on debt	339,455	590,333
Other nonoperating expenses	1,659	34,999
Total nonoperating expenses	341,114	625,332
<b>Total expenses</b>	\$ 37,298,100	\$ 34,226,586



## PERCENT OF 2004 OPERATING EXPENSES BY CATEGORY



Overall operating expenses in 2004 increased due to salary increases of 5% for all employees, a 10% increase in primary health insurance benefits, a mandatory increase in the Arizona State Retirement System contribution rate of 3.21% and staff enhancements.

Nonoperating expenses in 2004 for interest expense on debt decreased due to scheduled retirements of long-term debt.

### Capital Assets and Debt Administration:

This fiscal year represents the fourth 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 this year the District began the process of developing a Capital Campaign to finance the facilities plan.

At June 30, 2004, the District had two debt issues outstanding: one general obligation bond issue for \$9,845,000 which is funded from secondary property taxes; and one revenue bond issue for \$420,000, 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 presented a capital development program totaling \$73,850,000 to the citizens of Yuma/La Paz Counties. At the November 2, 2004 general election the citizens of Yuma/La Paz Counties voted overwhelmingly to support the general obligation bond of \$73,850,000. This bond will be funded by a secondary assessment of county property taxes. The District will prepare plans for implementing the capital programs in FY 04/05.

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 2003/2004 was the third year of this funding and the District received \$559,461. It is anticipated that the District will continue to receive at least this amount for the next seventeen 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.

### **Request 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 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, 2004

	Business-Type Activities
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 18,110,285
Investments	2,914
Receivables (net of allowances for uncollectibles)	
Property taxes	766,985
Government grants and contracts	1,006,589
Student Loans, current portion	1,000
Interest	12,860
Other	260,461
Prepaid items	184,928
Deferred financing costs	39,012
Total current assets	20,385,034
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents held by trustees	243,158
Property taxes receivable	107,415
Student loans receivable (net of allowances)	20,370
Deferred financing costs	88,095
Capital assets, not being depreciated	543,607
Capital assets, being depreciated, net	20,875,656
Total noncurrent assets	21,878,301
Total assets	42,263,335
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	456,544
Accrued payroll and employee benefits	1,284,707
Interest payable	179,781
Deposits held in custody for others	3,150,419
Deferred revenues	116,627
Current portion of compensated absences payable	55,370
Current portion of long-term debt	1,515,000
Total current liabilities	6,758,448
Noncurrent liabilities:	
Compensated absences payable	735,631
Long-term debt	8,854,176
Total noncurrent liabilities	9,589,807
Total liabilities	16,348,255
<b>Net Assets</b>	
Invested in capital assets, net of related debt	11,050,087
Restricted:	
Nonexpendable:	
Student Loans	108,469
Expendable:	
Grants and contracts	1,440,949
Debt service	1,693,093
Capital projects	1,102,409
Unrestricted	10,520,073
Total net assets	\$ 25,915,080

See accompanying notes to financial statements.

YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
 (ARIZONA WESTERN COLLEGE)  
 Statement of Financial Position - Component Unit  
 June 30, 2004

	<u>Arizona Western College Foundation</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
YCB Century Placa Acct	\$ 146,093
LPL Cash and Money Market	125,192
LPL Investments	667,695
Pledge Receivable	112,800
<b>Total Current Assets</b>	<u>1,051,780</u>
<b>Property and Equipment</b>	
Building	915,385
Equipment AWCF	3,453
Land	254,740
Less: Accumulated Depreciation	(245,901)
<b>Net Property and Equipment</b>	<u>927,677</u>
<b>Other Assets</b>	
Pledge Receivable	281,850
Investment Land	178,000
Investment Annuity	24,115
LPL Investments	574,606
Loan Costs	7,346
Less: Accumulated Amortization	(571)
<b>Total Other Assets</b>	<u>1,065,346</u>
<b>Total assets</b>	<u><u>\$ 3,044,803</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 3,811
Accrued Expenses	1,787
Century Plaza Sales Tax Collected	244
Current Maturity of LTD	15,579
<b>Total Current Liabilities</b>	<u>21,421</u>
<b>Long-Term Liabilities</b>	
Deferred Revenue	445,000
FBY Mortgage	463,826
Less: Current Maturity of LTD	(15,579)
<b>Total Long-Term Liabilities</b>	<u>893,247</u>
<b>Total Liabilities</b>	<u>914,668</u>
<b>Net Assets</b>	
Unrestricted	875,774
Temporarily Restricted	679,755
Permanently Restricted	574,606
<b>Total Net Assets</b>	<u>2,130,135</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 3,044,803</u></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, 2004

	<u>Business-Type Activities</u>
Operating revenues:	
Government grants and contracts	\$ 11,611,113
Private grants and contracts	354,512
Pledged for revenue bonds and other obligations:	
Tuition and fees (net of scholarship allowances of \$2,609,098)	2,556,419
Bookstore income	174,974
Food service income	561,572
Dormitory rentals and fees	475,208
Other	334,750
Total operating revenues	<u>16,068,548</u>
Operating expenses:	
Educational and general:	
Instruction	14,151,826
Public service	182,799
Academic support	2,315,786
Student services	3,575,399
Institutional support	4,628,658
Operation and maintenance of plant	3,203,994
Scholarships	4,579,705
Auxiliary enterprises	2,269,784
Depreciation	2,049,035
Total operating expenses	<u>36,956,986</u>
Operating loss	<u>(20,888,438)</u>
Nonoperating revenues (expenses)	
Property taxes	15,383,180
State appropriations	5,425,000
Share of state sales taxes	559,461
Investment income	181,786
Interest expense on debt	(339,455)
Other nonoperating expenses	(1,659)
Total nonoperating revenues (expenses)	<u>21,208,313</u>
Income before other revenues, expenses, gains, or losses	319,875
Capital appropriations	<u>718,600</u>
Increase in net assets	1,038,475
Total net assets, July 1, 2003	<u>24,876,605</u>
Total net assets, June 30, 2004	<u>\$ 25,915,080</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, 2004

<b>Arizona Western College Foundation</b>				
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues, Gains, and Other Support</b>				
Investment Income - Interest and Dividends	\$ 7,275	\$ 11,710	\$ -	\$ 18,985
Investment Income - Gains or Losses	877	1,411	-	2,288
Investment Income - Unrealized Gain or Loss	26,720	59,683	-	86,403
Contribution Income - Donations	5,359	350,266	37,195	392,820
Contribution Income - AWC Support	112,921	-	-	112,921
Century Plaza Income - Century Plaza	230,776	-	-	230,776
Century Plaza Income - Other Income	14,438	-	-	14,438
Net Assets Released From Restriction	34,233	(34,233)	-	-
<b>Total Revenues, Gains And Other Support</b>	<u>432,599</u>	<u>388,837</u>	<u>37,195</u>	<u>858,631</u>
<b>Expenses</b>				
AWC Contributed Salaries	100,286	-	-	100,286
Investment Advisor Fee	11,119	-	-	11,119
Scholarships Disbursed - Endowed Scholarships	18,190	-	-	18,190
Scholarships Disbursed - Non-Endowed Scholarships	16,043	-	-	16,043
Travel and Subsistence	3,952	-	-	3,952
Promotion and Fundraising Expense	8,813	-	-	8,813
Professional Publications	120	-	-	120
Foundation Operating Expenses - Grant	4,730	-	-	4,730
Foundation Operating Expenses - Office	995	-	-	995
Foundation Operating Expenses - Equipment	1,172	-	-	1,172
Foundation Operating Expenses - Postage	1,866	-	-	1,866
Foundation Operating Expenses - Supplies	760	-	-	760
Foundation Operating Expenses - Repair/Maintenance	2,196	-	-	2,196
Foundation Operating Expenses - Tax and License	1,004	-	-	1,004
Foundation Operating Expenses - Professional Service	7,130	-	-	7,130
Foundation Operating Expenses - Telephone	2,885	-	-	2,885
Foundation Operating Expenses - Printing and Copies	3,566	-	-	3,566
Foundation Operating Expenses - Dues	1,205	-	-	1,205
Century Plaza Expenses - Depreciation	29,366	-	-	29,366
Century Plaza Expenses - Interest Expense	21,688	-	-	21,688
Century Plaza Expenses - Repair and Maintenance	29,366	-	-	29,366
Century Plaza Expenses - Utilities	42,412	-	-	42,412
Century Plaza Expenses - Other	41	-	-	41
Century Plaza Expenses - Sales Tax	19	-	-	19
Amortization Expense	490	-	-	490
<b>Total Expenses</b>	<u>309,414</u>	<u>-</u>	<u>-</u>	<u>309,414</u>
<b>Change in Net Assets</b>	123,185	388,837	37,195	549,217
<b>Net Assets at Beginning of Year</b>	<u>752,589</u>	<u>290,918</u>	<u>537,411</u>	<u>1,580,918</u>
<b>Net Assets at End of Year</b>	<u>\$ 875,774</u>	<u>\$ 679,755</u>	<u>\$ 574,606</u>	<u>\$ 2,130,135</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, 2004

	Business-Type Activities
Cash flows from operating activities:	
Tuition and fees	\$ 2,511,870
Grants and contracts	11,510,821
Bookstore receipts	174,974
Food services receipts	561,104
Dormitory rentals and fees	474,980
Collection of loans to students	9,099
Other receipts	783,602
Payments to suppliers and providers of good and services	(12,739,248)
Payments to employees	(21,915,217)
Net cash used for operating activities	(18,628,015)
 Cash flows from noncapital financing activities:	
Property taxes	15,553,196
State appropriations	5,425,000
Share of state sales taxes	559,461
Other nonoperating expenses	(1,659)
Deposits held in custody for others received	17,580,603
Deposits held in custody for others disbursed	(17,394,893)
Net cash provided by noncapital financing activities	21,721,708
 Cash flows from capital and related financing activities:	
Capital appropriations	718,600
Principal paid on capital debt	(1,830,000)
Interest paid on capital debt	(317,732)
Purchases of capital assets	(2,043,968)
Net cash used for capital and related financing activities	(3,473,100)
 Cash flows from investing activities:	
Interest received on investments	179,003
Net cash provided by investing activities	179,003
 Net decrease in cash and cash equivalents	(200,404)
 Cash and cash equivalents, July 1, 2003	18,553,847
 Cash and cash equivalents, June 30, 2004	\$ 18,353,443

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, 2004

	Business-Type Activities
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (20,888,438)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	2,049,035
Changes in assets and liabilities:	
Increase in:	
Government grants and contracts receivable	(100,292)
Accrued payroll and employee benefits	173,466
Compensated absences	147,921
Decrease in:	
Student loans receivable	9,099
Other receivables	79,606
Prepaid items	66,333
Accounts payable	(134,234)
Deferred revenues	(30,511)
Net cash used for operating activities	\$ (18,628,015)

Noncash investing, capital and noncapital financing activities:

During the year, \$100,681 of the deferred amount for issuance premiums and \$68,412 of the deferred amount on refunding were amortized. In addition, \$39,372 of deferred 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, 2004

**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, 2004, the District implemented the provisions of the Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which requires reporting as a component unit those organizations that raise and hold economic resources for the direct benefit of the District.

**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 non-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.

Yuma/La Paz Counties Community College District  
(Arizona Western College)  
Notes to Financial Statements  
June 30, 2004

During the year ended June 30, 2004, the Foundation distributed \$34,233 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.

Yuma/La Paz Counties Community College District  
(Arizona Western College)  
Notes to Financial Statements  
June 30, 2004

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)  
 Notes to Financial Statements  
 June 30, 2004

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>	<b>Depreciation Method</b>	<b>Estimated Useful Life</b>
Land	\$ 5,000		
Land improvements	5,000		
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, 2004

**Note 2 - Deposits and Investments**

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

**Deposits** - At June 30, 2004, the total cash on hand was \$2,000, the carrying amount of the District's deposits was \$4,858,192 and the bank balance was \$5,487,692. Of the bank balance, \$202,621 was covered by federal depository insurance and \$5,285,071 was covered by collateral held by the pledging financial institution's trust department with a book-entry in the District's name.

**Investments** - At June 30, 2004, the District's investments consisted of the following:

	<b>Fair Value</b>
Common stock	\$ 2,914
Money market mutual funds	243,158
Cash and investments held by the County Treasurer	6,059,494
Investments in State Treasurer's investment pool	7,190,599
Total	\$ 13,496,165

The District's investment in the State or County Treasurer's investment pools represents a proportionate interest in those pools' portfolios; however, the District's portion is not identified with specific investments and is not subject to custodial credit risk. The common stock was registered in the District's name, or was held by the District or its agent in the District's name.

Cash and cash equivalents held by trustee are restricted as to usage and held in bond trustee funds. The trustee acquires and holds the monies in money market mutual funds. These money market mutual funds are uninsured and unregistered.

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

Yuma/La Paz Counties Community College District  
 (Arizona Western College)  
 Notes to Financial Statements  
 June 30, 2004

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

Cash and investments:		Statement of Net Assets:	
Cash on hand	\$ 2,000	Cash and cash equivalents	\$ 18,110,285
Carrying amount of deposits	4,858,192	Current investments	2,914
Reported amount of investments	13,496,165	Restricted assets:	
	<u>                    </u>	Cash and investments held by trustees	<u>243,158</u>
 Total	 <u>\$ 18,356,357</u>	 Total	 <u>\$ 18,356,357</u>

**Note 3 - Student Loan Receivables**

A summary of student loan receivables and the related allowance for uncollectibles follows:

Receivables	Gross Receivable	Allowance for Uncollectibles	Net Receivable
Student loans:			
Current	\$ 1,000	\$ -0-	\$ 1,000
Noncurrent	115,883	(95,513)	20,370
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 116,883</u>	<u>\$ (95,513)</u>	<u>\$ 21,370</u>

Yuma/La Paz Counties Community College District  
 (Arizona Western College)  
 Notes to Financial Statements  
 June 30, 2004

**Note 4 - Capital Assets**

Capital asset activity for the year ended June 30, 2004, was as follows:

	<u>Balance July 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2004</u>
Capital assets not being depreciated:				
Land	\$ 543,607	\$ -0-	\$ -0-	\$ 543,607
Construction in progress	74,676	253,318	327,994	-0-
Total capital assets net being depreciated	<u>618,283</u>	<u>253,318</u>	<u>327,994</u>	<u>543,607</u>
Capital assets being depreciated:				
Buildings	33,058,625	327,994	-0-	33,386,619
Equipment	5,759,802	1,590,239	-0-	7,350,041
Other improvements	9,213,294	106,943	-0-	9,320,237
Library books	1,544,100	93,468	-0-	1,637,568
Total capital assets being depreciated	<u>49,575,821</u>	<u>2,118,644</u>	<u>-0-</u>	<u>51,694,465</u>
Less accumulated depreciation for:				
Buildings	16,789,764	873,904	-0-	17,663,668
Equipment	4,573,530	526,409	-0-	5,099,939
Other improvements	6,324,953	556,213	-0-	6,881,166
Library books	1,081,527	92,509	-0-	1,174,036
Total accumulated depreciation	<u>28,769,774</u>	<u>2,049,035</u>	<u>-0-</u>	<u>30,818,809</u>
Total capital assets being depreciated, net	<u>20,806,047</u>	<u>69,609</u>	<u>-0-</u>	<u>20,875,656</u>
Capital assets, net	<u>\$ 21,424,330</u>	<u>\$ 322,927</u>	<u>\$ 327,994</u>	<u>\$ 21,419,263</u>

Yuma/La Paz Counties Community College District  
 (Arizona Western College)  
 Notes to Financial Statements  
 June 30, 2004

**Note 5 - Long-Term Liabilities**

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2004:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2004</u>	<u>Due within 1 year</u>
Compensated absences payable	\$ 643,080	\$ 750,430	\$ 602,509	\$ 791,001	\$ 55,370
Bonds payable:					
Revenue bonds	\$ 465,000	-0-	\$ 45,000	\$ 420,000	\$ 50,000
General obligation bonds	11,155,000	-0-	1,310,000	9,845,000	1,465,000
Certificates of supplemental interest	175,000	-0-	175,000	-0-	-0-
Plus deferred amount for issuance premiums	427,373	-0-	100,681	326,692	-0-
Less deferred amount on refunding	(290,928)	-0-	(68,412)	(222,516)	-0-
Pledged revenue obligation	300,000	-0-	300,000	-0-	-0-
Total long-term debt	<u>\$ 12,231,445</u>	<u>-0-</u>	<u>\$ 1,862,269</u>	<u>\$ 10,369,176</u>	<u>\$ 1,515,000</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, 2004 have been met.

Revenue bonds outstanding at June 30, 2004 were as follows:

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding Principal</u>
Series A of 1981	\$ 1,700,000	6.9-7%	7/1/04-10	\$ 420,000
			Total	<u>\$ 420,000</u>



Yuma/La Paz Counties Community College District  
 (Arizona Western College)  
 Notes to Financial Statements  
 June 30, 2004

Revenue bond debt service requirements to maturity are as follows:

Year ending June 30	Principal	Interest
2005	\$ 50,000	\$ 27,650
2006	50,000	24,150
2007	55,000	20,475
2008	60,000	16,450
2009	65,000	12,075
2010-11	140,000	9,800
Total	<u>\$ 420,000</u>	<u>\$ 110,600</u>

**General Obligation Bonds Payable** – General obligation bonds payable at June 30, 2004, 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, 2004 were as follows:

Description	Original Amount	Interest Rates	Maturities	Outstanding Principal
General obligation refunding bonds – series 2003	\$ 9,845,000	2.25-4.25%%	7/1/04-10	<u>\$ 9,845,000</u>
			Total	<u>\$ 9,845,000</u>

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

Year ending June 30	Principal	Interest
2005	\$ 1,465,000	\$ 308,188
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	2,070,000	52,181
Total	<u>\$ 9,845,000</u>	<u>\$ 1,156,969</u>

Yuma/La Paz Counties Community College District  
(Arizona Western College)  
Notes to Financial Statements  
June 30, 2004

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, 2004, the following outstanding bonds were considered defeased:

Description	Amount
General obligation – Series of 1993	\$ 9,845,000

**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 three members, provides benefits up to \$85,000 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.

Yuma/La Paz Counties Community College District  
 (Arizona Western College)  
 Notes to Financial Statements  
 June 30, 2004

**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, 2004, 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, 2004, 2003, and 2002, were \$859,579, \$670,925, and \$636,632, 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	\$ 22,236,604
Contract services	2,748,768
Supplies and other services	2,079,754
Communications and utilities	1,163,552
Scholarships	4,579,705
Depreciation	2,049,035
Other	2,099,568
Total	\$ 36,956,986

Yuma/La Paz Counties Community College District  
(Arizona Western College)  
Notes to Financial Statements  
June 30, 2004

**Note 9 - Discretely Presented Component Unit Disclosures**

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

**Note 9a - Nature of Activities and Summary of Significant Accounting Policies**

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

**Basis of accounting** - The financial statements of the Organization 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 Organization 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.

**Contributions** - Contributions are recognized as revenue in the period received when the donor makes a promise to give to the Organization 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.

Yuma/La Paz Counties Community College District  
 (Arizona Western College)  
 Notes to Financial Statements  
 June 30, 2004

**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 Organization 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 9b - Long-Term Investments**

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

Investments at June 30, 2004, are comprised of the following:

Equity Mutual Fund	\$ 574,606
Annuities	24,115
Investment Land	<u>178,000</u>
 Total Investments	 <u><u>\$ 776,721</u></u>

**Note 9c - Financial Instruments**

The Organization 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 \$1,413,586 at June 30, 2004.

**Note 9d - Property and Equipment**

Property and equipment include the following at June 30, 2004:

Land and Building	\$ 1,170,125
Equipment	<u>3,453</u>
	1,173,578
 Less Accumulated Depreciation	 <u>245,901</u>
 Net Property and Equipment	 <u><u>\$ 927,677</u></u>

Yuma/La Paz Counties Community College District  
 (Arizona Western College)  
 Notes to Financial Statements  
 June 30, 2004

**Note 9e - Long Term Debt**

The Organization 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 \$463,826 at 6/30/04, 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:

2005	\$ 15,781
2005	16,387
2007	17,225
2008	18,106
2009	19,033
Thereafter	<u>377,294</u>
	<u>\$ 463,826</u>

**Note 9f - Conditional Promises to Give and Deferred Revenue**

The Organization 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 \$226,750 has been received at June 30, 2004. These funds are refundable if the contingency is not met.

**Note 9g - 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 9h - Advertising**

The Organization 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 2004, advertising costs totaled \$8,813.

Yuma/La Paz Counties Community College District  
(Arizona Western College)  
Notes to Financial Statements  
June 30, 2004

**Note 9i - 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  
 (Arizona Western College)  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2004

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		\$ 192,092
Distance Learning and Telemedicine Loans and Grants	10.855		<u>535,844</u>
Total U.S. Department of Agriculture			<u>727,936</u>
<b>National Science Foundation</b>			
Chromatography	47.076		74,831
Shaking up Hispanic Students	47.050		<u>40,958</u>
Total National Science Foundation			<u>115,789</u>
<b>U.S. Department of Housing and Urban Development</b>			
Neighborhood Learning Center	14.514		21,377
Title IV - College Housing Program	14.Unknown		<u>30,988</u>
Total U.S. Department of Housing and Urban Development			<u>52,365</u>
<b>U.S. Department of Labor</b>			
Passed through Yuma County			
WIA Cluster:			
WIA Adult Program	17.258	E5702015	554,445
WIA Youth Activities	17.259	AWC99-IIA-C	<u>689,180</u>
Total U.S. Department of Labor			<u>1,243,625</u>
<b>U.S. Small Business Administration</b>			
Passed through Maricopa County Community College District			
Small Business Development Center	59.037	3-603001-Z-0003-11 4-603001-Z-0003-12	<u>68,464</u>
<b>U.S. Department of Education</b>			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007		260,961
Federal Work-Study Program	84.033		322,046
Federal Pell Grant Program	84.063		<u>6,045,525</u>
Total Student Financial Aid Cluster			<u>6,628,532</u>
TRIO Cluster:			
Student Support Services	84.042		283,813
Talent Search	84.044		235,765
Upward Bound	84.047		<u>299,584</u>
Total TRIO Cluster			<u>819,162</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, 2004

(Concluded)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
Higher Education – Institutional Aid	84.031		754,210
Child Care Access Means Parents in School	84.335		31,136
Bilingual Education – Professional Development	84.195		82,991
Passed through Arizona Department of Education			
Vocational Education – Basic Grants to States	84.048	03FCTDBG-370521-02A 04FCTDBG-470521-02A	217,159
Tech-Prep Education	84.243	03FCTDTP-070521-01A 04FCTDTP-470521-01A	124,379
Passed through Arizona Commission for Postsecondary Education			
Leveraging Educational Assistance Partnership	84.069	04FCTDTP-470521-03A N/A	11,629
Total U.S. Department of Education			<u>8,669,198</u>
<b>U.S. Department of Defense</b>			
Department of the Army - Science	12.431		<u>89,257</u>
Total Expenditures of Federal Awards			<u>\$ 10,966,634</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, 2004

**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.

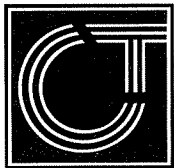
**Note 2 - Catalog of Federal Domestic Assistance (CFDA) Numbers**

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2004 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word "unknown" were used.

**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, 2004, as follows:

<b>Program Title</b>	<b>CFDA Number</b>	<b>Amount Outstanding</b>
Federal Perkins Loan Program—Federal Capital Contributions	84.038	\$ 116,883



**CRONSTROM & TRBOVICH**

CERTIFIED PUBLIC ACCOUNTANTS

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**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

Members of the Arizona State Legislature

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, 2004, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 18, 2004. Our report was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement No. 39 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, P.C.

November 18, 2004



# CRONSTROM & TRBOVICH

CERTIFIED PUBLIC ACCOUNTANTS

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## 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

Members of the Arizona State Legislature

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, 2004. 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, 2004.

## **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, P.C.

November 18, 2004

Yuma/La Paz Counties Community College District  
 (Arizona Western College)  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2004

**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 _____
Noncompliance material to the financial statements noted?	_____	(None reported) 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>Student Financial Aid Cluster:</b>	
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan Program – Federal Capital Contributions
84.063	Federal Pell Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$328,999
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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