

**COCHISE COUNTY COMMUNITY
COLLEGE DISTRICT
SINGLE AUDIT REPORTING PACKAGE
JUNE 30, 2003**

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED JUNE 30, 2003**

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INDEPENDENT AUDITORS' REPORT

The Auditor General of the State of Arizona

Governing Board of
Cochise County Community College District

We have audited the accompanying basic financial statements of Cochise County Community College District as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Cochise County Community College District as of June 30, 2003, and the changes in financial position and cash flows of the District for the year then ended in conformity with U.S. generally accepted accounting principles.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

February 5, 2004

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2003**

This section of Cochise County Community College District's basic financial statements presents management's discussion and analysis of the District's financial activity for the year ended June 30, 2003. Please read it in conjunction with the District's financial statements, which begin on page 10.

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, 2003. It shows the various assets owned or controlled, related liabilities and other obligations, and the various categories of net assets. Net assets is an accounting concept defined as total assets less total liabilities, and as such, represents 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, 2003. It shows the various revenues and expenses, both operating and nonoperating, reconciling the beginning net assets amount to the ending net assets amount – which is shown on the Statement of Net Assets described above.

The Statement of Cash Flows reflects the inflows and outflows of cash and cash equivalents for the year ended June 30, 2003. It shows the various cash activities by type, reconciling the beginning cash and cash equivalents amount to the ending cash and cash equivalents amount – which is shown on the Statement of Net Assets described above. In addition, this statement reconciles cash flows used for operating activities to operating loss on the Statement of Revenues, Expenses, and Changes in Net Assets described above.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2003**

Condensed Financial Information

Statement of Net Assets

	As of June 30, 2003	As of June 30, 2002 (Restated)
<u>Assets</u>		
Current assets	\$10,932,462	\$ 8,289,449
Noncurrent assets, other than capital assets	430,820	1,245,980
Capital assets, net	12,099,902	12,655,167
Total assets	23,463,184	22,190,596
<u>Liabilities</u>		
Current liabilities	3,256,145	3,057,434
Noncurrent liabilities	1,849,684	1,991,000
Total liabilities	5,105,829	5,048,434
<u>Net Assets</u>		
Invested in capital assets, net of related debt	10,650,275	10,955,167
Restricted	1,632,592	1,112,403
Unrestricted	6,074,488	5,074,592
Total net assets	\$18,357,355	\$17,142,162

Invested in capital assets, net of related debt, and unrestricted net assets represent 58.0 percent and 33.1 percent of total net assets, respectively at June 30, 2003.

The College's overall financial position improved slightly in fiscal year 2003. Total assets increased by \$1,272,588 while total liabilities increased by \$57,395. Total net assets increased by \$1,215,193 including an adjustment for the correction of an error for understating capital assets and understating capital depreciation in the amount of \$487,812 reported as of June 30, 2002.

For 2003, current assets are approximately 3.4 times the amount of current liabilities. The increase in current assets is due to a \$1,638,451 increase in cash. In addition, investments of \$809,169 in the Plant Fund were reclassified as current in fiscal year 2003 as compared to noncurrent in fiscal year 2002. Net capital assets decreased by \$555,265 due to the current year depreciation expense, offset by asset purchases of \$455,240.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2003**

Statement of Revenues, Expenses, and Changes in Net Assets

	Fiscal Year Ended June 30, 2003	Fiscal Year Ended June 30, 2002 (Restated)
Tuition and fees (net of scholarship allowances)	\$ 3,395,065	\$ 2,830,410
Grants and contracts	7,717,577	6,608,123
Other operating revenues	1,000,197	1,019,140
Total operating revenues	<u>12,112,839</u>	<u>10,457,673</u>
 Total operating expenses	 <u>28,893,096</u>	 <u>27,319,131</u>
 Operating loss	 <u>(16,780,257)</u>	 <u>(16,861,458)</u>
 Nonoperating revenues (expenses)		
Property taxes	9,642,802	8,744,747
State appropriations	7,547,001	8,133,700
Other nonoperating revenues	424,850	578,737
Investment income (loss)	(204,595)	197,523
Interest on capital asset-related debt	(96,408)	(107,570)
Net nonoperating revenues	<u>17,313,650</u>	<u>17,547,137</u>
 Excess before capital appropriations	 <u>533,393</u>	 <u>685,679</u>
 Capital Appropriations	 <u>681,800</u>	 <u>699,900</u>
 Increase in net assets	 1,215,193	 1,385,579
Total net assets, beginning of year	<u>17,142,162</u>	<u>15,756,583</u>
Total net assets, end of year	<u>\$18,357,355</u>	<u>\$17,142,162</u>

Total operating revenues increased in 2003 by \$1.7 million due to increased tuition rates and enrollment increases and increases in grants and contracts resulting from revenue increases in the Federal Pell Grant, Higher Education-Institutional Aid Grant and TRIO Support Services Grant of \$740,436, \$282,636 and \$185,757, respectively.

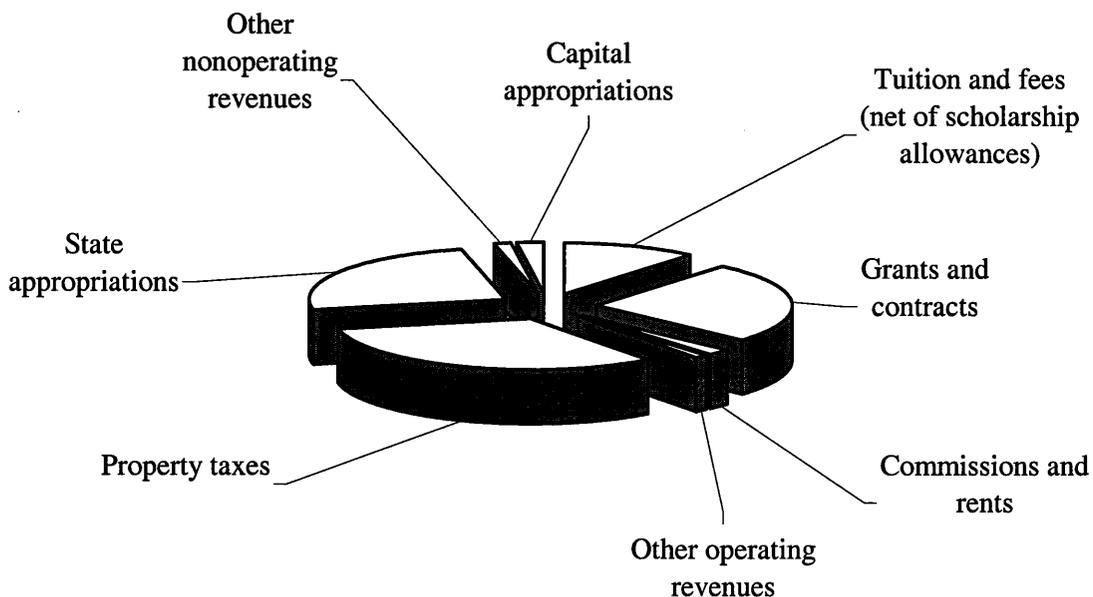
Total operating expenses increased in 2003 by \$1.6 million with the most significant increases in the categories of instruction, student services, and scholarships, primarily due to increased enrollment.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2003**

The following schedule presents a summary of revenues for the fiscal years ended June 30, 2003 and June 30, 2002.

	<u>Fiscal Year Ended June 30, 2003</u>		<u>Fiscal Year Ended June 30, 2002</u>	
<u>Operating revenues</u>				
Tuition and fees (net of scholarship allowances)	\$ 3,395,065	11%	\$ 2,830,410	10%
Grants and contracts	7,717,577	26%	6,608,123	23%
Commissions and rents	647,977	2%	696,307	2%
Other operating revenues	352,220	1%	322,833	1%
Total operating revenues	<u>12,112,839</u>	<u>40%</u>	<u>10,457,673</u>	<u>36%</u>
<u>Nonoperating revenues</u>				
Property taxes	9,642,802	32%	8,744,747	30%
State appropriations	7,529,669	25%	8,133,700	28%
Investment income (loss)	(204,595)	-	197,523	1%
Other nonoperating revenues	442,182	1%	578,737	2%
Total nonoperating revenues	<u>17,410,058</u>	<u>58%</u>	<u>17,654,707</u>	<u>61%</u>
Capital appropriations	<u>681,800</u>	<u>2%</u>	<u>699,900</u>	<u>3%</u>
Total revenues	<u>\$30,204,697</u>	<u>100%</u>	<u>\$28,812,280</u>	<u>100%</u>

Revenues by Source - 2003

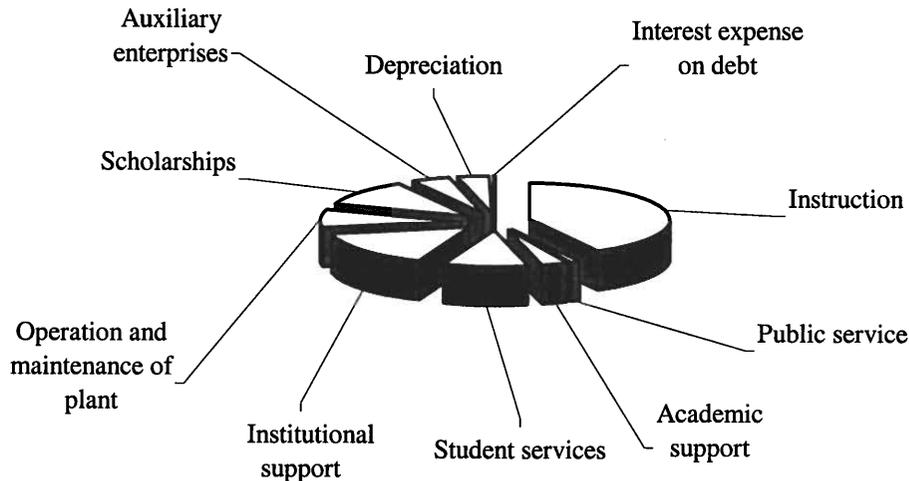


**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2003**

The following schedule presents a summary of expenses for the fiscal years ended June 30, 2003 and June 30, 2002.

	<u>Fiscal Year Ended June 30, 2003</u>		<u>Fiscal Year Ended June 30, 2002</u>	
<u>Operating expenses</u>				
Education and general:				
Instruction	\$12,166,791	42%	\$11,282,892	41%
Public service	340,121	1%	412,659	2%
Academic support	861,049	3%	829,502	3%
Student services	2,849,238	10%	2,463,364	9%
Institutional support	4,555,534	16%	4,270,073	15%
Operation and maintenance of plant	2,448,144	8%	2,529,219	9%
Scholarships	3,325,570	11%	2,774,394	10%
Auxiliary enterprises	1,336,144	5%	1,693,613	6%
Depreciation	1,010,505	3%	1,063,415	4%
Total operating expenses	<u>28,893,096</u>	<u>99%</u>	<u>27,319,131</u>	<u>99%</u>
<u>Nonoperating expenses</u>				
Interest expense on debt	<u>96,408</u>	<u>1%</u>	<u>107,570</u>	<u>1%</u>
Total expenses	<u>\$28,989,504</u>	<u>100%</u>	<u>\$27,426,701</u>	<u>100%</u>

Expenses by Program - 2003



**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2003**

Capital Assets

Below is a summary of the capital assets, net of depreciation, as of June 30, 2003 and June 30, 2002. See Note 4 on page 19 for further details.

	As of June 30, 2003	As of June 30, 2002 (Restated)
Land	\$ 495,580	\$ 495,580
Buildings	8,747,098	9,146,221
Equipment	1,159,306	1,136,902
Improvements other than buildings	1,393,411	1,580,940
Library books	267,657	258,674
Museum and art collection	36,850	36,850
Total	\$12,099,902	\$12,655,167

Long Term Debt

At June 30, 2003 and June 30, 2002, the District had one certificate of participation issue outstanding totaling \$1,495,000 and \$1,700,000 respectively. No new debt was issued during the fiscal year. See Note 5 on page 20 for further details.

Current Economic Conditions

Despite unfavorable economic conditions nation-wide, Cochise County realized an overall 5.12 percent increase in property values for the year, thereby increasing the College's property tax revenue. Due to conservative budgeting practices and expenditure management coupled with the implementation of other efficiency initiatives, the effect of the following revenue shortfalls were minimized:

- State and capital appropriations decreasing by \$662,131
- Declining interest earnings on the District's investments combined with a loss of \$326,958 suffered in investments held in the State of Arizona Local Government Investment Pool resulting in a \$402,118 decrease in investment income.

Current Factors Having Probable Future Financial Significance

During the 2002-03 fiscal year, State appropriations to the District were decreased mid-year by \$662,131, or approximately 7.5 percent. The projected decrease in the 2003-04 fiscal year in financial support from the State has not materialized, but further cuts in future years is possible. The District is continuing to implement efficiency measures and strategies to increase other revenue sources in order to offset possible shortfalls and at the same time maintain services.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2003**

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 the basic financial statements or requests for additional financial information should be addressed to the Office of the Controller, Cochise County Community College District, 4190 West Highway 80, Douglas, AZ 85607.

Cochise County Community College District
Statement of Net Assets
June 30, 2003

Assets

Current Assets:

Cash and cash equivalents	\$ 8,313,100
Receivables:	
Accounts (less allowances of \$262,442)	1,013,470
Property taxes (less allowances of \$278,091)	558,010
Government grants and contracts	196,939
Interest	7,284
Other	213,714
Inventories	302,377
Prepaid items	327,568
Total current assets	<u>10,932,462</u>

Noncurrent assets:

Restricted assets:	
Cash and cash equivalents	385,447
Cash and investments held by trustee	45,373
Capital assets, not being depreciated	495,580
Capital assets, being depreciated, net	<u>11,604,322</u>
Total noncurrent assets	<u>12,530,722</u>

Total assets 23,463,184

Liabilities

Current liabilities:

Accounts payable	370,070
Accrued payroll and employee benefits	981,247
Interest payable	45,283
Deposits held in custody for others	148,842
Deferred revenues	1,045,703
Current portion of compensated absences payable	450,000
Current portion of long-term debt	<u>215,000</u>
Total current liabilities	<u>3,256,145</u>

Noncurrent liabilities:

Compensated absences payable	569,684
Long-term debt	<u>1,280,000</u>
Total non-current liabilities	<u>1,849,684</u>

Total liabilities 5,105,829

Net Assets

Invested in capital assets, net of related debt	10,650,275
Restricted for:	
Expendable:	
Capital projects	1,138,865
Debt service	134,275
Grants and contracts	359,452
Unrestricted	<u>6,074,488</u>
Total net assets	<u>\$ 18,357,355</u>

Cochise County Community College District
Statement of Revenues, Expenses, and Change in Net Assets
Year Ended June 30, 2003

Operating revenues:	
Tuition and fees (net of scholarship allowances of \$1,865,320)	\$ 3,395,065
Government grants and contracts	7,715,886
Private grants and contracts	1,691
Bookstore income	113,723
Food service income	304,974
Dormitory rentals and fees	229,280
Other	352,220
Total operating revenues	<u>12,112,839</u>
Operating expenses:	
Educational and general:	
Instruction	12,166,791
Public service	340,121
Academic support	861,049
Student services	2,849,238
Institutional support	4,555,534
Operation and maintenance of plant	2,448,144
Scholarships	3,325,570
Auxiliary enterprises	1,336,144
Depreciation	1,010,505
Total operating expenses	<u>28,893,096</u>
Operating loss	<u>(16,780,257)</u>
Nonoperating revenues (expenses):	
Property taxes	9,642,802
State appropriations	7,547,001
Share of state sales taxes	424,850
Investment loss	(204,595)
Interest on capital asset-related debt	(96,408)
Net nonoperating revenues	<u>17,313,650</u>
Income before other revenues, expenses, gains, or losses	<u>533,393</u>
Capital appropriations	681,800
Increase in net assets	<u>1,215,193</u>
Total net assets, July 1, 2002, as restated	<u>17,142,162</u>
Total net assets, June 30, 2003	<u>\$ 18,357,355</u>

**Cochise County Community College District
Statement of Cash Flows
Year Ended June 30, 2003**

Cash flows from operating activities:	
Tuition and fees	\$ 3,618,553
Grants and contracts	7,760,351
Bookstore receipts	106,697
Food services receipts	302,727
Dormitory rentals and fees	229,280
Other receipts	217,508
Payments to suppliers and providers of goods and services	(6,369,508)
Payments to employees	(18,111,217)
Payments for scholarships	(3,325,570)
Other payments	<u>(209,934)</u>
Net cash used for operating activities	<u>(15,781,113)</u>
Cash flows from noncapital financing activities:	
Property taxes	9,653,965
State appropriations	7,547,001
Share of state sales taxes	497,763
Federal family education loan receipts	2,365,829
Federal family education loan disbursements	(2,359,906)
Deposits held in custody for others received	1,469,731
Deposits held in custody for others disbursed	<u>(1,492,128)</u>
Net cash provided by noncapital financing activities	<u>17,682,255</u>
Cash flows from capital and related financing activities:	
Capital appropriations	681,800
Principal paid on capital debt	(205,000)
Interest paid on capital debt	(102,250)
Purchases of capital assets	<u>(434,286)</u>
Net cash used for capital and related financing activities	<u>(59,736)</u>
Cash flows from investing activities:	
Interest loss on investments	<u>(202,955)</u>
Net cash used for investing activities	<u>(202,955)</u>
Net increase in cash and cash equivalents	1,638,451
Cash and cash equivalents, July 1, 2002	<u>7,060,096</u>
Cash and cash equivalents, June 30, 2003	<u>\$ 8,698,547</u>

(Continued)

Cochise County Community College District
Statement of Cash Flows
Year Ended June 30, 2003
(Concluded)

Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (16,780,257)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	1,010,505
Changes in assets and liabilities:	
Increase in:	
Other receivables	(143,985)
Prepaid items	(177,997)
Deferred revenues	233,525
Accrued payroll and employee benefits	32,468
Compensated absences payable	73,684
Decrease in:	
Accounts receivable	(10,037)
Government grants and contracts receivable	42,774
Inventories	8,136
Accounts payable	(69,929)
Net cash used for operating activities	<u>\$ (15,781,113)</u>

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 \$16,149.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District is a special-purpose government that is governed by a separately elected governing body. It is legally separate and fiscally independent of other state and local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity.

The financial activities of the Cochise College Foundation are not included in the District's financial statements. The Foundation is a nonprofit corporation controlled by a separate board of directors. The Foundation's goals are to promote educational programs and District objectives.

B. Basis of Presentation and Accounting

The financial statements include a statement of net assets; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows. A statement of net assets provides information about the assets, liabilities, and net assets of the District at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified according to external donor restrictions or availability of assets to satisfy District obligations. Invested in capital assets, net of related debt represents the value of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the assets. Nonexpendable restricted net assets 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. Generally, revenues generated by the District for instruction and public service are considered to be operating revenues. Other revenues used for instruction and public service, such as property taxes and state appropriations, are not generated from operations and are considered to be nonoperating revenues.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

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

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

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.

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.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

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

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 Income (Loss)

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

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 unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

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

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

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

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 - BEGINNING NET ASSETS RESTATED

As a result of the corrections of errors in reporting capital assets and accumulated depreciation, the District's net assets reported as of June 30, 2002, have been restated as follows:

Net assets as of June 30, 2002, as previously reported	\$17,629,974
Correction for understating capital assets	66,000
Correction for understating accumulated depreciation	<u>(553,812)</u>
Net assets as of July 1, 2002, as restated	<u>\$17,142,162</u>

NOTE 3 - 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.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 3 - DEPOSITS AND INVESTMENTS (CONCL'D)

At June 30, 2003, 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	\$ 17,729	\$
Cash in bank	1,930,632	
Investments at fair value:		
Cash and investments held by the County Treasurer	319,163	
Investment in State Treasurer's investment pool	6,431,023	
Money market mutual fund		45,373
Total	\$8,698,547	\$45,373

At June 30, 2003, the carrying amount of the District's cash in bank was \$1,930,632, and the bank balance was \$2,281,921. Of the bank balance, \$200,000 was covered by Federal depository insurance, or by collateral held by the District or its agent in the District's name, and \$1,133,784 was covered by collateral held by an agent of the pledging financial institution in the District's name, and \$948,137 was uninsured and uncollateralized.

The District's investment in the State or County Treasurer's investment pools represents a proportionate interest in those pools' portfolios; however, the District's portion is not identified with specific investments and is not subject to custodial credit risk. The District's money market mutual fund is uninsured and unregistered.

The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. No comparable oversight is provided for the County Treasurer's investment pool, and that pool's structure does not provide for shares.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2003, was as follows:

	Balance July 1, 2002 (Restated)	Increases	Decreases	Balance June 30, 2003
Capital assets not being depreciated				
Land	\$ 495,580	\$	\$	\$ 495,580
Total capital assets not being depreciated	495,580			495,580
Capital assets being depreciated:				
Buildings	18,126,196	38,664		18,164,860
Equipment	5,017,877	353,355	5,000	5,366,232
Improvements other than buildings	3,800,312	5,152		3,805,464
Library books	1,142,017	58,069	11,149	1,188,937
Museum art collection	66,000			66,000
Total capital assets being depreciated	28,152,402	455,240	16,149	28,591,493
Less accumulated depreciation for:				
Buildings	8,979,975	437,787		9,417,762
Equipment	3,880,975	330,951	5,000	4,206,926
Improvements other than buildings	2,219,372	192,681		2,412,053
Library books	883,343	49,086	11,149	921,280
Museum art collection	29,150			29,150
Total accumulated depreciation	15,992,815	1,010,505	16,149	16,987,171
Total capital assets being depreciated, net	12,159,587	(555,265)		11,604,322
Capital assets, net	\$12,655,167	\$ (555,265)	\$	\$12,099,902

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 5 - LONG-TERM LIABILITIES

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2003.

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2003</u>	<u>Due within one year</u>
Compensated absences payable	\$ 946,000	\$472,896	\$399,212	\$1,019,684	\$450,000
Certificates of participation payable	1,700,000		205,000	1,495,000	215,000
Total long-term liabilities	<u>\$2,646,000</u>	<u>\$472,896</u>	<u>\$604,212</u>	<u>\$2,514,684</u>	<u>\$665,000</u>

Certificates of participation - The District has issued certificates of participation that are generally noncallable until 2004 when they become 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, 2003, were as follows.

Issue	<u>Original Amount</u>	<u>Maturity Ranges</u>	<u>Interest Rates</u>	<u>Outstanding Principal</u>
Series 1993	\$3,000,000	2004-09	5.70%-6.25%	\$1,495,000

The following schedule details debt service requirements to maturity for the District's certificates of participation payable at June 30, 2003.

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>
2004	\$ 215,000	\$ 84,330
2005	225,000	61,458
2006	240,000	57,620
2007	255,000	42,642
2008	270,000	26,495
2009	290,000	9,063
Total	<u>\$1,495,000</u>	<u>\$281,608</u>

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 6 - 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.

NOTE 7 - RETIREMENT PLAN

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

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

Funding policy - The Arizona State Legislature establishes and may amend active plan members' and the District's contribution rates. For the year ended June 30, 2003, active plan members and the District were each required by statute to contribute at the actuarially determined rate of 2.49 percent (2.00 percent retirement and 0.49 percent long-term disability) of the members' annual covered payroll. The District's contributions to the System for the years ended June 30, 2003, 2002, and 2001, were \$279,956, \$307,696, and \$330,738, respectively, which were equal to the required contributions for the year.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 8 - OPERATING EXPENSES

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

Personal services	\$18,217,369
Contract services	2,121,736
Supplies and other services	1,796,763
Rent and insurance	635,841
Communications and utilities	863,847
Travel	362,474
Scholarships	3,325,570
Depreciation	1,010,505
Other	558,991
Total	<u>\$28,893,096</u>

**COCHISE COUNTY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>	<u>Amount Provided to Subrecipients</u>
<u>U.S. Department of Housing and Urban Development</u>				
Direct Program:				
Hispanic-Serving Institutions Assisting Communities	14.514		<u>\$111,708</u>	\$26,032
<u>U.S. Department of Labor</u>				
Passed through the Arizona Department of Commerce:				
WIA Adult Program	17.258	AD020049-002	<u>18,451</u>	
<u>U.S. Small Business Administration</u>				
Passed through Maricopa County Community College District:				
Small Business Development Center	59.037	2-603001-Q-0003-10 3-603001-Z-0003-11	<u>74,913</u>	
<u>U.S. Department of Education</u>				
Direct Programs:				
Student Financial Aid Cluster:				
Federal Supplemental Educational Opportunity Gra:	84.007		93,532	
Federal Family Education Loans	84.032		2,170,764	
Federal Work-Study Program	84.033		188,368	
Federal Pell Grant Program	84.063		4,792,405	
Higher Education-Institutional Aid	84.031		429,905	
TRIO-Student Support Services	84.042		298,350	
Child Care Access Means Parents in School	84.335		45,315	
Passed through the Arizona Department of Education:				
Adult Education-State Grant Program	84.002	03FAEABE-370536-02A 02-FAECIV-270536-05A 03-FAECIV-370536-06A	292,567	
Vocational Education-Basic Grants to States	84.048	02FVEDBG-270526-07A 03FCTDBG-370536-05A	193,387	
Even Start-State Educational Agencies	84.213	03FAEEVS-370536-03A	105,984	
Tech-Prep Education	84.243	02FVEDTP-270536-04A 03FCTDTP-370536-04A	161,218	58,811
Passed through the Arizona Commission for Postsecondary Education:				
Leveraging Educational Assistance Partnership	84.069	LEAP	<u>8,000</u>	
Total U.S. Department of Education			<u>8,779,795</u>	<u>58,811</u>
Total Expenditures of Federal Awards			<u>\$ 8,984,867</u>	<u>\$ 84,843</u>

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003**

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2003 *Catalog of Federal Domestic Assistance*.

SINGLE AUDIT SECTION



**REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Auditor General of the State of Arizona

The Governing Board of
Cochise County Community College District

We have audited the basic financial statements of Cochise County Community College District as of and for the year ended June 30, 2003, and have issued our report thereon dated February 5, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the District's management in a separate letter dated February 5, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Cochise County Community College District in a separate letter dated February 5, 2004.

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

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

February 5, 2004



**REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Auditor General of the State of Arizona

The Governing Board of
Cochise County Community College District

Compliance

We have audited the compliance of Cochise County Community College District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Cochise County Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

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

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

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

Heinfeld, Meech & Co. P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

February 5, 2004

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2003**

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:
 Material weakness(es) identified? _____ yes X no
 Reportable condition(s) identified not considered to
 be a material weakness(es)? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? _____ yes X no
 Reportable condition(s) identified not considered to
 be a material weakness(es)? _____ yes X none reported

Type of auditors' report issued on compliance for major
 programs: Unqualified

Any audit findings disclosed that are required to be reported in
 accordance with Circular A-133, Section .510(a)? _____ yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.032	Federal Family Education Loans
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program

Dollar threshold used to distinguish between Type A and Type B
 programs: \$300,000

Auditee qualified as low-risk auditee? X yes _____ no

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required
 to be reported in accordance with Circular A-133 (section .315[b])? _____ yes X no