

C O C H I S E C O L L E G E

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended:
June 30, 2006

Published and distributed by
The Office of Financial Operations
Cochise County Community College District
4190 W. Hwy 80
Douglas, Arizona 85607-6190

www.cochise.edu



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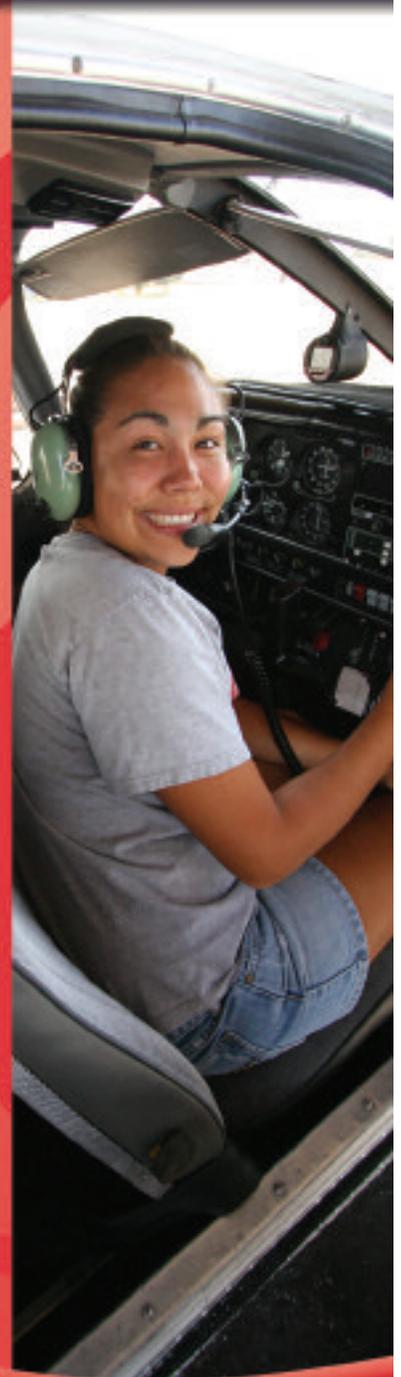
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Cochise County
Community College District
Douglas, Arizona



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Cochise County Community College District
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2006

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COCHISE COLLEGE

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INTRODUCTORY SECTION



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October 27, 2006

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

We are pleased to provide you with the Comprehensive Annual Financial Report (CAFR) of the Cochise County Community College District (the District), Douglas, Arizona, for the fiscal year ended June 30, 2006 (FY 2006).

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

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

This CAFR is presented in three sections: Introductory, Financial and Statistical. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officers. The financial section includes the independent auditors' report, the Management's Discussion and Analysis (MD&A), the basic financial statements and supplemental financial information. The auditing firm of Miller, Allen & Co., P.C. has issued an unqualified opinion on the District's financial statements for the year ended June 30, 2006. The MD&A, which provides a narrative overview and analysis of the basic financial statements, complements this transmittal letter and should be read in conjunction with it. Finally, the statistical section includes selected unaudited financial and demographic information, generally presented on a multi-year basis.

THE REPORTING ENTITY

The District is an independent reporting entity within the criteria established by GAAP and the GASB. Although the District shares the same geographic boundaries with Cochise County, financial accountability over all activities related to public community college education in Cochise County is exercised solely by the District. In accordance with GASB Statement No. 14, the financial reporting entity consists of a primary reporting entity and a component unit. The District is a primary government because it is a special purpose political subdivision that has a separately-elected governing body, is legally separate and is fiscally independent of other state and local governments. The District is not included in any other governmental financial reporting entity. In accordance with GASB Statement No. 39, the financial activity of the Cochise County Community College District Foundation is discretely presented as a component unit of the District.

History

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

With a constituency base that encompasses more than 6,200 square miles, the District has extended its reach into some of the more rural parts of Cochise County. The Willcox Center opened in 1988 for residents in that part of the county and the expansion continued in 2000 with the opening of the Benson Center to better serve the educational needs of residents in Benson, St. David and surrounding communities. Additional Extended Learning sites have been developed in various locations throughout the county as needs have dictated.

The District is accredited by the Higher Learning Commission. The nursing program is further accredited by the National League for Nursing Accrediting Commission and approved by the Arizona State Board of Nursing. The professional flight and the aviation maintenance technology programs are certified to operate under Air Agency Certificates issued by the Federal Aviation Administration.

Organization and Administration

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

Service Area

Cochise County, established on February 1, 1881, is located in the southeast corner of Arizona, sharing a border with Mexico to the south and New Mexico to the east. The county was formed out of eastern Pima County with Tombstone being designated as the county seat. In 1929, the seat was moved to Bisbee, a former hub of copper mining. The county's location makes it a unique crossroads of cultural, natural and historical attractions. Named for the famed chief of the Chiricahua Apaches, Cochise County encompasses approximately 6,200 square miles, slightly larger than Connecticut.

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

LOCAL ECONOMIC OUTLOOK

The population of Cochise County, as of mid-2005, was approximately 132,000 according to estimates by the Arizona Department of Economic Security (DES). The District's Center for Economic Research (CER) projects the county's population to reach 147,000 by 2010 and 162,000 by 2015, an average annual growth rate of about 2 percent.

The communities of Cochise County have diverse economic bases. Sierra Vista, the county's largest economy, relies heavily on its retail trade, accommodation, and hospitality industries, which are fueled by activity at Fort Huachuca. Recent increases in defense contractors at the fort and students at the U.S. Army Intelligence Center and School have helped ensure the continued strength of the city's economy.

The cities of Bisbee and Tombstone rely heavily on tourism-related commerce. The opening of Kartchner Caverns in the late 1990s added the City of Benson to those areas of the county heavily reliant on tourism. The cities of Benson and Willcox, because of their location along Interstate 10, also rely heavily on accommodation and hospitality sales tied to commercial traffic passing through the area.

The City of Benson has seen a boost recently in residential construction as developers have come to see the city as an important link between Tucson to the west and Sierra Vista/Fort Huachuca to the south. There are currently 25,000 new homes planned for the Benson area over the next several decades.

The City of Douglas has a large retail sector, and is heavily dependent on day shoppers who cross the border from neighboring Agua Prieta, Sonora, Mexico. A recent increase in the emphasis on border protection has spurred economic growth in Douglas, with a significant driver being the increase in federal government workers involved in border protection.

As the District receives a significant amount of its annual funding from local property taxes, valuations of existing properties and new construction rates in the county are important economic indicators. Recent increases in prices of existing homes coupled with rising interest rates have resulted in a slowing of new residential construction. A growing inventory of new homes for sale is likely to further dampen residential construction in the near future. New commercial development in Sierra Vista, Benson, and Douglas continues to increase, however, somewhat offsetting the softening in residential construction. The rapid increases in existing home valuations in recent years have given way to much more modest growth, with the median price of an existing home rising only 2.5% in the first five months of 2006.

The county's civilian labor force, defined as those persons 16 years and older who are employed or actively seeking work (excluding active duty military), consisted of 55,650 workers in 2005. Cochise County's unemployment rate in 2005 was 4.9 percent, according to DES estimates. The CER projects the county's unemployment to remain stable at around 5% through 2008.

According to DES estimates for 2005, the primary industry in Cochise County was agriculture, which accounted for 30 percent of the county's total civilian employment in 2005. The second largest industry was government (23%) with the third largest being trade, transportation, and utilities (12%). In addition to these industries, the Fort Huachuca Army post was home to 5,680 active duty military personnel, approximately 40 percent of whom were students temporarily at the fort for training.

In the next few years, the economy of Cochise County is expected to continue to grow, fueled by population increases, expanded development, a strong tourism industry and increasing activity at Fort Huachuca.

LONG-TERM FINANCIAL PLANNING

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

MAJOR PROGRAM INITIATIVES

Higher Learning Commission Re-accreditation

During FY 2006, the District successfully completed the re-accreditation process with the Higher Learning Commission of the North Central Association. In April, 2006, a six-member visiting team recommended the District receive the maximum ten-year accreditation, with no required interim reports or visits.

Master Facilities Plan

The District completed the planning portion of the Master Facilities Plan in FY 2006 which has been in development for about five years, with the most intense activity occurring over the last two years. Members of the District staff, working with a team of outside planning consultants, completed and issued the final comprehensive Master Facilities Plan Report in June, 2006. The plan identifies facility needs throughout the District for the next 10-15 years and includes new construction, renovations to existing buildings, demolition of certain non-repairable buildings and general site improvements at all locations within the District, including the Douglas and Sierra Vista campuses and the Benson and Willcox centers. These identified needs were driven by three critical factors:

- Modernization of substandard facilities
- Upgrading of classroom technology and learning environments
- Creation of space for future growth.

Information used to develop the Master Facilities Plan included: departmental meetings at all locations, classroom utilization analyses, detailed population/demographic forecasts of Cochise County, updated structural assessments of all existing buildings to determine levels of renovation required, and a detailed technology strategic plan for the District. The plan was presented and discussed throughout the year with many groups including the Board, faculty, staff, students, the five Cochise College Community Advisory Boards and numerous groups of community leaders, with changes incorporated into the plan as appropriate.

In March, 2006, the Board formed a Citizens Advisory Committee of 35 representative citizens from throughout the county to review the Master Facilities Plan and make recommendations to the District Governing Board. After reviewing the plan and addressing various questions, the Citizens Advisory Committee unanimously indicated to the Board at its regular meeting in May, 2006, that:

- The Master Facilities Plan will meet the future needs of the District's students and communities
- No significant modifications were necessary to the plan as prepared and presented
- The Board should call for a general obligation bond election for \$87.7 million as a question on the November 7 general election ballot to finance the Master Facilities Plan.

The District Governing Board accepted the recommendations of the Committee and called for such a bond election at its June meeting. The District met all legal election requirements, prepared and distributed factual information about the plan and the election, and made over 90 presentations to various community groups reaching over 1,800 people between January and October of 2006.

Enrollment

During the 2005-06 academic year, the District served a total of 6,629 Full Time Student Equivalents (FTSE) at all locations with annual unduplicated headcount of 13,365. The District's ongoing partnership with and responsiveness to the county's largest employer, Fort Huachuca, was a significant factor in the continued growth in the number of degrees awarded over the last few years; for the 2005-06 academic year, the District awarded a total of 891 degrees and 198 certificates.

Student Achievement

The District's students continued to receive recognition for their academic and leadership achievements. Four students were named to the All-Arizona Academic Team; two were named to the First Team, and two were named to the Second Team. In addition, one of the First Team members was named to the All-USA Second Team and also received the prestigious Guistwhite Scholarship which was awarded to only 20 community college students nation-wide from a pool of over 600 applicants.

FUTURE PROGRAM INITIATIVES

Effective with the fall semester of 2006, the College has added full-time faculty to lead its construction and building trades program as well as its music/cultural events program. Curricular offerings have also expanded in the areas of fire science, automotive technology, graphic arts, and English-Spanish interpretation-translation. Additional full-time faculty members were also added in mathematics and psychology due to the increased demand for course offerings in those areas. By using District tax-based resources, applying the state's Proposition 301 funds, and leveraging these funds through a partnership with the Sierra Vista Regional Health Center, additional resources have been dedicated to the expansion of allied health programs. As of fall semester 2006, student enrollments in the areas of emergency medical technician, paramedicine, and medical assisting have increased 32 % over fall semester, 2005. The College is currently assessing the viability of becoming a certified American Heart Association training facility in response to local health provider requests and is exploring other potential areas for program expansion, including respiratory therapy, medical coding/billing, and medical lab technology. In addition, as part of its strategic plan, the nursing program anticipates piloting the delivery of its freshman nursing lectures using Instructional Television (ITV) at all five District sites effective with spring semester, 2007. Detailed program reviews scheduled for the current year include eleven curricula in academics as well as seven functions in the educational service and support area. In addition, the Online Campus program is in the process of finalizing its strategic plan for the next several years.

FINANCIAL INFORMATION

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

Internal Control

In developing and evaluating the District's accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to provide reasonable, but not absolute assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from that control element, and that the evaluation of costs and benefits requires estimates and judgments from management. All internal control evaluations occur within the above framework. We believe that the District's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls

The District maintains budgetary controls in the form of line item budgets and budget transfer restrictions by function and object. The objective of these budgetary controls is to ensure compliance with the annual budget adopted by the District Governing Board. The District complies with state statutes requiring that a report of the District's adopted budget be published annually within the prescribed format as required by the State of Arizona, Office of the Auditor General. The District also complies with Arizona statutes governing community colleges by issuing an annual budget expenditure limitation report that is examined by the Office of the Auditor General. The expenditure limitation calculation determines the maximum allowable expenditure supported by state appropriations and property tax levies.

Cash Management

The District is governed by the Arizona Revised Statutes relating to the overall investment of idle public funds. The fiduciary responsibility of such investments is entrusted to the District Governing Board and orchestrated through the Vice President for Administration. The District invests idle funds in a prudent, conservative, and secure manner for the highest available yield as prescribed by Arizona Revised Statutes. The principal investment vehicles used during the fiscal year were a pooled investment with both the County Treasurer as well as directly with the LGIP (Local Government Investment Pool). These pools have provided the District with safe, high yielding liquid investments.

Financial Reporting

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

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

RISK MANAGEMENT

The District maintains a full complement of insurance coverage in accordance with Arizona Revised Statutes. Liability coverage is carried on a broad basis, including errors and omissions and “wrongful acts” coverage and is maintained with policy limits in excess of \$25,000,000. Property coverage is maintained on a replacement value basis in accordance with an agreed-upon schedule of values. Additional coverage includes auto fleet liability, crime and fidelity coverage, boiler and machinery insurance, workers’ compensation and student accident coverage. District staff includes a full-time employee dedicated to the risk management function whose responsibilities include minimization of the cost of funding risks through the implementation of safety and loss prevention procedures across the District.

INDEPENDENT AUDIT

The District utilizes the audit services of Miller, Allen & Co., P.C. to ensure compliance with Arizona Revised Statutes requiring an annual audit of the District’s financial statements. The Independent Auditor’s Report is included in the financial section of this CAFR. The District received an unqualified opinion for the fiscal year ended June 30, 2006.

GFOA CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Cochise County Community College District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2005. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGEMENTS

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

Respectfully submitted,

William J. Howard
Director of Financial Operations



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Certificate of Achievement for Excellence in Financial Reporting

Presented to
Cochise County
Community College District
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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



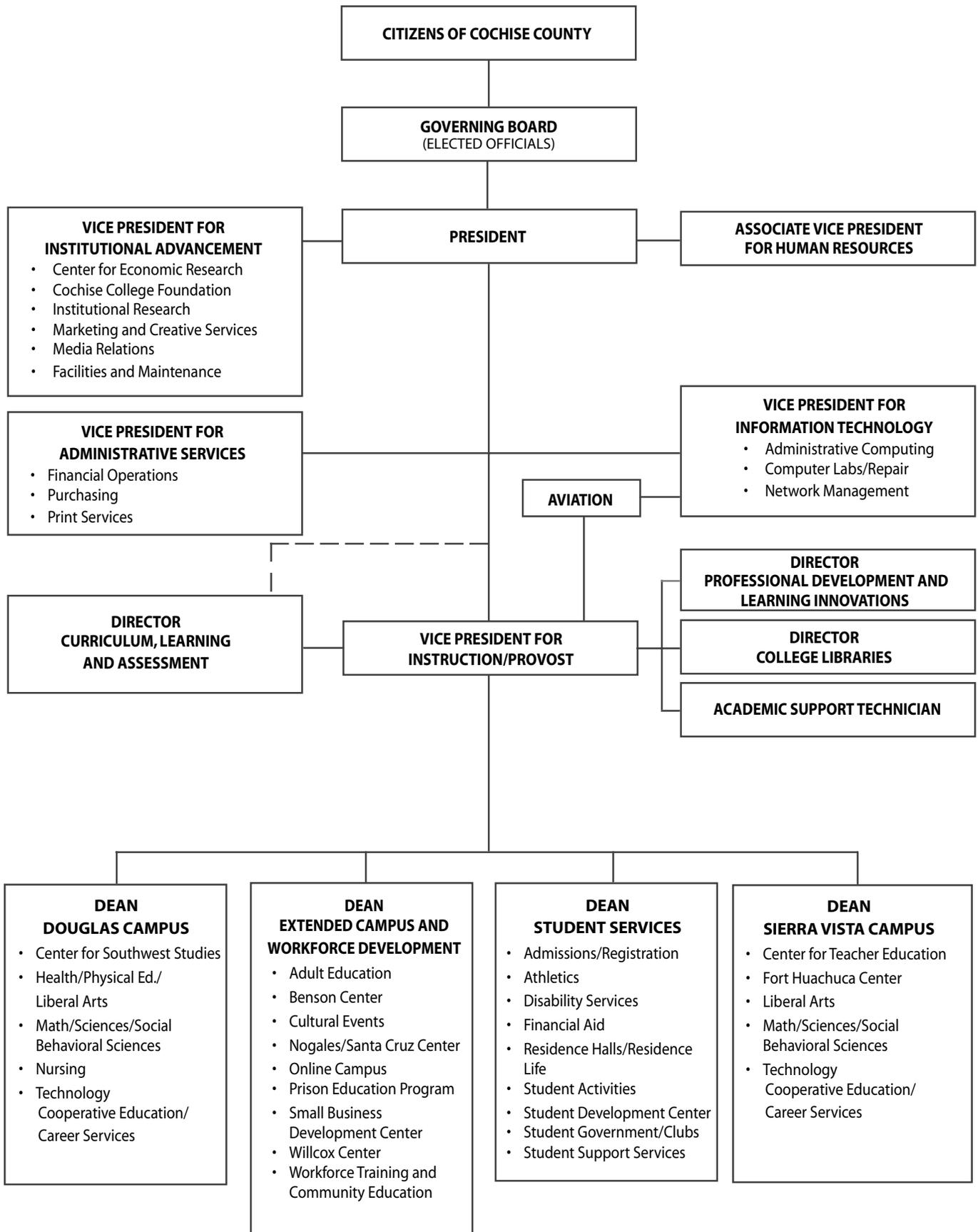
A handwritten signature in black ink, appearing to read "Thomas J. Hawn".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

COCHISE COLLEGE ORGANIZATIONAL CHART



COCHISE COUNTY COMMUNITY COLLEGE DISTRICT

PRINCIPAL OFFICERS

June 30, 2006

DISTRICT GOVERNING BOARD

Mrs. Jan Guy, *Chair, District 5*

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

Dr. Michael J. Carter, *District 2*

Dr. John M. Eaton, *District 4*

Mr. David DiPeso, *District 1*

PRESIDENT

Dr. Karen A. Nicodemus

ADMINISTRATION

Dr. Joanna K. Michelich, *Vice President for Instruction/Provost*

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

Mr. Neil Goodell, *Vice President for Institutional Advancement*

Mr. Robert Howell, *Associate Vice President for Human Resources*



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FINANCIAL SECTION



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MILLER, ALLEN & CO., P.C.

Certified Public Accountants

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PHOENIX, ARIZONA 85014

TEL (602) 264-3888

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MARK L. LANDY, C.P.A.
STEPHEN T. HARRIS, C.P.A.
THOMAS L. FRIEND, C.P.A.
ROBERT N. SNYDER, C.P.A.

ROBERT L. MILLER, C.P.A.
(1931 - 1992)

Independent Auditor's Report

The Auditor General of the State of Arizona

The Governing Board of
Cochise County Community College District

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

The Management's Discussion and Analysis on pages 15 through 22 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 introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. That information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

Miller, Allen & Co., P.C.

October 27, 2006

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

This discussion and analysis introduces the basic financial statements and provides an overview of the District's financial activities for the year ended June 30, 2006. It should be read in conjunction with the letter of transmittal, which precedes this section, and with the financial statements, which immediately follow.

Basic Financial Statements

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 by the District, related liabilities and other obligations, and the various categories of net assets. Net assets is defined as total assets less total liabilities, and as such, represents the institutional equity or ownership in the total assets of the District.

The Statement of Revenues, Expenses, and Changes in Net Assets reflects the results of operations and other changes for the year ended June 30, 2006. It shows the various revenues and expenses, both operating and non-operating, reconciling the beginning net assets balance to the ending net assets balance, shown on the Statement of Net Assets described above.

The Statement of Cash Flows reflects the inflows and outflows of cash and cash equivalents for the year ended June 30, 2006. It indicates the various cash activities by type, reconciling the beginning cash and cash equivalents balance to the ending cash and cash equivalents balance, shown on the Statement of Net Assets described above. In addition, this statement reconciles cash flows used for operating activities to operating loss on the Statement of Revenues, Expenses, and Changes in Net Assets described above.

Although the primary focus of this document is on the results of activities for fiscal year 2005-06 (FY 2006), comparative data is also presented for the previous fiscal year 2004-05 (FY 2005). This Management's Discussion and Analysis (MD&A) uses the prior fiscal year as a reference point in illustrating issues and trends for determining whether the institution's financial health has improved or deteriorated.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

**Condensed Financial Information
Statement of Net Assets**

	As of June 30, 2006	As of June 30, 2005 (as adjusted)
<u>Assets</u>		
Current assets	\$23,167,206	\$18,657,386
Noncurrent assets, other than capital assets	1,173,753	989,933
Capital assets, net	<u>11,200,795</u>	<u>11,683,756</u>
Total assets, net	<u>35,541,754</u>	<u>31,331,075</u>
 <u>Liabilities</u>		
Other liabilities	1,859,808	2,450,554
Long-term liabilities	<u>1,801,082</u>	<u>1,984,434</u>
Total liabilities	<u>3,660,890</u>	<u>4,434,988</u>
 <u>Net Assets</u>		
Invested in capital assets, net of related debt	10,385,795	10,628,755
Restricted	1,457,979	947,780
Unrestricted	<u>20,037,090</u>	<u>15,319,552</u>
Total net assets	<u>\$31,880,864</u>	<u>\$26,896,087</u>

The District's overall financial position improved in FY 2006. Total assets increased by \$4.2 million while total liabilities decreased by \$0.8 million. Total net assets increased by \$5.0 million, compared with an increase of \$5.1 million in the FY 2005. This increase is largely a result of under-spending the budget as well as budgeting contingency reserves in the General Fund and in the Unexpended Plant Fund. The unspent contingency was \$2.7 million in the General Fund and \$1.0 million in the Unexpended Plant Fund. The College received \$3.1 million less in Grants and Contracts than was budgeted this year but this was offset by under-spending the budget as follows: \$1.1 million for Grants and Awards, \$0.6 million for Unexpended Plant, \$0.6 million in Supplies, and \$1.9 million in Services.

For FY 2006, current assets increased to 7.9 times the level of current liabilities, up significantly from last fiscal year when the comparable ratio was 5.4. This increase is due to revenue increases exceeding budgeted growth in expenditures as mentioned above.

In the current year, the District classified all expendable capital projects net assets and debt service net assets as unrestricted net assets rather than restricted net assets, restating net assets for FY 2005 for comparison purposes. After reclassification, unrestricted net assets increased by \$4.7 million in FY 2006, an increase of 30.8 percent. Unrestricted net assets were 62.8 percent of total net assets, up from 57.0 percent in the prior fiscal year. Restricted net assets increased by \$0.5 million in the fiscal year and are now 4.6 percent of total net assets compared to 3.5 percent for the previous fiscal year. The increase in total net assets produced a decrease in investments in capital assets, net of related debt, as a percent of total net assets, moving from 39.5 percent last year to 32.6 percent for FY 2006.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

Statement of Revenues, Expenses, and Changes in Net Assets

	Fiscal Year Ended June 30, 2006	Fiscal Year Ended June 30, 2005
<u>Operating Revenues</u>		
Tuition and fees (net of scholarship allowances)	\$4,115,507	\$4,104,156
Grants and contracts	7,916,255	8,068,675
Other operating revenues	1,501,354	2,210,276
Total operating revenues	<u>13,533,116</u>	<u>14,383,107</u>
Total operating expenses	<u>34,189,122</u>	<u>31,485,813</u>
Operating loss	<u>(20,656,006)</u>	<u>(17,102,706)</u>
<u>Nonoperating revenues (expenses)</u>		
Property taxes	11,786,056	10,910,652
State appropriations	11,270,300	9,384,000
Other nonoperating revenues	962,089	771,765
Investment earnings	715,239	250,213
Interest on capital asset-related debt	(58,501)	(70,576)
Net nonoperating revenues	<u>24,675,183</u>	<u>21,246,054</u>
Excess before capital appropriations	<u>4,019,177</u>	<u>4,143,348</u>
Capital appropriations	<u>965,600</u>	<u>912,200</u>
Increase in net assets	4,984,777	5,055,548
Total net assets, beginning of year	<u>26,896,087</u>	<u>21,840,539</u>
Total net assets, end of year	<u>\$31,880,864</u>	<u>\$26,896,087</u>

Total operating revenues decreased in FY 2006 by \$0.9 million with the most significant decrease coming in auxiliary enterprise revenues of \$0.7 million, a 26.2 % decrease due to the discontinuance of a contract with IT Network Academy in El Paso, Texas.

Non-operating revenues increased \$3.4 million versus the prior year. While the property tax rate did not increase, rising valuation of existing properties and new construction resulted in an increase of \$0.9 million (8.0%) in property tax levy revenue. State appropriations (M&O) increased by \$1.9 million (20.1%) over the prior year; virtually all of this increase was in support of ongoing operations and resulting from a significant increase in student enrollment in FY 2004. Net investment earnings in the period were up from the prior year by \$0.5 million due to rising interest rates and increased investment balances.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

Operating expenses increased by \$2.7 million for the year ended June 30, 2006. The significant elements of the overall increase were as follows:

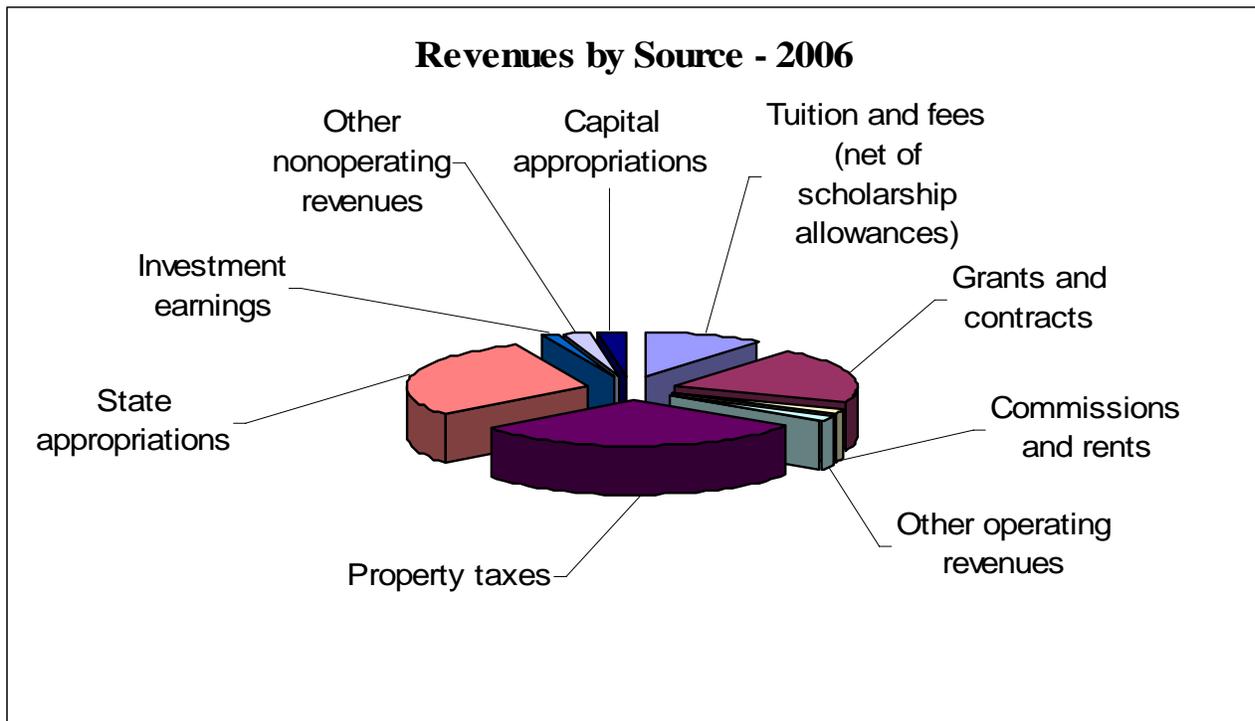
	Increase <u>(\$ 000)</u>	Increase <u>(%)</u>
Salaries and wages	\$2,674	14.2 %
Health insurance premiums	82	5.4
Arizona state retirement	342	50.8
Social security	222	12.5
Non-expendable items	(370)	(72.8)
Licenses, permits, fees	109	97.2
Auxiliary expenditures	(530)	(20.3)

Comparing FY 2006 to the prior year, salaries and wages rose overall by 14.2 percent as a result of a 7.5 percent salary increase, the filling of positions that were vacant for all or part of FY 2005, and the addition of several new positions throughout the District in support of program growth. Operating expense associated with Arizona state retirement increased due to increases in salaries and due to an increase in the contribution rate from 5.2 percent to 6.9 percent. Social security expenses increased in line with the increase in salaries. The District replaced most classroom furniture in FY 2005 and therefore did not purchase as much in the current fiscal year, resulting in a substantial decrease in non-expendable items. Auxiliary expenditures also decreased, largely due to the discontinuance of the contract for certificate training with IT Network Academy located in El Paso, Texas.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

The following is a summary of revenues for fiscal years ended June 30, 2006 and June 30, 2005:

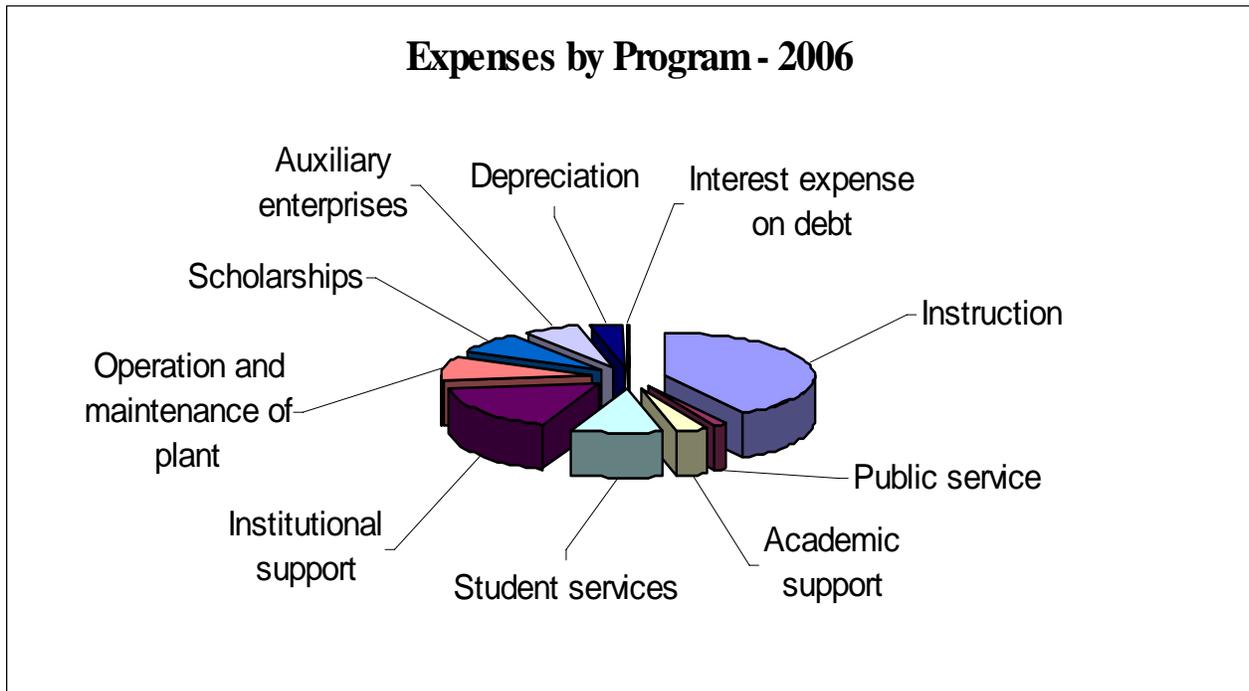
	<u>Fiscal Year Ended June 30, 2006</u>		<u>Fiscal Year Ended June 30, 2005</u>	
<u>Operating revenues</u>				
Tuition and fees (net of scholarship allowances)	\$ 4,115,507	11%	\$ 4,104,156	11%
Grants and contracts	7,916,255	20	8,068,675	22
Commissions and rents	666,826	2	678,778	2
Other operating revenues	834,528	2	1,531,498	4
Total operating revenues	<u>13,533,116</u>	<u>35</u>	<u>14,383,107</u>	<u>39</u>
<u>Nonoperating revenues</u>				
Property taxes	11,786,056	30	10,910,652	30
State appropriations	11,270,300	29	9,384,000	26
Investment earnings	715,239	2	250,213	1
Other nonoperating revenues	962,089	2	771,765	2
Total nonoperating revenues	<u>24,733,684</u>	<u>63</u>	<u>21,316,630</u>	<u>59</u>
Capital appropriations	<u>965,600</u>	<u>2</u>	<u>912,200</u>	<u>2</u>
Total revenues	<u>\$39,232,400</u>	<u>100%</u>	<u>\$36,611,937</u>	<u>100%</u>



**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

The following is a summary of expenses for fiscal years ended June 30, 2006 and June 30, 2005:

	<u>Fiscal Year Ended June 30, 2006</u>		<u>Fiscal Year Ended June 30, 2005</u>	
<u>Operating expenses</u>				
Education and general:				
Instruction	\$14,136,315	41%	\$12,460,037	39%
Public service	498,178	2	561,156	2
Academic support	1,136,549	3	1,051,477	3
Student services	3,431,102	10	2,887,048	9
Institutional support	5,824,808	17	5,005,656	16
Operation and maintenance of plant	3,180,681	9	2,716,508	9
Scholarships	2,681,465	8	3,009,865	10
Auxiliary enterprises	2,074,570	6	2,604,560	8
Depreciation	1,225,454	4	1,189,506	4
Total operating expenses	<u>34,189,122</u>	<u>100</u>	<u>31,485,813</u>	<u>100</u>
<u>Nonoperating expenses</u>				
Interest expense on debt	<u>58,501</u>	<u>-</u>	<u>70,576</u>	<u>-</u>
Total expenses	<u>\$34,247,623</u>	<u>100%</u>	<u>\$31,556,389</u>	<u>100%</u>



**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

Capital Assets

Below is a summary of the capital assets, net of depreciation, as of June 30, 2006 and June 30, 2005. See Note 3 for further details.

	As of <u>June 30, 2006</u>	As of <u>June 30, 2005</u>
Land	\$ 495,580	\$ 495,580
Construction in Progress	120,512	
Buildings	8,323,757	8,614,317
Equipment	708,249	911,596
Improvements other than buildings	1,220,697	1,342,149
Library books	298,450	285,464
Museum and art collection	33,550	34,650
Total	<u>\$11,200,795</u>	<u>\$11,683,756</u>

Long-Term Debt

At June 30, 2006 and June 30, 2005, the District had one certificate of participation issue outstanding totaling \$0.8 million and \$1.1 million, respectively. No new debt was issued during the fiscal year. See Note 4 for further details.

Current Economic Conditions

The population of Cochise County in mid-2005 was approximately 132,000 according to estimates from the Arizona Department of Economic Security. The principal industry in the county was agriculture, accounting for 30% of total 2005 employment, followed by government (23%) and trade, transportation and utilities (12%). Sierra Vista, accounting for approximately 50% of the population of Cochise County and representing the largest local economy, remained dependent upon retail, accommodation and hospitality industries, all of which in turn were fueled primarily by Fort Huachuca. The City of Douglas was also heavily dependent on retail trade, primarily focused on day shoppers coming across the border from Mexico.

Current Factors Having Probable Future Financial Significance

The financial condition of the District remains robust, driven largely by increases in assessed property valuations, stable state appropriations, and prudent expense management. During FY 2006, state appropriations to the District were increased by \$1.9 million (including capital aid), or approximately 20.1 percent. Financial support from the state has continued to grow in line with full-time student equivalents (FTSE). A 4.6 percent increase in tuition was implemented for in-state students in FY 2007 and consideration is being given to a modest increase for the upcoming fiscal year. The District is currently developing a Master Facilities Plan to address the future direction and growth of the District to meet the educational needs of the county.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

Requests for Information

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

**Cochise County Community College District
Statement of Net Assets - Primary Government
June 30, 2006**

	Business-Type Activities
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 20,433,549
Receivables:	
Accounts (less allowances of \$354,103)	213,168
Property taxes (less allowances of \$298,067)	488,348
Government grants and contracts	635,666
Interest	98,655
Other	517,793
Inventories	469,353
Prepaid items	310,674
Total current assets	23,167,206
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	1,148,164
Cash and investments held by trustee	25,589
Capital assets, not being depreciated	616,092
Capital assets, being depreciated, net	10,584,703
Total noncurrent assets	12,374,548
Total assets	35,541,754
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	542,140
Accrued payroll and employee benefits	788,945
Interest payable	25,210
Deposits held in custody for others	286,612
Deferred revenues	216,901
Current portion of compensated absences payable	808,859
Current portion of long-term debt	255,000
Total current liabilities	2,923,667
Noncurrent liabilities:	
Compensated absences payable	177,223
Long-term debt	560,000
Total non-current liabilities	737,223
Total liabilities	3,660,890
<u>Net Assets</u>	
Invested in capital assets, net of related debt	10,385,795
Restricted for:	
Grants and contracts	1,457,979
Unrestricted	20,037,090
Total net assets	\$ 31,880,864

See accompanying notes to financial statements.

**Cochise County Community College District
Statement of Financial Position - Component Unit
June 30, 2006**

	<u>Cochise College Foundation</u>
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 65,482
Note receivable	36,245
Total current assets	<u>101,727</u>
Noncurrent assets:	
Investments	868,792
Investments held for endowment purposes	1,823,296
Land held as an investment	38,311
Total noncurrent assets	<u>2,730,399</u>
Total assets	<u>\$ 2,832,126</u>
<u>Net Assets</u>	
Unrestricted	406,139
Temporarily restricted	958,872
Permanently restricted	1,467,115
Total net assets	<u>\$ 2,832,126</u>

See accompanying notes to financial statements.

Cochise County Community College District
Statement of Revenues, Expenses, and Change in Net Assets - Primary Government
For the Year Ended June 30, 2006

	<u>Business-Type Activities</u>
Operating revenues:	
Tuition and fees (net of scholarship allowances of \$1,817,356)	\$ 4,115,507
Government grants and contracts	7,909,560
Private grants and contracts	6,695
Bookstore income	165,000
Food service income	302,222
Dormitory rentals and fees	199,604
Other	834,528
Total operating revenues	<u>13,533,116</u>
Operating expenses:	
Educational and general:	
Instruction	14,136,315
Public service	498,178
Academic support	1,136,549
Student services	3,431,102
Institutional support	5,824,808
Operation and maintenance of plant	3,180,681
Scholarships	2,681,465
Auxiliary enterprises	2,074,570
Depreciation	1,225,454
Total operating expenses	<u>34,189,122</u>
Operating loss	<u>(20,656,006)</u>
Nonoperating revenues (expenses):	
Property taxes	11,786,056
State appropriations	11,270,300
Share of state sales taxes	962,089
Investment earnings	715,239
Interest on capital asset-related debt	(58,501)
Net nonoperating revenues	<u>24,675,183</u>
Income before other revenues, expenses, gains, or losses	4,019,177
Capital appropriations	<u>965,600</u>
Increase in net assets	4,984,777
Total net assets, July 1, 2005	<u>26,896,087</u>
Total net assets, June 30, 2006	<u>\$ 31,880,864</u>

See accompanying notes to financial statements.

Cochise County Community College District
Statement of Activities - Component Unit
For the Year Ended June 30, 2006

	Cochise College Foundation			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue:				
Contributions	\$ 91,873	\$ 642,633	\$ 144,237	\$ 878,743
Investment income	33,170			33,170
Total support and revenue before net assets released from restriction	125,043	642,633	144,237	911,913
Net assets released from restriction	497,163	(497,163)		
Total support and revenue	622,206	145,470	144,237	911,913
Expenses:				
Program expenses:				
Scholarships	424,704			424,704
Special programs	35,211			35,211
Other programs	37,248			37,248
Total program expenses	497,163			497,163
Supporting services:				
Salaries and wages	82,816			82,816
Other	16,879			16,879
Total supporting services	99,695			99,695
Total expenses	596,858			596,858
Change in net assets	25,348	145,470	144,237	315,055
Net assets, beginning of year	380,791	813,402	1,322,878	2,517,071
Net assets, end of year	\$ 406,139	\$ 958,872	\$ 1,467,115	\$ 2,832,126

See accompanying notes to financial statements.

**Cochise County Community College District
Statement of Cash Flows - Primary Government
For the Year Ended June 30, 2006**

	Business-Type Activities
Cash flows from operating activities:	
Tuition and fees	\$ 4,105,485
Grants and contracts	7,574,714
Bookstore receipts	165,000
Food services receipts	302,222
Dormitory rentals and fees	199,604
Other receipts	795,034
Payments to suppliers and providers of goods and services	(8,111,668)
Payments to employees	(22,288,211)
Payments for scholarships	(2,681,465)
Other payments	(83,657)
Net cash used for operating activities	(20,022,942)
Cash flows from noncapital financing activities:	
Property taxes	11,858,507
State appropriations	11,270,300
Share of state sales taxes	861,685
Federal family education loan receipts	2,602,126
Federal family education loan disbursements	(2,601,678)
Short-term loans received	4,022
Short-term loans disbursed	(4,121)
Deposits held in custody for others received	1,613,295
Deposits held in custody for others disbursed	(1,526,977)
Net cash provided by noncapital financing activities	24,077,159
Cash flows from capital and related financing activities:	
Capital appropriations	965,600
Principal paid on capital debt	(240,000)
Interest paid on capital debt	(64,820)
Purchases of capital assets	(697,562)
Net cash used for capital and related financing activities	(36,782)
Cash flows from investing activities:	
Interest received on investments	668,718
Net cash provided by investing activities	668,718
Net increase in cash and cash equivalents	4,686,153
Cash and cash equivalents, July 1, 2005	16,895,560
Cash and cash equivalents, June 30, 2006	\$ 21,581,713

(Continued)

See accompanying notes to financial statements.

**Cochise County Community College District
Statement of Cash Flows - Primary Government
For the Year Ended June 30, 2006
(Concluded)**

	Business-Type Activities
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (20,656,006)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	1,225,454
Changes in assets and liabilities:	
Increase in:	
Other receivables	(39,494)
Government grants and contracts receivable	(341,541)
Inventories	(163,458)
Prepaid items	(185,391)
Accounts payable	47,344
Accrued payroll and employee benefits	43,524
Compensated absences payable	56,648
Decrease in:	
Accounts receivable	796,871
Deferred revenues	(806,893)
Net cash used for operating activities	\$ (20,022,942)

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

During the year the District disposed of obsolete and retired capital assets in the amount of \$638,033 with a net book value of \$0.

See accompanying notes to financial statements.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District is a special-purpose government that is governed by a separately elected governing body. It is legally separate and fiscally independent of other state and local governments. The accompanying financial statements present the activities of the District (the primary government) and its discretely-presented component unit, the Cochise College Foundation, Inc. (the Foundation).

The Foundation is a legally separate, tax-exempt organization. It acts primarily as a fund-raising organization that receives gifts and bequests, administers those resources, and disburses payments to or on behalf of the District for scholarships. Although the District does not control the timing or amount of the receipts from the Foundation, the Foundation's restricted resources can only be used by, or for the benefit of, the District or its constituents. Consequently, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements.

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

During the year ended June 30, 2006, the Foundation distributed \$357,469 to and on behalf of the District for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Cochise College Foundation, 4190 West Highway 80, Douglas, Arizona 85607-6190.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

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

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 non-current. 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 are gifts that have been received for endowment purposes, the corpus of which cannot be expended. 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 and additions to endowments. 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 book store, 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 operating, non-capital financing, capital financing, or investing.

The financial statements are reported 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 District eliminates all internal activity.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

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

It is the District's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

C. Cash and Investments

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

D. Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

E. Capital Assets

Capital assets are reported at actual cost, or estimated historical cost if historical records are not available. Donated assets are reported at estimated fair value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$5,000	N/A	N/A
Improvements other than buildings	5,000	Straight line	15 years
Buildings	5,000	Straight line	40 years
Equipment	5,000	Straight line	5-30 years
Museum art collection	5,000	Straight line	60 years
Library books	1	Straight line	10 years

F. Investment Earnings

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

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

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

G. Compensated Absences

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to 176 hours of vacation depending on years of service, 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 un-forfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Generally, sick leave benefits provide for ordinary sick pay and are cumulative but do not vest with employees. Therefore, a liability for sick leave benefits is not accrued in the financial statements. However, for employees who are at least 55 years of age or have met the necessary points for full retirement with the Arizona State Retirement System and have been employed by the District for at least 10 years, a portion of their sick leave benefits does vest. Those amounts are accrued as a liability in the financial statements.

H. 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.

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. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk or foreign currency risk for the District's investments.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 2 - DEPOSITS AND INVESTMENTS (Cont'd)

At June 30, 2006, the District's deposits and investments consisted of the following:

	Reported on the Statement of Net Assets as:	
	Cash and Cash Equivalents	Cash and Investments Held by Trustee
Deposits:		
Cash on hand	\$ 11,135	\$
Cash in bank	569,317	
Investments at fair value:		
Cash and investments held by the County Treasurer	582,780	
Investment in State Treasurer's investment pool	20,418,481	
Money market mutual fund – debt securities		25,589
Total	\$21,581,713	\$25,589

Deposits: For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to the district. The District currently does not have a deposit policy for custodial credit risk. At June 30, 2006, the carrying amount of the District's cash in bank was \$569,317, and the bank balance was \$1,205,275, of which \$1,105,275 was exposed to custodial credit risk as it was collateralized with securities held by the pledging financial institution.

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

	Maturities	Fair Value
Money Market Mutual Fund – debt securities	Less than one year	\$ 25,589
County Treasurer's investment pool	13.68 months average	582,780
State Treasurer's investment pools	37 days average	20,418,481
Total		\$21,026,850

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.

Interest Rate Risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 2 - DEPOSITS AND INVESTMENTS (Concl'd)

Credit Risk. The District has no investment policy with respect to credit risk that would further limit its investment choices. The State and County Treasurers' investment pools and the investment in the money market mutual fund are not rated.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of a counterparty's failure, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District currently does not have an investment policy for custodial risk. The District's cash and investments held by the trustee have a custodial credit risk exposure of \$25,589 because the related securities are uninsured, unregistered and held by the District's brokerage firm (counterparty) not in the District's name.

NOTE 3 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 495,580	\$	\$	\$ 495,580
Construction in Progress		120,512		120,512
Total capital assets not being depreciated	495,580	120,512		616,092
Capital assets being depreciated:				
Buildings	18,972,128	191,284		19,163,412
Equipment	5,826,491	281,622	(552,872)	5,555,241
Improvements other than buildings	4,157,039	80,826		4,237,865
Library books	1,259,197	68,249	(85,161)	1,242,285
Museum art collection	66,000			66,000
Total capital assets being depreciated	30,280,855	621,981	(638,033)	30,264,803
Less accumulated depreciation for:				
Buildings	(10,357,811)	(481,844)		(10,839,655)
Equipment	(4,914,895)	(484,969)	552,872	(4,846,992)
Improvements other than buildings	(2,814,890)	(202,278)		(3,017,168)
Library books	(973,733)	(55,263)	85,161	(943,835)
Museum art collection	(31,350)	(1,100)		(32,450)
Total accumulated depreciation	(19,092,679)	(1,225,454)	638,033	(19,680,100)
Total capital assets being depreciated, net	11,188,176	(603,473)		10,584,703
Capital assets, net	\$11,683,756	\$ (482,961)	\$ -	\$11,200,795

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 4 – LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Compensated absences payable	\$929,434	\$890,350	\$833,702	\$986,082	\$808,859
Certificates of participation payable	1,055,000		240,000	815,000	255,000
Total long-term liabilities	<u>\$1,984,434</u>	<u>\$890,350</u>	<u>\$1,073,702</u>	<u>\$1,801,082</u>	<u>\$1,063,859</u>

Certificates of Participation - The District has issued certificates of participation that were generally non-callable until 2004 when they became callable at a premium, with interest payable semiannually to fund a portion of the \$5,000,000 building expansion project on the Sierra Vista campus.

Certificates outstanding at June 30, 2006, were as follows:

<u>Issue</u>	<u>Original Amount</u>	<u>Maturity Ranges</u>	<u>Interest Rates</u>	<u>Outstanding Principal</u>
Series 1993	\$3,000,000	7/1/2006-09	6.10%-6.25%	\$815,000

The following schedule details debt service requirements to maturity for the District’s certificates of participation payable at June 30, 2006:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2007	255,000	42,642
2008	270,000	26,495
2009	290,000	9,063
Total	<u>\$815,000</u>	<u>\$78,200</u>

NOTE 5 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all such risks of loss, including workers’ compensation and accident insurance. In addition, the District carries specialized commercial insurance for the risks of loss associated with its aircraft program and nursing and emergency medical technician student program. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 6 - 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 85012-3910 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 7.40 percent (6.90 percent retirement and 0.50 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 \$1,089,325, \$738,337, and \$620,691, respectively, which were equal to the required contributions for the year.

NOTE 7 - OPERATING EXPENSES

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

Personnel services	\$22,388,383
Contract services	2,792,749
Supplies and other services	2,441,918
Rent and insurance	875,245
Communications and utilities	913,088
Travel	468,778
Scholarships	2,681,465
Depreciation	1,225,454
Other	402,042
Total	<u>\$34,189,122</u>

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 8 – DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURE

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cochise College Foundation, Inc. (the Foundation) is an Arizona not-for-profit organization established to support the educational goals of the Cochise County Community College District primarily through the funding of scholarships. Foundation policy is provided and directed by a fifteen member Board of Directors composed of appointed individuals.

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions. Accordingly, the 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 restrictions.

Temporarily restricted net assets – net assets subject to donor-imposed restrictions 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 restrictions that must be maintained permanently by the Foundation.

Temporarily restricted net assets are those whose use by the Foundation have been limited by donors to a specific time period or purpose. When a donor restriction expires, either when the stipulated time restriction ends or the purpose restriction is accomplished, temporarily restricted net assets are classified as unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reported as restricted contributions and subsequently released from restriction in the accompanying financial statements.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restriction.

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Unconditional promises and other gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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

Revenue and expenses are recorded on the accrual basis. Revenue received for future scholarships is deferred until the applicable year.

Expense Allocation

Directly identifiable expenses of the Foundation's programs are charged to scholarships and other programs. Supporting services expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited to any one institution. The Foundation has not experienced any losses on its cash equivalents.

Donated Land and Equipment

Donated land and equipment are reflected as contributions in the accompanying financial statements at their estimated values at the date of receipt.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

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

Income Tax Status

The Foundation is exempt from federal income tax as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Arizona Revised Statutes. Accordingly, there are no income taxes reflected on the Statement of Financial Position or the Statement of Activities.

B. CASH AND INVESTMENTS

At June 30, 2006, the carrying amount of the Foundation's deposits was \$65,482, and the bank balance was \$71,071, which was entirely covered by Federal depository insurance or Securities Investor Protection Cooperation Coverage.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-15</u>	<u>More than 15</u>
Certificates of Deposit	\$ 405,094	\$405,094			
Corporate Bonds	1,418,202	39,443	\$240,478	\$669,644	\$468,637
		<u>\$444,537</u>	<u>\$240,478</u>	<u>\$669,644</u>	<u>\$468,637</u>
Stocks	14,992				
Mutual Funds	<u>853,800</u>				
Total	<u>\$2,692,088</u>				

Interest Rate Risk. The Foundation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The Foundation has no investment policy that would further limit its investment choices. The Foundation's investments in corporate bonds were rated by Standard & Poor's as follows.

<u>Rating</u>	<u>Amount</u>
AAA	\$ 126,937
AA	148,025
A	835,703
BBB	225,897
BB	81,640
Total	<u>\$1,418,202</u>

Concentration of Credit Risk. The Foundation places no limit on the amount the Foundation may invest in any one issuer. The Foundation did not invest more than five percent of its total investments in any one issuer.



COCHISE COLLEGE

Creating opportunities...changing lives.

C O C H I S E C O L L E G E

**STATISTICAL
SECTION**



creating opportunities...changing lives

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NET ASSETS by COMPONENT
Last Five Fiscal Years (1)
Unaudited

	2005/06	2004/05	2003/04	2002/03	2001/02
Primary government					
Invested in capital assets, net of related debt	\$ 10,385,795	\$ 10,628,755	\$ 10,749,501	\$ 10,650,275	\$ 11,442,979
Restricted (2)	1,457,979	947,780	449,062	359,452	262,010
Unrestricted (2)	20,037,090	15,319,552	10,641,976	7,347,628	5,924,985
Total primary government net assets	\$ 31,880,864	\$ 26,896,087	\$ 21,840,539	\$ 18,357,355	\$ 17,629,974

Source: Annual reports on audited financial statements for the past five fiscal years.

Note (1): Beginning in fiscal year 2001/02, the District implemented the reporting requirements of GASB statement No. 35. Since prior years financial information has not been restated, only the past five fiscal years revenues are presented above.

Note (2): In FY 2006, Expendable Capital Projects Net Assets and Debt Service Net Assets were reclassified from Restricted Net Assets to Unrestricted Net Assets. Prior years' data have been restated for comparability.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
 CHANGES in NET ASSETS
 Last Five Fiscal Years (1)
 Unaudited

	2005/06	2004/05	2003/04	2002/03	2001/02
Operating Revenues					
Tuition and fees	\$ 4,115,507	\$ 4,104,156	\$ 3,874,044	\$ 3,395,065	\$ 2,830,410
Bookstore sales	165,000	165,000	113,160	113,723	106,697
Food service sales	302,222	303,693	302,177	304,974	339,556
Dormitory rentals	199,604	210,085	193,778	229,280	250,054
Other sales and services	834,528	1,531,498	869,457	352,220	322,833
Operating grants and contracts	7,916,255	8,068,675	7,357,217	7,717,577	6,608,123
Total operating revenues	13,533,116	14,383,107	12,709,833	12,112,839	10,457,673
Operating Expenses					
Instruction	14,136,315	12,460,037	11,664,764	12,166,791	11,282,892
Public service	498,178	561,156	456,122	340,121	412,659
Academic support	1,136,549	1,051,477	903,969	861,049	829,502
Student services	3,431,102	2,887,048	2,726,816	2,849,238	2,463,364
Institutional support	5,824,808	5,005,656	4,317,051	4,555,534	4,270,073
Operation & maintenance of Plant	3,180,681	2,716,508	2,588,501	2,448,144	2,529,219
Scholarships	2,681,465	3,009,865	3,027,789	3,325,570	2,774,394
Depreciation	1,225,454	1,189,506	1,112,495	1,010,505	1,063,415
Auxiliary enterprises	2,074,570	2,604,560	1,601,063	1,336,144	1,693,613
Total operating expenses	34,189,122	31,485,813	28,398,570	28,893,096	27,319,131
Operating income (loss)	(20,656,006)	(17,102,706)	(15,688,737)	(16,780,257)	(16,861,458)
Nonoperating Revenues/(Expenses)					
Property taxes	11,786,056	10,910,652	10,144,554	9,642,802	8,744,747
State appropriations	12,235,900	10,296,200	8,430,600	8,228,801	8,833,600
Share of state sales taxes	962,089	771,765	588,067	424,850	540,737
Investment earnings/(loss)	715,239	250,213	92,798	(204,595)	197,523
Miscellaneous	-	-	-	-	38,000
Interest on debt	(58,501)	(70,576)	(84,098)	(96,408)	(107,570)
Total nonoperating revenues/expenses	25,640,783	22,158,254	19,171,921	17,995,450	18,247,037
Change in Net Assets	\$ 4,984,777	\$ 5,055,548	\$ 3,483,184	\$ 1,215,193	\$ 1,385,579

Source: Annual reports on audited financial statements for the past five fiscal years.

Note (1): Beginning in fiscal year 2001/02, the District implemented the reporting requirements of GASB Statement No. 35. Since prior years financial information has not been restated, only the past five fiscal years are presented here.

Note (2): Total Net Assets for the year ended June 30, 2002 was adjusted due to the understating of capital assets and capital depreciation in the amount of \$487,812.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
REVENUES by SOURCE
Last Five Fiscal Years (1)
Unaudited

Source of Revenue	2005/06	2004/05	2003/04	2002/03	2001/02
Property taxes	\$ 11,786,056	\$ 10,910,652	\$ 10,144,554	\$ 9,642,802	\$ 8,744,747
State appropriations	12,235,900	10,296,200	8,430,600	8,228,801	8,819,379
Governmental grants and contracts	7,909,560	7,996,983	7,353,192	7,715,886	6,607,112
Tuition and fees	4,115,507	4,104,156	3,874,044	3,395,065	2,830,410
Investment income	715,239	250,213	92,798	(204,595)	197,523
Bookstore sales	165,000	165,000	113,160	113,723	106,697
Food services sales	302,222	303,693	302,177	304,974	339,556
Dormitory rentals	199,604	210,085	193,778	229,280	250,054
Other	1,803,312	2,374,955	1,461,549	778,761	902,581
Total Revenues	\$ 39,232,400	\$ 36,611,937	\$ 31,965,852	\$ 30,204,697	\$ 28,798,059

Source: Annual reports on audited financial statements for the past five fiscal years.

Note (1): Beginning in fiscal year 2001/02, the District implemented the reporting requirements of GASB statement No. 35. Since prior years financial information has not been restated, only the past five fiscal years revenues are presented above.

COSHISE COUNTY COMMUNITY COLLEGE DISTRICT
EXPENSES by FUNCTION
Last Five Fiscal Years (1)
Unaudited

Function	2005/06	2004/05	2003/04	2002/03	2001/02
Instruction	\$ 14,136,315	\$ 12,460,037	\$ 11,664,764	\$ 12,166,791	\$ 11,282,892
Public service	498,178	561,156	456,122	340,121	412,659
Academic support	1,136,549	1,051,477	903,969	861,049	829,502
Student services	3,431,102	2,887,048	2,726,816	2,849,238	2,463,364
Institutional support	5,824,808	5,005,656	4,317,051	4,555,534	4,270,073
Operation & maintenance of plant	3,180,681	2,716,508	2,588,501	2,448,144	2,529,219
Scholarships	2,681,465	3,009,865	3,027,789	3,325,570	2,774,394
Depreciation	1,225,454	1,189,506	1,112,495	1,010,505	1,063,415
Interest on debt	58,501	70,576	84,098	96,408	107,570
Auxiliary enterprises	2,074,570	2,604,560	1,601,063	1,336,144	1,693,613
Total Expenditures	\$34,247,623	\$31,556,389	\$28,482,668	\$28,989,504	\$27,426,701

Source: Annual reports on audited financial statements for the past five fiscal years.

Note (1): Beginning in fiscal year 2001/02, the District implemented the reporting requirements of GASB statement No. 35. Since prior years financial information has not been restated, only the past five fiscal years expenses are presented above.

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

FISCAL YEAR	STATUTORY EXPENDITURE LIMITATION (1)	BUDGETED EXPENDITURES SUBJECT TO LIMITATION (2)	UNUSED LEGAL LIMIT
1996/97	\$ 19,803,102	\$ 15,439,755	\$ 4,363,347
1997/98	20,202,737	17,022,022	3,180,715
1998/99	19,000,727	16,075,334	2,925,393
1999/00	20,295,431	19,459,919	835,512
2000/01	19,189,074	19,094,305	94,769
2001/02	21,370,511	17,160,964	4,209,547
2002/03	22,544,097	16,833,821	5,710,276
2003/04	23,778,152	16,483,870	7,294,282
2004/05	30,719,685	19,043,923	11,675,762
2005/06	40,285,804	21,671,982	18,613,822

Source: Audited Reports on Audit of Annual Budgeted Expenditure Limitation.

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

Note 2: Budgeted expenditures are net of allowable exclusions.

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

Fiscal Year	(1) Total Tax Levy	(2) Current Tax Collection	Percent of Current Tax Collections to Total Tax Levy	(2) Delinquent Tax Collections	(2) Total Tax Collections	Percent of Total Tax Collections to Total Tax Levy
1996/97	\$ 7,365,886	\$ 6,962,282	94.52%	\$ 377,923	\$ 7,340,205	99.65%
1997/98	7,599,198	7,228,113	95.12%	356,777	7,584,890	99.81%
1998/99	7,754,875	7,348,697	94.76%	402,298	7,750,995	99.95%
1999/00	7,947,218	7,553,817	95.05%	376,202	7,930,019	99.78%
2000/01	8,551,935	8,048,015	94.11%	480,246	8,528,261	99.72%
2001/02	8,755,738	8,312,788	94.94%	424,939	8,737,727	99.79%
2002/03	9,608,286	9,179,967	95.54%	398,954	9,578,921	99.69%
2003/04	10,192,074	9,657,550	94.76%	495,933	10,153,483	99.62%
2004/05	10,918,770	10,477,681	95.96%	398,009	10,875,690	99.61%
2005/06	11,877,479	11,464,243	96.52%		11,464,243	96.52%

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

Note 1: All amounts shown are for the General Fund only through fiscal year 2000-01. Thereafter, amounts are presented district-wide, in accordance with GASB Statement Number 35. In addition, amounts presented are the original levies, prior to any adjustments.

Note 2: Amounts collected are recorded on a cash basis.

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

Fiscal Year/ Levy Type	Net Assessed Value	Full Cash Value	Percentage of Net Assessed to Full Cash Value
1996/97 primary	\$ 421,678,814	\$ 2,913,200,215	14.47%
1996/97 secondary	425,180,120	2,944,128,560	14.44%
1997/98 primary	437,540,198	3,082,541,434	14.19%
1997/98 secondary	445,097,571	3,138,898,087	14.18%
1998/99 primary	446,503,626	3,193,188,932	13.98%
1998/99 secondary	453,600,888	3,244,824,066	13.98%
1999/00 primary	457,578,184	3,335,394,089	13.72%
1999/00 secondary	466,985,024	3,398,094,759	13.74%
2000/01 primary	492,396,096	3,564,695,900	13.81%
2000/01 secondary	503,163,777	3,666,404,012	13.72%
2001/02 primary	504,130,498	3,709,879,002	13.59%
2001/02 secondary	517,193,490	3,824,151,522	13.52%
2002/03 primary	537,737,089	3,976,034,494	13.52%
2002/03 secondary	554,220,855	4,109,659,631	13.49%
2003/04 primary	570,409,342	4,316,623,673	13.21%
2003/04 secondary	586,985,389	4,457,391,244	13.17%
2004/05 primary	611,079,588	4,677,083,356	13.07%
2004/05 secondary	628,655,003	4,824,239,743	13.03%
2005/06 primary	664,734,679	5,135,195,057	12.94%
2005/06 secondary	682,367,252	5,301,085,759	12.87%

Source: Cochise County Assessor's Office.

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

Fiscal Year		Cochise College	(1) State of Arizona	Cochise County	Cities/Towns and Special Districts		School Districts	
					From	To	From	To
1996/97	Primary	\$ 1.7468	\$ 0.4700	\$ 2.9995	\$0.3299	\$ 2.1735	\$ 1.5704	\$ 11.5044
	Secondary	-	-	0.4148	0.0999	3.0000	0.0000	3.4377
1997/98	Primary	1.7368	-	2.9873	0.3069	2.6321	0.0000	12.0203
	Secondary	-	-	0.4148	0.0999	2.8757	0.5005	2.9480
1998/99	Primary	1.7368	-	2.9873	0.0100	2.5399	0.0000	12.0203
	Secondary	-	-	0.4148	0.0947	3.0000	0.4458	2.9552
1999/00	Primary	1.7368	-	2.9873	0.0096	7.0288	0.0000	12.0203
	Secondary	-	-	0.4148	0.1000	2.7968	0.4305	2.9934
2000/01	Primary	1.7368	-	2.9373	0.0086	2.4774	0.0000	11.3559
	Secondary	-	-	0.4148	0.0100	2.9976	0.0000	2.9562
2001/02	Primary	1.7368	-	2.9373	0.0083	2.4774	1.1679	11.4960
	Secondary	-	-	0.4148	0.1000	3.0000	0.3416	2.5575
2002/03	Primary	1.7868	-	2.9373	0.0076	2.4556	1.2605	11.9069
	Secondary	-	-	0.4148	0.1000	2.9986	0.3111	2.3008
2003/04	Primary	1.7868	-	2.9373	0.1500	2.3675	1.5519	16.5502
	Secondary	-	-	0.4148	0.1000	3.0000	0.0000	2.5127
2004/05	Primary	1.7868	-	2.9373	0.1500	2.3817	0.0666	9.9236
	Secondary	-	-	0.4148	0.1000	2.9999	0.0000	2.5555
2005/06	Primary	1.7868	-	2.9373	0.1435	2.3609	1.0167	10.5605
	Secondary	-	-	0.4148	0.0896	2.9686	0.0000	2.5485

Source: Cochise County Assessors/Treasurer's Office.

Note (1): State property tax eliminated in 1996.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
 PRINCIPAL TAXPAYERS
 June 30, 2006
 Unaudited

Taxpayer	2006 Primary Assessed Valuation	Percent of Cochise County's 2005/06 Primary Assessed Valuation
Arizona Electric Power Coop Inc	\$ 32,641,312	4.44%
Sulphur Springs Valley Electric Co-Op Inc	18,504,748	2.52%
El Paso Natural Gas Company	15,373,839	2.09%
Qwest Corporation	11,573,436	1.58%
Valley Telephone Co-Op	9,900,990	1.35%
Southwest Gas Corporation	8,733,895	1.19%
Arizona Public Service Company	7,178,264	0.98%
Southwest Transmission	6,775,238	0.92%
Union Pacific Railroad	5,341,956	0.73%
Price Development Co	4,282,411	0.58%

Source: Cochise County Assessor's Office

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
 COMPUTATION of LEGAL DEBT MARGIN
 June 30, 2006
 Unaudited

Secondary assessed value of real and personal property (1)	<u>\$ 682,367,252</u>
Debt limit = 15% of secondary assessed value	102,355,088
Amount of debt applicable to debt limit:	
General obligation bonded debt	_____ -
Legal debt margin, June 30, 2006	<u>\$ 102,355,088</u>

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

Note (1): Tax year 2006.

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

Fiscal Year	Primary Assessed Valuation	Tax Rate	(1) Tax Levy	Secondary Assessed Valuation	Tax Rate	(2) Tax Levy
1996/97	\$ 421,678,814	\$ 1.7468	\$ 7,365,886	\$ 425,180,120	\$ -	\$ -
1997/98	437,540,198	1.7368	7,599,198	445,097,571	-	-
1998/99	446,503,626	1.7368	7,754,875	453,600,888	-	-
1999/00	457,578,184	1.7368	7,947,218	466,985,024	-	-
2000/01	492,396,096	1.7368	8,551,935	503,163,777	-	-
2001/02	504,130,498	1.7368	8,755,738	517,193,490	-	-
2002/03	537,737,089	1.7868	9,608,286	554,220,855	-	-
2003/04	570,409,342	1.7868	10,192,074	586,985,389	-	-
2004/05	611,079,588	1.7868	10,918,770	628,655,003	-	-
2005/06	664,734,679	1.7868	11,877,479	682,367,252	-	-

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

Note (1): Tax levy for primary property tax, net of adjustments to current or prior years' levy.

Note (2): Cochise College District does not currently have any secondary taxes levied.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
RATIO of ANNUAL DEBT SERVICE EXPENDITURES for CERTIFICATES OF PARTICIPATION to
OPERATING EXPENSES/EXPENDITURES
Last Ten Fiscal Years
Unaudited

Fiscal Year	Principal	Interest	Total Debt Service	Total Operating Expenses/ Expenditures (1)	Percentage of Debt Service to Operating Expenses/ Expenditures
1996/97	\$ 150,000	\$ 151,745	\$ 301,745	\$ 22,664,020	1.33%
1997/98	155,000	144,460	299,460	24,321,126	1.23%
1998/99	165,000	136,455	301,455	26,320,650	1.15%
1999/00	175,000	122,973	297,973	27,867,255	1.07%
2000/01	185,000	112,890	297,890	27,939,256	1.07%
2001/02	190,000	107,570	297,570	27,426,701	1.08%
2002/03	205,000	96,408	301,408	28,989,504	1.04%
2003/04	215,000	84,098	299,098	28,482,668	1.05%
2004/05	225,000	70,578	295,578	31,556,389	0.94%
2005/06	240,000	58,501	298,501	34,189,122	0.87%

Source: Annual Audited Financial Statements and District records .

Note (1): Amounts shown for operating expenditures represent current funds operating expenditures prior to fiscal year 2001-02. Beginning with fiscal year 2001-02, operating expenses are presented using GASB Statement Number 35.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
 CERTIFICATES OF PARTICIPATION COVERAGE
 Last Ten Fiscal Years
 Unaudited

Fiscal Year	Pledged Revenues (1)	Debt Service Requirements (2)			Percentage of Debt Service Requirements To Pledged Revenues
		Principal	Interest	Total	
1996/97	\$ 5,291,242	\$ 150,000	\$ 151,745	\$ 301,745	5.70%
1997/98	5,156,632	155,000	144,460	299,460	5.81%
1998/99	6,817,871	165,000	136,455	301,455	4.42%
1999/00	6,111,374	175,000	122,973	297,973	4.88%
2000/01	6,552,437	185,000	112,890	297,890	4.55%
2001/02	4,047,073	190,000	107,570	297,570	7.35%
2002/03	4,190,667	205,000	96,408	301,408	7.19%
2003/04	5,445,414	215,000	84,098	299,098	5.49%
2004/05	6,564,645	225,000	70,578	295,578	4.50%
2005/06	6,332,100	240,000	58,501	298,501	4.71%

Source: Annual Audited Financial Statements and District records.

Note (1): Pledged revenues include tuition and fees, bookstore revenues, food service sales, dormitory rentals, investment and other income. Beginning in fiscal year 2001-02, tuition and fees, food service sales, and dormitory rentals are reported net of scholarships and allowances per GASB Statement Number 35.

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

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

Fiscal Year	Historic Headcount	Historic FTSE (1)	Annual Tuition Rates (2)
1996/97	8,669	2,919	\$ 810
1997/98	9,297	3,255	810
1998/99	9,950	3,572	810
1999/00	10,033	3,540	810
2000/01	9,865	3,528	960
2001/02	9,206	3,597	970
2002/03	10,367	4,344	1,050
2003/04	12,876	6,035	1,200
2004/05	13,608	6,577	1,350
2005/06	13,365	6,629	1,410

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

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

Note (2): Tuition based on in-state rate for one year of full-time equivalent credit.

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

Fall Semester Fiscal Year	Attendance		Gender		Residency			
	Full-Time	Part-Time	Male	Female	Resident	Resident Unorganized County	Out of State	Foreign
1996/97	31.9%	68.1%	40.5%	59.5%	93.1%	0.8%	4.9%	1.2%
1997/98	32.9%	67.1%	40.5%	59.5%	93.4%	0.7%	5.0%	0.9%
1998/99	32.3%	67.7%	42.5%	57.5%	92.3%	0.4%	6.0%	1.3%
1999/00	28.1%	71.9%	42.6%	57.4%	93.5%	0.6%	5.0%	1.0%
2000/01	27.6%	72.4%	42.2%	57.8%	94.5%	0.3%	4.5%	0.6%
2001/02	28.6%	71.4%	41.6%	58.4%	92.7%	0.2%	6.5%	0.6%
2002/03	28.3%	71.7%	40.8%	59.2%	92.8%	0.5%	6.2%	0.6%
2003/04	28.8%	71.2%	39.0%	61.0%	92.6%	0.6%	6.0%	0.8%
2004/05	28.1%	71.9%	40.3%	59.7%	89.2%	4.7%	5.2%	0.9%
2005/06	28.2%	71.8%	39.5%	60.5%	87.3%	6.0%	5.0%	1.7%

Fall Semester Fiscal Year	Age		Ethnic Background					
	Median	Mean	American Indian	Asian American	Hispanic	African American	White	Other/Unknown
1996/97	27	31	1.2%	3.8%	26.7%	6.9%	57.9%	3.5%
1997/98	27	31	1.1%	3.4%	27.9%	7.0%	56.7%	4.0%
1998/99	27	30	1.0%	3.6%	26.5%	7.4%	56.6%	5.0%
1999/00	26	30	1.2%	3.7%	27.8%	6.6%	56.1%	4.6%
2000/01	26	30	1.0%	4.0%	27.9%	6.4%	56.4%	4.4%
2001/02	25	30	0.8%	3.8%	27.9%	6.5%	55.8%	5.2%
2002/03	25	30	1.1%	4.2%	27.0%	6.5%	55.2%	6.0%
2003/04	25	30	1.0%	3.9%	26.3%	6.8%	55.5%	6.3%
2004/05	25	29	0.9%	3.3%	29.5%	6.6%	54.4%	5.3%
2005/06	24	29	1.0%	3.4%	33.8%	6.0%	51.0%	4.8%

Source: District records.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
 ECONOMIC INDICATORS for COCHISE COUNTY
 June 30, 2006
 Unaudited

Major Employers	Type of Business	Employees
U.S. Army Intelligence Center and Fort Huachuca	Government	13,098
Cochise County	Government	1,092
Sierra Vista Public Schools	Government	1,065
Eurofresh, Inc.	Trade, Transportation and Utilities	793
Arizona Department of Corrections	Government	651
Sierra Vista Regional Health Center	Educational and Healthcare	643
Northrop Grumman Corporation	Professional and Business Services	565
Aegis Communications Group, Inc.	Other Services	557
Douglas Unified School District	Government	541
Cochise College	Government	522
City of Sierra Vista	Government	401
Southeastern Arizona Behavioral Health Services, Inc.	Educational and Healthcare	288
New Mexico Technology Group, LLC	Professional and Business Services	254
Safeway, Inc.	Trade, Transportation and Utilities	246
Sierra Southwest Cooperative Services, Inc.	Trade, Transportation and Utilities	241

Employment by Sector	Employees
Farm	15,875
Mining & Construction	2,900
Education and Health Services	3,975
Financial Activities	1,000
Government	12,375
Leisure and Hospitality	4,325
Manufacturing	850
Professional and Business Services	4,700
Other Services	950
Information	450
Trade, Transportation and Utilities	6,700

Employment by Occupation	Percent of Total
Agriculture, Forestry, Fishing and Hunting	30.0%
Public Administration	12.2%
Educational Services	9.1%
Retail Trade	8.8%
Accommodation and Food Services	6.6%
Health Care and Social Assistance	5.7%
Professional, Scientific, and Technical Services	5.2%
Construction	4.8%
Administrative and Support and Waste Management	2.6%

Unemployment Rate	4.9%
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Labor Force	55,650
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Source: Arizona Department of Commerce and Arizona Department of Economic Security, Cochise College Center for Economic Research.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MISCELLANEOUS DEMOGRAPHIC STATISTICS

June 30, 2006

Unaudited

Established	1961
Geographical Location	South Eastern Arizona
County Seat	Bisbee

Personnel Statistics		Number
Faculty	Regular faculty	109
	Associate faculty	368
Staff	Regular staff	268
	Part-time and Temporary Staff	406

Population	1990	2000	2005
Cochise County	97,624	117,755	131,790
State of Arizona	3,665,228	5,130,632	6,044,985

Age Distribution	% of Total
0-17	25.6%
18-24	9.0%
25-44	24.6%
45-64	11.1%
65+	15.5%

Cochise County Population Racial Composition	% of Total
<u>RACE</u>	
White	75.0%
African American	5.1%
Native American	2.4%
Asian or Pacific Islander	3.1%
Other	14.4%
TOTAL	100.0%

Hispanic Origin (of any race) 31.5%

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



COCHISE COLLEGE

Creating opportunities...changing lives.