

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

Single Audit Reporting Package

Year Ended June 30, 2008

Yuma/La Paz Counties Community College District  
(Arizona Western College)  
Single Audit Reporting Package  
Year Ended June 30, 2008

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## Independent Auditor's Report

The Auditor General of the State of Arizona

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

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Yuma/La Paz Counties Community College District (District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Yuma/La Paz Counties Community College District as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement Nos. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* and 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and No. 27)*, for the year ended June 30, 2008, which represent changes in accounting principles.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Cronstrom, Osuch & Company, P.C.

November 26, 2008

November 26, 2008

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

This discussion and analysis introduces the basic financial statements and provides an overview of the District's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the financial statements, which immediately follow.

### **Basic Financial Statements:**

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

The Statement of Net Assets reflects the financial position of the District at June 30, 2008. It shows the various assets owned or controlled, related liabilities and other obligations, and the various categories of net assets. Net assets is an accounting concept defined as total assets less total liabilities, and as such, represents institutional equity or ownership in the total assets of the District. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets reflects the results of operations and other changes for the year ended June 30, 2008. It shows the various revenues and expenses, both operating and nonoperating, reconciling the beginning net assets amount to the ending net assets amount – which is shown on the Statement of Net Assets described above.

The Statement of Cash Flows presents the inflows and outflows of cash and cash equivalents for the year ended June 30, 2008. It shows the various cash activities by type, reconciling the beginning cash and cash equivalents amount to the ending cash and cash equivalents amount, which is shown on the Statement of Net Assets described above. In addition, this statement reconciles cash flows from operating activities to operating income/loss on the Statement of Revenues, Expenses, and Changes in Net Assets described above.

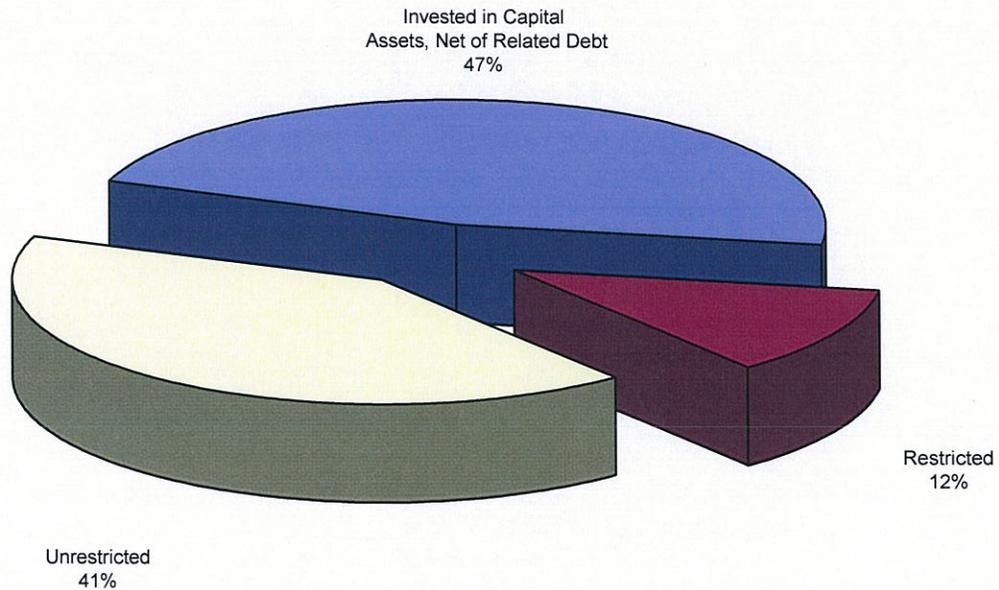
The primary focus of this document is on the results of activity for the fiscal year ended June 30, 2008. This Management's Discussion and Analysis (MD&A) uses prior fiscal year for comparison purposes, which illustrates where the District's financial performance may have changed.

## Condensed Financial Information

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

	2008	2007
<b>Assets:</b>		
Current assets	\$ 47,862,684	\$ 78,662,858
Noncurrent assets, other than capital assets	944,917	928,276
Capital assets, net	88,576,693	52,513,053
Total assets	\$ 137,384,294	\$ 132,104,187
<b>Liabilities:</b>		
Other liabilities	\$ 15,547,810	\$ 15,076,358
Long-term liabilities	77,757,820	79,493,106
Total liabilities	\$ 93,305,630	\$ 94,569,464
<b>Net assets:</b>		
Invested in capital assets, net of related debt	\$ 20,682,660	\$ 16,376,676
Restricted net assets	5,111,360	5,852,855
Unrestricted net assets	18,284,644	15,305,192
Total net assets	\$ 44,078,664	\$ 37,534,723

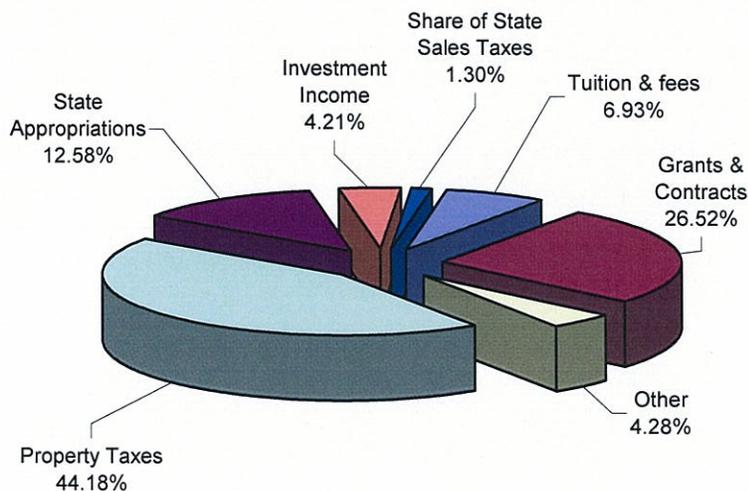
Percent of Net Assets for 2008



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

	2008	2007
<b>Revenues</b>		
Operating		
Tuition and fees (net of scholarship allowances)	\$ 3,911,191	\$ 3,497,568
Contracts	670,247	12,402,701
Other	2,413,532	2,897,573
Nonoperating		
Grants	14,291,550	-
Property taxes	24,927,519	23,740,401
State appropriations	7,095,100	6,935,300
Investment income	2,377,234	3,473,288
Share of state sales taxes	732,382	808,169
Total revenues	56,418,755	53,755,000
<b>Expenses</b>		
Operating	47,325,009	43,495,372
Nonoperating	3,474,605	3,574,950
Total expenses	50,799,614	47,070,322
Income before other revenues, expenses, gains or losses	5,619,141	6,684,678
Capital appropriations	924,800	911,200
Increase in net assets	6,543,941	7,595,878
Total net assets, July 1	37,534,723	29,938,845
<b>Total net assets, June 30</b>	<b>\$ 44,078,664</b>	<b>\$ 37,534,723</b>

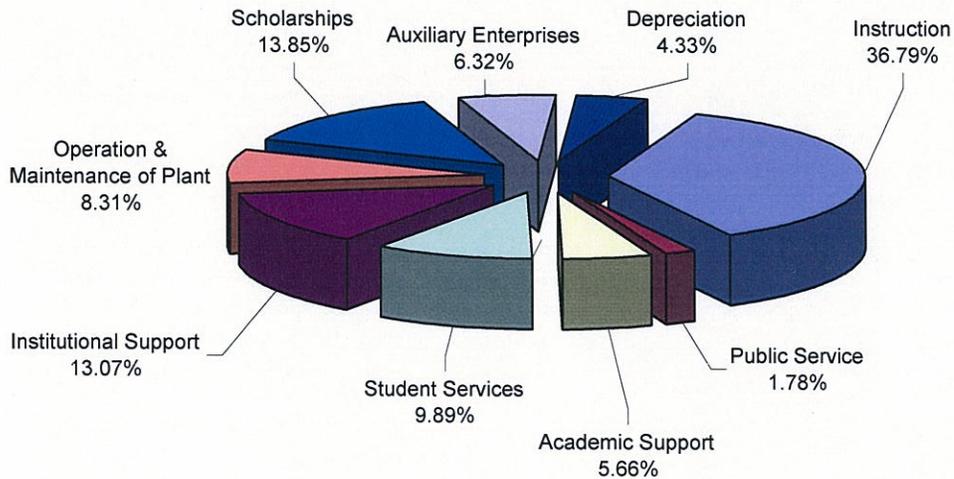
**Percent of 2008 Revenues by Source**



**Expenses by Category**  
**For the Year Ended June 30**

	<u>2008</u>	<u>2007</u>
<b>Operating expenses</b>		
Educational and general:		
Instruction	\$ 17,407,599	\$ 16,687,601
Public service	839,073	770,283
Academic support	2,676,114	2,686,790
Student services	4,682,463	4,284,740
Institutional support	6,185,020	5,460,018
Operation and maintenance of plant	3,935,016	3,892,680
Scholarships	6,556,576	5,225,394
Auxiliary enterprises	2,992,062	2,406,601
Depreciation	2,051,086	2,081,265
Total operating expenses	<u>47,325,009</u>	<u>43,495,372</u>
<b>Nonoperating expenses</b>		
Interest expense on debt	3,469,569	3,552,934
Other nonoperating expenses	5,036	22,016
Total nonoperating expenses	<u>3,474,605</u>	<u>3,574,950</u>
<b>Total expenses</b>	<u><u>\$ 50,799,614</u></u>	<u><u>\$ 47,070,322</u></u>

**Percent of 2008 Operating Expenses by Category**



## **Financial Highlights and Analysis:**

### **Statement of Net Assets**

The District's overall financial position improved in FY 2008. Total Assets increased \$5.3 million from FY 2007 to FY 2008. This increase is primarily due to additions to capital assets. However, current assets decreased by \$31 million as cash and cash equivalents were spent on capital projects during the fiscal year.

Total Liabilities decreased by \$1.3 million which is mostly due to a reduction in long-term debt.

Total Net Assets for the District increased by \$6.5 million from FY 2007 to FY 2008. This increase is primarily attributable to an increase of \$4.3 million in Invested in Capital Assets, net of related debt, a decrease in Restricted Net Assets of \$741,495 and an increase of \$3.0 million in Unrestricted Net Assets. The increase in Net Assets Invested in Capital Assets, net of related debt was due to capital projects nearing completion. The increase in Unrestricted Net Assets mainly consists of additional tax revenue and increased tuition revenue. The decrease in Restricted Net Assets was not significant.

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

### **Statement of Revenues, Expenses, and Changes in Net Assets**

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

Total revenue for the District increased by \$2.7 million from FY 2007 to FY 2008. The following revenue sources make up a significant portion of this total increase.

- Increase of \$1.2 million in Property Taxes due to increases in property valuations and new construction.
- Increase of \$414 thousand in Tuition and Fees, due to increased enrollment and a \$6 per credit hour increase in tuition.
- Increase of \$160 thousand in State Appropriations, due to an increase in full-time student enrollment and equalization.
- Decrease of \$1.1 million in Investment income primarily due to less bond funds available for investing.
- Increase of \$2.6 million in grants and contracts.

Prior to June 30, 2007 grants were reported as operating revenues. Beginning July 1, 2007 grants will be reported as nonoperating revenues.

Total operating expenses increased by \$3.8 million from FY 2007 to FY 2008. These increases were due to salary increases averaging 3% for all full-time employees, a 5.5% increase in the Arizona State Retirement Contribution rate, and increased equipment/supplies costs and staff enhancements. These expenses are reflected in the District's function/program expenses. Scholarship expenses increased due to the increase in tuition costs.

Nonoperating expenses in 2008 for interest expense on debt decreased slightly due to scheduled retirements of long-term debt.

### **Capital Assets and Debt Administration:**

The District's capital assets as of June 30, 2008 totaled \$88,576,693 (net of accumulated depreciation). Capital assets include land, construction in progress, buildings, improvements other than buildings, equipment, and library books. The change in the District's capital assets for the current year was an increase of 69% which was due to the bond projects nearing completion. Additional information on capital assets can be found in detail in Note 4 to the District's basic financial statements.

At June 30, 2008, the District had four debt issues outstanding: three general obligation bond issues totaling \$75,805,000 and one revenue bond issue for \$205,000. Additional information on the District's long-term debt can be found in Note 6 to the basic financial statements.

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

Proposition 101 was passed by the voters at the general election in November 2006. The proposition changed the way the maximum primary tax levy is calculated. The new maximum levy limit is based on the District's 2005 levy plus 2% of new construction. The District anticipates that this change will have a negative impact on how quickly the District responds to growth through restricted tax levies.

Proposition 301 was passed by the voters at the general election on November 7, 2000. The proposition increased the state transaction privilege tax rate six-tenths of one per cent for twenty years. This increase was to be used for education from K-12 through higher education. Community Colleges are to use the funds for Workforce Development activities. Fiscal year 2007/2008 was the seventh year of this funding and the District received \$732,382. It is anticipated that the District will continue to receive at least this amount for the next thirteen years.

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

YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
 (ARIZONA WESTERN COLLEGE)  
 Statement of Net Assets - Primary Government  
 June 30, 2008

	<u>Business-Type Activities</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 45,376,376
Receivables (net of allowances for uncollectibles):	
Property taxes	794,633
Government grants and contracts	1,136,740
Interest	6,790
Other	390,364
Prepaid items	128,497
Deferred financing costs	29,284
Total current assets	<u>47,862,684</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents held by trustees	263,812
Property taxes receivable	228,208
Student loans receivable (net of allowances)	5,200
Deferred financing costs	447,697
Capital assets, not being depreciated	67,398,282
Capital assets, being depreciated, net	21,178,411
Total noncurrent assets	<u>89,521,610</u>
Total assets	<u>137,384,294</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	722,993
Accrued payroll and employee benefits	828,064
Interest payable	1,733,184
Deposits held in custody for others	11,929,827
Deferred revenues	333,742
Current portion of compensated absences payable	108,273
Current portion of long-term debt	2,417,746
Total current liabilities	<u>18,073,829</u>
Noncurrent liabilities:	
Compensated absences payable	1,164,026
Long-term debt	74,067,775
Total noncurrent liabilities	<u>75,231,801</u>
Total liabilities	<u>93,305,630</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	20,682,660
Restricted:	
Nonexpendable:	
Student loans	169,093
Expendable:	
Grants and contracts	1,112,553
Debt service	2,023,498
Capital projects	1,806,216
Unrestricted	18,284,644
Total net assets	<u>\$ 44,078,664</u>

See accompanying notes to financial statements.

YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
 (ARIZONA WESTERN COLLEGE)  
 Statement of Financial Position - Component Unit  
 June 30, 2008

		Arizona Western College Foundation
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$	632,705
Investments		3,249,405
Accounts receivable		2,145
Contributions receivable		103,020
<b>Total current assets</b>		<b>3,987,275</b>
<b>Noncurrent assets</b>		
Contributions receivable		143,216
Property and equipment (net)		937,655
<b>Total assets</b>	\$	<b>5,068,146</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$	16,201
Accrued payroll and related liabilities		2,458
Compensated absences payable		8,994
<b>Total current liabilities</b>		<b>27,653</b>
<b>Noncurrent liabilities</b>		
Compensated absences		33,688
<b>Total liabilities</b>		<b>61,341</b>
<b>Net assets</b>		
Unrestricted		1,203,391
Temporarily restricted		2,483,009
Permanently restricted		1,320,405
<b>Total net assets</b>		<b>5,006,805</b>
<b>Total liabilities and net assets</b>	\$	<b>5,068,146</b>

See accompanying notes to financial statements.

YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
 (ARIZONA WESTERN COLLEGE)  
 Statement of Revenues, Expenses, and Changes in Net Assets - Primary Government  
 Year Ended June 30, 2008

	Business-type Activities
Operating revenues:	
Private contracts	\$ 670,247
Tuition and fees (net of scholarship allowances of \$3,959,267)	3,911,191
Bookstore income	214,284
Food service income	805,144
Dormitory rentals and fees	611,431
Other	782,673
Total operating revenues	6,994,970
Operating expenses:	
Educational and general:	
Instruction	17,407,599
Public service	839,073
Academic support	2,676,114
Student services	4,682,463
Institutional support	6,185,020
Operation and maintenance of plant	3,935,016
Scholarships	6,556,576
Auxiliary enterprises	2,992,062
Depreciation	2,051,086
Total operating expenses	47,325,009
Operating loss	(40,330,039)
Nonoperating revenues (expenses):	
Government grants	14,291,550
Property taxes	24,927,519
State appropriations	7,095,100
Share of state sales taxes	732,382
Investment income	2,377,234
Interest expense on debt	(3,469,569)
Other nonoperating expenses	(5,036)
Total nonoperating revenues	45,949,180
Income before other revenues, expenses, gains, or losses	5,619,141
Capital appropriations	924,800
Increase in net assets	6,543,941
Total net assets, July 1, 2007	37,534,723
Total net assets, June 30, 2008	\$ 44,078,664

See accompanying notes to financial statements.

YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
Statement of Activities - Component Unit  
Year Ended June 30, 2008

<b>Arizona Western College Foundation</b>				
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Revenues and support</b>				
Donations	\$ 42,719	\$ 24,891	\$ 49,132	\$ 116,742
Arizona Western College support	190,210	-	-	190,210
Rental income	141,168	-	-	141,168
Interest revenue	14,368	118,040	-	132,408
Unrealized gains/losses	(11,215)	(97,894)	-	(109,109)
Realized gains/losses	6,796	50,698	-	57,494
Net assets transferred due to donor restriction	-	(82,000)	82,000	-
Net assets released from restriction	111,994	(111,994)	-	-
<b>Total revenues and support</b>	<b>496,040</b>	<b>(98,259)</b>	<b>131,132</b>	<b>528,913</b>
<b>Expenses</b>				
Program services				
Arizona Western College contributed salaries	190,210	-	-	190,210
Scholarships	111,994	-	-	111,994
Supporting services				
Management and general	129,941	-	-	129,941
Century Plaza	100,350	-	-	100,350
Fundraising services				
Fundraising	9,115	-	-	9,115
<b>Total expenses</b>	<b>541,610</b>	<b>-</b>	<b>-</b>	<b>541,610</b>
<b>Change in net assets</b>	<b>(45,570)</b>	<b>(98,259)</b>	<b>131,132</b>	<b>(12,697)</b>
<b>Net assets at beginning of year</b>	<b>1,248,961</b>	<b>2,581,268</b>	<b>1,189,273</b>	<b>5,019,502</b>
<b>Net assets at end of year</b>	<b>\$ 1,203,391</b>	<b>\$ 2,483,009</b>	<b>\$ 1,320,405</b>	<b>\$ 5,006,805</b>

See accompanying notes to financial statements.

YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
Statement of Cash Flows - Primary Government  
Year Ended June 30, 2008

	Business-type Activities
Cash flows from operating activities:	
Tuition and fees	\$ 3,942,269
Bookstore receipts	210,942
Food services receipts	805,144
Dormitory rentals and fees	611,431
Collection of loans to students	6,517
Other receipts	1,415,264
Payments to suppliers and providers of goods and services	(21,396,797)
Payments to employees	(28,243,994)
Net cash used for operating activities	(42,649,224)
Cash flows from noncapital financing activities:	
Property taxes	24,773,885
State appropriations	7,095,100
Share of state sales taxes	732,382
Grants	14,183,811
Other nonoperating expenses	(5,036)
Deposits held in custody for others received	27,752,100
Deposits held in custody for others disbursed	(22,726,202)
Net cash provided by noncapital financing activities	51,806,040
Cash flows from capital and related financing activities:	
Capital appropriations	924,800
Principal paid on capital debt	(1,920,000)
Interest paid on capital debt	(3,507,017)
Purchases of capital assets	(38,114,726)
Net cash used for capital and related financing activities	(42,616,943)
Cash flows from investing activities:	
Interest received on investments	2,433,774
Net cash provided by investing activities	2,433,774
Net decrease in cash and cash equivalents	(31,026,353)
Cash and cash equivalents, July 1, 2007	76,666,541
Cash and cash equivalents, June 30, 2008	\$ 45,640,188

(Continued)

See accompanying notes to financial statements.

YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
 (ARIZONA WESTERN COLLEGE)  
 Statement of Cash Flows - Primary Government  
 Year Ended June 30, 2008

	Business-type Activities
(Concluded)	
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (40,330,039)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	2,051,086
Changes in assets and liabilities:	
Increase in:	
Prepaid items	(9,096)
Other receivables	(58,409)
Deferred revenues	48,489
Compensated absences payable	220,007
Decrease in:	
Accounts payable	(4,520,737)
Accrued payroll and employee benefits	(57,042)
Student loans receivable	6,517
Net cash used for operating activities	\$ (42,649,224)

Noncash investing, capital and noncapital financing activities:

During the year, \$66,405 of the deferred amount for bond premiums and \$31,112 of the deferred amount for bond refunding were amortized. In addition, \$38,495 of deferred bond financing costs were amortized.

See accompanying notes to financial statements.

Yuma/La Paz Counties Community College District  
(Arizona Western College)  
Notes to Financial Statements  
June 30, 2008

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

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

For the year ended June 30, 2008, the District implemented the provisions of GASB Statement Nos. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* and 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and No. 27)*. GASB Statement No. 48 establishes note disclosure requirements for governments that pledge future revenues as security for its debt. GASB Statement No. 50 amends GASB Statement Nos. 25 and 27 to require governmental employers to present certain additional pension disclosures in the notes.

**A. Reporting Entity**

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

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

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

Yuma/La Paz Counties Community College District  
(Arizona Western College)  
Notes to Financial Statements  
June 30, 2008

During the year ended June 30, 2008, the Foundation distributed \$111,994 to the District for both restricted and unrestricted purposes. In addition, the District provided \$190,210 of support to the Foundation during the fiscal year. Complete financial statements for the Foundation can be obtained from the Foundation Office, 281 West 24<sup>th</sup> Street, Suite 132, Yuma, Arizona, 85364.

**B. Basis of Presentation and Accounting**

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

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

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

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

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

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

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

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

**C. Cash and Investments**

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

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

**D. Capital Assets**

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

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

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

**E. Investment Income**

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

**F. Compensated Absences**

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

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

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

**G. Scholarship Allowances**

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

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**Note 2 - Deposits and Investments**

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

**Deposits** - At June 30, 2008, the total cash on hand was \$4,200, the carrying amount of the District's deposits was \$2,744,455 and the bank balance was \$8,800,847. The District does not have a policy with respect to custodial credit risk for deposits. At June 20, 2008, \$1,164,853 of the District's bank balance was uninsured and uncollateralized.

**Investments** - At June 30, 2008, the District's investments consisted of the following:

	<b>Fair Value</b>
Money market mutual funds - U.S. Treasury securities	\$ 263,812
County Treasurer's investment pool	21,349,351
State Treasurer's investment pool	21,278,370
Total	<b>\$ 42,891,533</b>

The State Board of Investment provides oversight for the State Treasurer's pools. The fair value of a participant's position in the pool approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments. No comparable oversight is provided for the County Treasurer's investment pool, and that pool's structure does not provide for shares.

**Credit risk** - The District does not have a formal policy with respect to credit risk. As of June 30, 2008, credit risk for the District's investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
State Treasurer's investment pool	Unrated	Not applicable	\$ 21,278,370
County Treasurer's investment pool	Unrated	Not applicable	21,349,351
Money market mutual funds - U.S. Treasury securities	AAA	Standard & Poor's	263,812
			<b>\$ 42,891,533</b>

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**Custodial credit risk** - For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy with respect to custodial credit risk. At June 30, 2008, the District had \$263,812 of money market mutual funds that were uninsured and held by the counterparty not in the District's name.

**Interest rate risk** - As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's policy limits the District's investment portfolio to maturities of less than one year. At June 30, 2008, the District had the following investments in debt securities:

Investment Type	Investment Maturities - Less than 1 Year
State Treasurer's investment pool	\$ 21,278,370
County Treasurer's investment pool	21,349,351
Money market mutual funds - U.S. Treasury securities	<u>263,812</u>
	<u>\$ 42,891,533</u>

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

Cash, deposits, and investments:		Statement of Net Assets:	
Cash on hand	\$ 4,200	Cash and cash equivalents	\$ 45,376,376
Carrying amount of deposits	2,744,455	Restricted assets:	
Reported amount of investments	<u>42,891,533</u>	Cash and cash equivalents held by trustees	<u>263,812</u>
Total	<u>\$ 45,640,188</u>	Total	<u>\$ 45,640,188</u>

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**Note 3 - Student Loans Receivable**

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

Receivables	Gross Receivable	Allowance for Uncollectibles	Net Receivable
Student loans:			
Current	\$ -0-	\$ -0-	\$ -0-
Noncurrent	11,012	(5,812)	5,200
Total	<u>\$ 11,012</u>	<u>\$ (5,812)</u>	<u>\$ 5,200</u>

**Note 4 - Capital Assets**

Capital asset activity for the year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Capital assets not being depreciated:				
Land	\$ 543,607	\$ -0-	\$ -0-	\$ 543,607
Construction in progress	32,977,013	34,957,589	1,079,927	66,854,675
Total capital assets not being depreciated	<u>33,520,620</u>	<u>34,957,589</u>	<u>1,079,927</u>	<u>67,398,282</u>
Capital assets being depreciated:				
Buildings	33,573,597	3,397,195	-0-	36,970,792
Equipment	9,070,353	697,288	-0-	9,767,641
Other improvements	11,911,324	46,019	-0-	11,957,343
Library books	1,903,348	96,562	-0-	1,999,910
Total capital assets being depreciated	<u>56,458,622</u>	<u>4,237,064</u>	<u>-0-</u>	<u>60,695,686</u>
Less accumulated depreciation for:				
Buildings	20,301,235	765,143	-0-	21,066,378
Equipment	7,349,596	817,974	-0-	8,167,570
Other improvements	8,364,259	375,696	-0-	8,739,955
Library books	1,451,099	92,273	-0-	1,543,372
Total accumulated depreciation	<u>37,466,189</u>	<u>2,051,086</u>	<u>-0-</u>	<u>39,517,275</u>
Total capital assets being depreciated, net	<u>18,992,433</u>	<u>2,185,978</u>	<u>-0-</u>	<u>21,178,411</u>
Capital assets, net	<u>\$ 52,513,053</u>	<u>\$ 37,143,567</u>	<u>\$ 1,079,927</u>	<u>\$ 88,576,693</u>

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**Note 5 - Construction Commitments**

The District had major contractual commitments related to various capital projects at June 30, 2008, for the construction of improvements to the Main Campus, and improvements to the San Luis, Parker and Quartzsite Campuses. At June 30, 2008, the District had spent \$66,854,675 on these projects and had remaining contractual commitments with contractors of \$8,603,243. These projects are being financed by general obligation bonds.

**Note 6 - Long-term Liabilities**

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due within one year
Compensated absences payable	\$ 1,052,292	\$ 975,366	\$ 755,359	\$ 1,272,299	\$ 108,273
Bonds payable:					
Revenue bonds	\$ 265,000	\$ -0-	\$ 60,000	\$ 205,000	\$ 65,000
General obligation bonds	77,665,000	-0-	1,860,000	75,805,000	2,325,000
Plus premiums	557,357	-0-	66,405	490,952	42,738
Less deferred amount on refunding	(46,543)	-0-	(31,112)	(15,431)	(14,992)
Total long-term debt	<u>\$ 78,440,814</u>	<u>\$ -0-</u>	<u>\$ 1,955,293</u>	<u>\$ 76,485,521</u>	<u>\$ 2,417,746</u>

**Revenue Bonds Payable** – The District's revenue bonds of 1971 were issued to provide monies to acquire, construct, equip, and furnish dormitories, a college union, classroom facilities, and appurtenant facilities. The bonds are payable solely from special sinking funds that are funded by stipulated amounts of gross revenues from the operations of various facilities and are payable through 2010. Annual principal and interest payments on the bonds are expected to require less than two percent of revenues. The total principal and interest remaining to be paid on the bonds is \$226,875. Principal and interest paid for the current year and total pledged revenues were \$74,350 and \$6,324,723, respectively. The issue is generally callable and interest is payable semiannually. In accordance with the bond indenture, the required debt service reserve fund has been established and all requirements as of June 30, 2008 have been met.

Revenue bonds outstanding at June 30, 2008 were as follows:

Description	Original Amount	Interest Rates	Maturities	Outstanding Principal
Series A of 1971	\$ 1,700,000	7%	7/1/08-10	<u>\$ 205,000</u>

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Revenue bond debt service requirements to maturity are as follows:

Year ending June 30,	Principal	Interest
2009	\$ 65,000	\$ 12,075
2010	70,000	7,350
2011	70,000	2,450
Total	<u>\$ 205,000</u>	<u>\$ 21,875</u>

**General Obligation Bonds Payable** – General obligation bonds payable at June 30, 2008, consisted of the outstanding general obligation bonds presented below. The bonds are generally callable with interest payable semiannually.

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

General obligation bonds outstanding at June 30, 2008 were as follows:

Description	Original Amount	Interest Rates	Maturities	Outstanding Principal
General obligation refunding bonds – series 2003	\$ 9,845,000	2.25-4.25%	7/1/08-10	\$ 3,725,000
General obligation bonds – series 2005	\$20,000,000	3.5-5%	7/1/08-30	18,500,000
General obligation bonds – series 2006	\$53,850,000	3.75-5%	7/1/08-31	<u>53,580,000</u>
			Total	<u>\$ 75,805,000</u>

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

Year ending June 30,	<u>Principal</u>	<u>Interest</u>
2009	\$ 2,325,000	\$ 3,404,044
2010	2,475,000	3,302,538
2011	2,215,000	3,199,607
2012	1,965,000	3,103,731
2013	2,065,000	3,009,447
2014-18	11,975,000	13,432,697
2019-23	15,270,000	10,121,578
2024-28	19,505,000	5,996,684
2029-32	18,010,000	1,373,234
Total	<u>\$ 75,805,000</u>	<u>\$ 46,943,560</u>

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the District's financial statements. At June 30, 2008 the following outstanding bonds were considered defeased:

<b>Description</b>	<b>Amount</b>
General obligation – Series of 1993	\$ 3,910,000

**Note 7 - Risk Management**

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

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In addition, the District is a member of the Yuma Area Benefit Consortium which provides life insurance, accidental death and dismemberment, disability, basic or major medical coverage for accidents or sicknesses, as well as dental insurance coverage to its employees through the Consortium. The Consortium, currently composed of four members, provides benefits up to \$100,000 per individual per calendar year through a self-funding agreement with its participants and purchases commercial insurance to cover claims in excess of this limit. An independent administrator provides the Consortium with claims and recordkeeping services. The District is responsible for paying the premiums, but may require its employees to contribute a portion of them. The District would be assessed an additional contribution should the Consortium become insolvent. This additional contribution shall not exceed the amount of the District's annual contribution (i.e., premium), and once made, thereby releases the District from further legal obligations of any type. Should the District withdraw from the Consortium, it would then be responsible for its proportional share of claims run-out costs that exceed the Consortium reserves established for the incurred but not reported claims liability. If the Consortium were to terminate, the District would be responsible for its proportional share of any Consortium deficit. The District's proportional share upon termination shall not exceed the amount of the District's annual contributions, and once made, releases the District from all further legal obligations of any type. No additional contributions to the Consortium have been made in any of the past three fiscal years.

**Note 8 - Pension and Other Postemployment Benefits**

**Plan descriptions** - The District contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health care plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System. The Arizona State Retirement System (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by state statute. 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.

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**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, 2008, active plan members were required by statute to contribute at the actuarially determined rate of 9.6 percent (9.1 percent for retirement and 0.5 percent for long-term disability) of the members' annual covered payroll and the District was required by statute to contribute at the actuarially determined rate of 9.6 percent (8.05 percent for retirement, 1.05 percent for health insurance premium, and 0.5 percent for long-term disability) of the members' annual covered payroll.

The District's contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows:

Years ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2008	\$ 1,448,761	\$ 189,021	\$ 90,019
2007	1,332,324	173,830	82,783
2006	1,042,256	135,984	64,760

**Note 9 - 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:

Personal services	\$ 28,406,957
Contract services	3,173,957
Supplies and other services	2,488,306
Communications and utilities	1,730,976
Scholarships	6,556,576
Depreciation	2,051,086
Other	2,917,151
Total	\$ 47,325,009

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

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

**Note 10a - Summary of Significant Accounting Policies**

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

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

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

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

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

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

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

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

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

**Property and Equipment** - Assets with a unit cost greater than \$500 are capitalized at historical cost, or estimated historical cost if actual historical cost is not available. Assets donated to the Foundation are recorded at their estimated fair value at the time received. Depreciation on building improvements and furniture and equipment is computed using the straight-line method over the estimated useful lives of the assets. Expenses associated with the repair or maintenance of buildings and improvements, furniture, equipment, and vehicles are not capitalized and are recognized on the statement of activities in the fiscal year incurred.

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

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**Note 10b - Cash and Cash Equivalents**

Deposits	
Cash in bank	\$ 18,653
Money market accounts	614,052
Investments	
Certificates of deposit	531,148
Equities and options	2,037,925
Fixed income	486,117
Mutual funds	<u>194,215</u>
Total cash and investments	3,882,110
Less: Investments	<u>(3,249,405)</u>
Total cash and cash equivalents on the statement of financial position	<u>\$ 632,705</u>

The cash in bank, money market accounts and investments were fully insured. Investments are recorded at fair value.

Included in the Equities and Options are \$975,000 of Auction Rated Securities. At June 30, 2008, this amount was frozen and not available for use by the Foundation as there were no buyers available for the securities. Subsequent to June 30, 2008, \$225,000 of the securities were redeemed and \$750,000 remained. The Foundation is confident the remaining securities will be redeemed by December 31, 2008.

**Note 10c - Contributions Receivable**

Contributions receivable at June 30, 2008, net of allowance for uncollectibles of \$22,450, consisted of the following amounts.

	<u>Contributions Receivable</u>
Unconditional promises to give amounts due:	
Less than one year	\$ 106,900
One to five years	158,801
Less: unamortized discount	<u>(19,465)</u>
Net unconditional promises to give	<u>\$ 246,236</u>

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

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**Note 10d - Property and Equipment**

Depreciation of all assets is provided on a straight-line basis over the estimated life of the assets, which ranges from seven to thirty-one and one-half years. At June 30, 2008, the costs of such assets were as follows:

Land	\$ 254,740
Building improvements	1,048,257
Furniture and equipment	13,802
Less: accumulated depreciation	<u>(379,144)</u>
	<u>\$ 937,655</u>

Depreciation expense for the year ended June 30, 2008 totaled \$37,113.

**Note 10e - Concentrations**

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

## Supplementary Information

Yuma/La Paz Counties Community College District  
 (Arizona Western College)  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<b>National Science Foundation</b>			
Chromatography	47.076		\$ 23,353
Total National Science Foundation			<u>23,353</u>
<b>U.S. Department of Housing and Urban Development</b>			
Title IV – College Housing Program	14.Unknown		30,988
			<u>30,988</u>
<b>U.S. Department of Labor</b>			
WIA Pilots, Demonstrations and Research Projects Passed through Yuma County	17.261		761,963
WIA Cluster:			
WIA Adult Program	17.258	E5702015	269,718
WIA Youth Activities	17.259	AWC99-IIA-C	379,464
WIA Displaced Workers	17.260	E5702015	23,431
Total WIA Cluster			<u>672,613</u>
Total U.S. Department of Labor			<u>1,434,576</u>
<b>U.S. Small Business Administration</b>			
Passed through Maricopa County Community College District			
Small Business Development Center	59.037	6-603001-Z-0003	32,235
Small Business Development Center	59.037	7-603001-Z-0003	31,585
Total U.S. Small Business Administration			<u>63,820</u>
<b>U.S. Department of Education</b>			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007		236,119
Federal Work-Study Program	84.033		293,046
Federal Pell Grant Program	84.063		8,974,501
Total Student Financial Assistance Cluster			<u>9,503,666</u>
TRIO Cluster:			
Student Support Services	84.042A		309,092
Talent Search	84.044A		267,681
Upward Bound	84.047A		335,030
Total TRIO Cluster			<u>911,803</u>

*(Continued)*

See accompanying notes to schedule.

Yuma/La Paz Counties Community College District  
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 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2008

(Concluded)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
Higher Education – Institutional Aid	84.031S		1,203,351
Passed through Arizona Department of Education Vocational Education – Basic Grants to States	84.048	07FCTDBG-770521-02A 08FCTDBG-870521-02A	60,894 93,534 <u>154,428</u>
Tech-Prep Education	84.243A	07FCTDTP-770521-01A 08FCTDTP-870521-01A	25,083 67,963 <u>93,046</u>
Passed through Arizona Commission for Postsecondary Education Leveraging Educational Assistance Partnership Total U.S. Department of Education	84.069	None	16,337 <u>11,882,631</u>
<b>U.S. Department of the Interior</b>			
BLM Sears Point Rock – Art Survey	15.224		5,829
BLM Military Fire Rehabilitation	15.225		9,543
U.S. Geological Survey Interns	15.808		28,024
Total U.S. Department of the Interior			<u>43,396</u>
<b>U.S. Department of Justice</b>			
Reduce Crime Against Women on Campus	16.525		149,219
Total U.S. Department of Justice			<u>149,219</u>
Total Expenditures of Federal Awards			<u>\$ 13,627,983</u>

See accompanying notes to schedule.

Yuma/La/Paz Counties Community College District  
(Arizona Western College)  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2008

**Note 1 - Basis of Presentation**

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

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

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2008 *Catalog of Federal Domestic Assistance*. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word "unknown" were used.

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

The Auditor General of the State of Arizona

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

We have audited the financial statements of the business-type activities and discretely presented component unit of Yuma/La Paz Counties Community College District (District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 26, 2008. Our report was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement Nos. 48 and 50. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*. This report does not include the results of our testing of internal control over financial reporting for the Arizona Western College Foundation that is reported on separately.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood that a misstatement of the District's basic financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the basic financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

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

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

*Cronstrom, Osuch + Company, P.C.*

Cronstrom, Osuch & Company, P.C.

November 26, 2008

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

The Auditor General of the State of Arizona

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

**Compliance**

We have audited the compliance of Yuma/La Paz Counties Community College District (District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Yuma/La Paz Counties Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

## Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

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

Cronstrom, Osuch & Company, P.C.

November 26, 2008

Yuma/La Paz Counties Community College District  
 (Arizona Western College)  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2008

**Summary of Auditor's Results**

**Financial Statements**

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

**Federal Awards**

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

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
<b>Student Financial Assistance Cluster:</b>	
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work – Study Program
84.063	Federal Pell Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:		\$408,839	
Auditee qualified as low-risk auditee?	X	_____	

**Other Matters**

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