



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Financial Statement Audit

**Yuma/La Paz Counties
Community College District**
(Arizona Western College)
Year Ended June 30, 2011



Debra K. Davenport
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.



Copies of the Auditor General's reports are free.
You may request them by contacting us at:

Office of the Auditor General

2910 N. 44th Street, Suite 410 • Phoenix, AZ 85018 • (602) 553-0333

Additionally, many of our reports can be found in electronic format at:

www.azauditor.gov

Yuma/La Paz Counties Community College District
(Arizona Western College)
Financial Statements
Year Ended June 30, 2011

Table of Contents	Page
Financial Section	
Independent Auditors' Report	
Management's Discussion and Analysis	i
Statement of Net Assets—Primary Government	1
Statement of Financial Position—Component Unit	3
Statement of Revenues, Expenses, and Changes in Net Assets—Primary Government	4
Statement of Activities—Component Unit	5
Statement of Cash Flows—Primary Government	6
Notes to Financial Statements	8



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

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

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Yuma/La Paz Counties Community College District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Yuma/La Paz Counties Community College District as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages i through vi 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.

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

Debbie Davenport
Auditor General

December 12, 2011

Yuma/La Paz Counties Community College District
(Arizona Western College)
Management's Discussion and Analysis
Year Ended June 30, 2011

Our 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, 2011. Please read it in conjunction with the financial statements, which immediately follow.

Basic Financial Statements

The College'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, 2011. 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, 2011. 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, 2011. 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, 2011. This Management's Discussion and Analysis (MD&A) uses prior fiscal year for comparison purposes and illustrates where the College's financial performance may have changed.

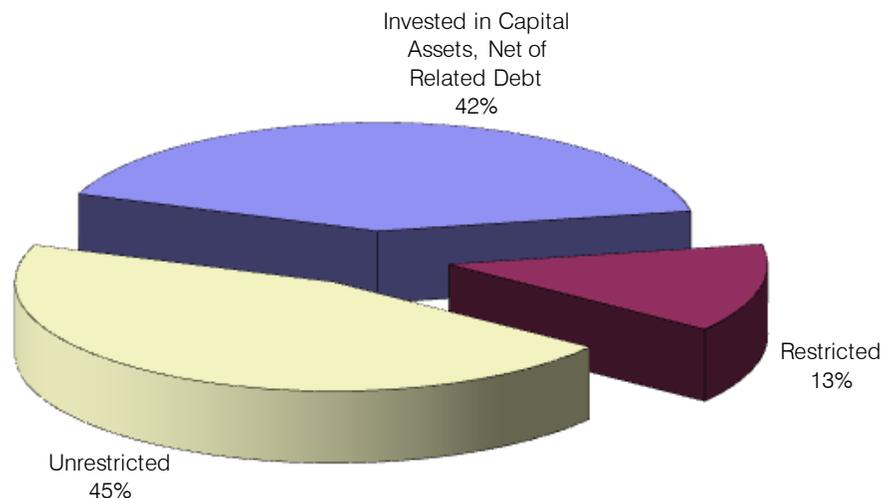
Yuma/La Paz Counties Community College District
 (Arizona Western College)
 Management's Discussion and Analysis
 Year Ended June 30, 2011

Condensed Financial Information

**Net Assets—Primary Government
 As of June 30**

	2011	2010
Assets:		
Current assets	\$ 49,354,056	\$ 48,194,907
Noncurrent assets, other than capital assets	649,785	862,933
Capital assets, net	<u>91,255,442</u>	<u>94,727,890</u>
Total assets	<u>141,259,283</u>	<u>143,785,730</u>
Liabilities:		
Current liabilities	14,803,111	15,792,336
Noncurrent liabilities	<u>68,558,409</u>	<u>72,959,449</u>
Total liabilities	<u>83,361,520</u>	<u>88,751,785</u>
Net Assets		
Invested in capital assets, net of related debt	24,024,329	23,226,049
Restricted net assets	7,603,084	8,569,296
Unrestricted net assets	<u>26,270,350</u>	<u>23,238,600</u>
Total net assets	<u>\$ 57,897,763</u>	<u>\$ 55,033,945</u>

Percent of Net Assets for 2011

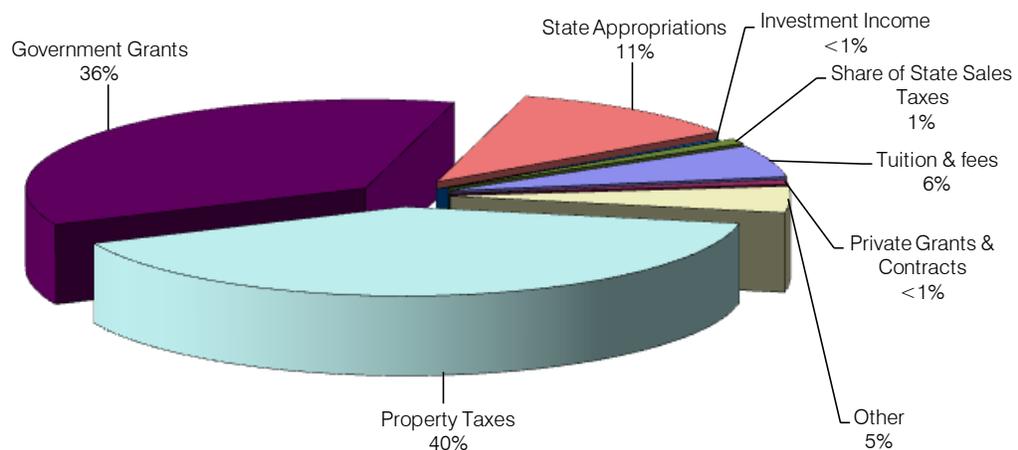


Yuma/La Paz Counties Community College District
(Arizona Western College)
Management's Discussion and Analysis
Year Ended June 30, 2011

**Changes in Net Assets—Primary Government
For the Year Ended June 30**

	2011	2010
Revenues		
Operating		
Tuition and fees (net of scholarship allowances)	\$ 3,985,552	\$ 4,693,717
Other (net of scholarship allowances)	3,246,240	3,009,874
Nonoperating		
Property taxes	27,654,813	26,919,661
State appropriations	7,751,200	7,751,200
Government grants	24,715,650	24,993,176
Share of state sales taxes	624,303	715,686
Private grants and gifts	557,654	501,781
Investment earnings	<u>190,033</u>	<u>238,184</u>
Total revenues	<u>68,725,445</u>	<u>68,823,279</u>
Expenses		
Operating	62,717,652	60,944,601
Nonoperating	<u>3,150,200</u>	<u>3,256,939</u>
Total expenses	<u>65,867,852</u>	<u>64,201,540</u>
Capital grants and gifts	6,225	
Increase in net assets	2,863,818	4,621,739
Net assets, July 1	<u>55,033,945</u>	<u>50,412,206</u>
Net assets, June 30	<u>\$57,897,763</u>	<u>\$55,033,945</u>

Percent of 2011 Revenues by Source

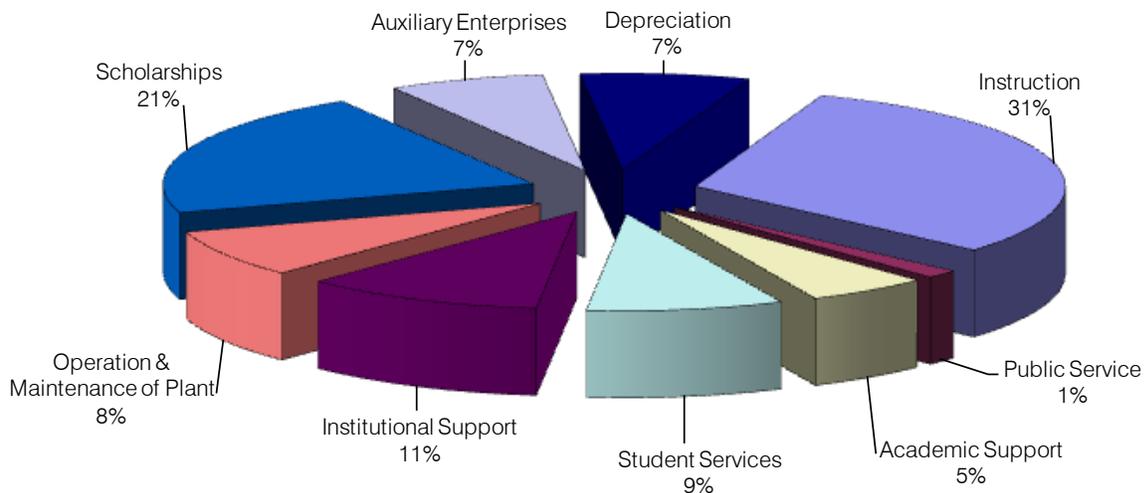


Yuma/La Paz Counties Community College District
 (Arizona Western College)
 Management's Discussion and Analysis
 Year Ended June 30, 2011

**Expenses by Category—Primary Government
 For the Year Ended June 30**

	2011	2010
Operating expenses		
Educational and general:		
Instruction	\$19,381,941	\$19,146,367
Public service	881,241	887,081
Academic support	3,323,612	2,948,139
Student services	5,371,512	4,867,039
Institutional support	6,606,935	6,649,729
Operation & maintenance of plant	4,979,727	5,162,250
Scholarships	13,254,099	12,627,617
Auxiliary enterprises	4,278,948	4,075,581
Depreciation	<u>4,639,637</u>	<u>4,580,798</u>
Total operating expenses	<u>62,717,652</u>	<u>60,944,601</u>
Nonoperating expenses		
Interest expense on debt	3,150,200	3,254,594
Other		<u>2,345</u>
Total nonoperating expenses	<u>3,150,200</u>	<u>3,256,939</u>
Total expenses	<u>\$65,867,852</u>	<u>\$64,201,540</u>

Percent of 2011 Operating Expenses by Category



Yuma/La Paz Counties Community College District
(Arizona Western College)
Management's Discussion and Analysis
Year Ended June 30, 2011

Financial Highlights and Analysis

Financial Position

The District's overall financial position improved in fiscal year 2011. Total assets decreased \$2.5 million from fiscal year 2010 to fiscal year 2011. This decrease is primarily a decrease in capital assets because of capital asset disposals and increased depreciation expense. However, cash and investments increased from the prior year and total liabilities decreased by \$5.4 million, which is mostly due to a reduction in long-term debt.

Total net assets for the District increased by \$2.8 million from fiscal year 2010 to fiscal year 2011. This increase is primarily attributable to an increase of \$3.0 million in unrestricted net assets due to an increase in cash and investments, an increase of \$800 thousand in invested in capital assets, net of related debt due to an early debt payment, and a decrease of \$1.0 million in restricted net assets based on the timing of grant expenses.

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

Results of Operations

The District has four major revenue sources. These are property taxes, tuition and fees, state appropriations, and grants and contracts. These revenues are further identified as operating or nonoperating revenues.

For fiscal year 2011, the District's total revenues decreased by \$100 thousand from fiscal year 2010. The following revenue sources make up a significant portion of this total decrease.

- Tuition and fees decreased \$700 thousand primarily due to the increase in scholarship allowances.
- Other operating revenues increased \$200 thousand primarily due to food service and bookstore sales.
- Government grants and gifts decreased by \$300 thousand due to the timing of grants.
- Property taxes increased \$700 thousand primarily due to new construction.

Total operating expenses increased by \$1.7 million from fiscal year 2010 to fiscal year 2011. These increases reflect a \$600 thousand increase in scholarship expense, \$900 thousand increase in academic and student support services and a \$200 thousand increase in instructional expense all based on enrollment growth. These expenses are reflected in the District's function/program expenses.

Nonoperating expenses in 2011 for interest expense on debt decreased slightly due to scheduled retirements of long-term debt.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Management's Discussion and Analysis
Year Ended June 30, 2011

Capital Assets and Debt Administration

The District's capital assets, net of accumulated depreciation totaled over \$91 million as of June 30, 2011. Capital assets include land, construction in progress, buildings, improvements other than buildings, equipment, and library books. Additional information on capital assets can be found in detail in Note 3 to the District's basic financial statements.

At June 30, 2011, the District had two general obligation bond issues outstanding totaling approximately \$67 million. Additional information on the District's long-term debt can be found in Note 5 to the basic financial statements.

Current Factors Having Probable Future Financial Significance

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 a percent 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 2011 was the tenth year of this funding and the District received over \$624 thousand. It is anticipated that the District will continue to receive at least this amount for the next ten years.

The District completed the installation of a 5 megawatt solar array in the fall of 2011, which will help meet the District's electricity needs. It is estimated that the District will save \$5.7 million during the first ten years of the array's life.

The Arizona state budget is facing a budget deficit which will impact the amount of state aid the District will receive in fiscal year 2012. The District is positioned to manage itself during this difficult time.

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 the financial statements or requests for additional financial information should be addressed to the Vice President for Finance and Administrative Services, P.O. Box 929, Yuma, Arizona 85366.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Statement of Net Assets—Primary Government
June 30, 2011

	<u>Business-Type Activities</u>
Assets	
Current assets:	
Cash and investments	\$ 45,651,299
Receivables (net of allowances for uncollectibles):	
Property taxes	1,343,390
Government grants and contracts	1,493,906
Other	758,726
Prepaid items	86,014
Deferred financing costs	20,721
Total current assets	<u>49,354,056</u>
Noncurrent assets:	
Restricted assets:	
Property taxes receivable (net of allowances for uncollectibles)	260,325
Student loans receivable (net of allowances for uncollectibles)	4,178
Deferred charges	385,282
Capital assets, not being depreciated	685,333
Capital assets, being depreciated, net	<u>90,570,109</u>
Total noncurrent assets	<u>91,905,227</u>
Total assets	<u>141,259,283</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 738,040
Accrued payroll and employee benefits	1,273,423
Deferred revenues	379,105
Deposits held in custody for others	12,412,543
Current portion of compensated absences payable	122,377
Current portion of long-term debt	20,727
Total current liabilities	<u>14,946,215</u>
Noncurrent liabilities:	
Compensated absences payable	1,204,918
Long-term debt	<u>67,210,387</u>
Total noncurrent liabilities	<u>68,415,305</u>
Total liabilities	<u>83,361,520</u>

(Continued)

See accompanying notes to financial statements.

Yuma/La Paz Counties Community College District
 (Arizona Western College)
 Statement of Net Assets—Primary Government
 June 30, 2011
 (Continued)

	<u>Business-Type Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 24,024,329
Restricted:	
Nonexpendable:	
Student loans	175,676
Expendable:	
Grants and contracts	900,306
Debt service	2,039,406
Capital projects	4,487,696
Unrestricted	<u>26,270,350</u>
 Total net assets	 <u><u>\$ 57,897,763</u></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, 2011

	<u>Arizona Western College Foundation</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 396,344
Accounts receivable	5,138
Contributions receivable	<u>18,975</u>
Total current assets	<u>420,457</u>
Investments	<u>1,947,838</u>
Property and equipment, net	<u>886,528</u>
Total assets	<u>3,254,823</u>
Liabilities and Net Assets	
Current liabilities	
Accounts payable	\$ 17,007
Accrued payroll and related liabilities	<u>576</u>
Total current liabilities	<u>17,583</u>
Compensated absences payable	<u>40,206</u>
Total liabilities	<u>57,789</u>
Net Assets	
Unrestricted	1,155,403
Temporarily restricted	750,251
Permanently restricted	<u>1,291,380</u>
Total net assets	<u>3,197,034</u>
Total liabilities and net assets	<u>\$ 3,254,823</u>

See accompanying notes to financial statements.

Yuma/La Paz Counties Community College District
 (Arizona Western College)
 Statement of Revenues, Expenses, and Changes in Net Assets—Primary Government
 Year Ended June 30, 2011

	Business-Type Activities
Operating revenues:	
Tuition and fees (net of scholarship allowances of \$8,163,229)	\$ 3,985,552
Bookstore income	407,618
Food service income (net of scholarship allowances of \$345,211)	1,624,838
Dormitory rentals and fees (net of scholarship allowances of \$221,706)	447,042
Other	<u>766,742</u>
Total operating revenues	<u>7,231,792</u>
Operating expenses:	
Educational and general:	
Instruction	19,381,941
Public service	881,241
Academic support	3,323,612
Student services	5,371,512
Institutional support	6,606,935
Operation and maintenance of plant	4,979,727
Scholarships	13,254,099
Auxiliary enterprises	4,278,948
Depreciation	<u>4,639,637</u>
Total operating expenses	<u>62,717,652</u>
Operating loss	<u>(55,485,860)</u>
Nonoperating revenues (expenses):	
Property taxes	27,654,813
State appropriations	7,751,200
Government grants	24,715,650
Share of state sales taxes	624,303
Private grants and gifts	557,654
Investment earnings	190,033
Interest expense on debt	<u>(3,150,200)</u>
Total nonoperating revenues (expenses)	<u>58,343,453</u>
Income before other revenues, expenses, gains, or losses	2,857,593
Capital grants and gifts	6,225
Increase in net assets	2,863,818
Total net assets, July 1, 2010	<u>55,033,945</u>
Total net assets, June 30, 2011	<u>\$ 57,897,763</u>

See accompanying notes to financial statements.

Yuma/La Paz Counties Community College District
 (Arizona Western College)
 Statement of Activities—Component Unit
 Year Ended June 30, 2011

	Arizona Western College Foundation			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues and support				
Donations	\$ 31,997	\$ 142,142	\$ 26,626	\$ 200,765
Arizona Western College support	197,532			197,532
Rental income	166,172			166,172
Investment income, net of expenses of \$14,728	2,951	24,801		27,752
Unrealized losses	(3,949)	(32,161)		(36,110)
Realized gains	17,096	142,465		159,561
Net assets released from restriction	<u>112,286</u>	<u>(112,286)</u>		
Total revenues and support	<u>524,085</u>	<u>164,961</u>	<u>26,626</u>	<u>715,672</u>
Expenses				
Program services:				
Arizona Western College contributed salaries	199,861			199,861
Scholarships	50,433			50,433
Supporting services:				
Management and general	134,944			134,944
Rental operations	120,808			120,808
Fundraising	<u>26,958</u>			<u>26,958</u>
Total expenses	<u>533,004</u>			<u>533,004</u>
Changes in net assets	(8,919)	164,961	26,626	182,668
Net assets at beginning of year, as previously reported	<u>1,099,656</u>	<u>585,290</u>	<u>1,329,420</u>	<u>3,014,366</u>
Correction of classification of unrestricted assets	<u>64,666</u>		<u>(64,666)</u>	
Net assets, as restated	<u>1,164,322</u>	<u>585,290</u>	<u>1,264,754</u>	<u>3,014,366</u>
Net assets, end of year	<u>\$ 1,155,403</u>	<u>\$ 750,251</u>	<u>\$ 1,291,380</u>	<u>\$ 3,197,034</u>

See accompanying notes to financial statements.

Yuma/La Paz Counties Community College District
 (Arizona Western College)
 Statement of Cash Flows—Primary Government
 Year Ended June 30, 2011

	Business-Type Activities
Cash flows from operating activities:	
Tuition and fees	\$ 4,188,804
Bookstore receipts	422,583
Food services receipts	1,624,838
Dormitory rentals and fees	447,042
Collection of loans to students	471
Other receipts	728,743
Payments to suppliers and providers of goods and services	(12,018,505)
Payments to employees	(32,786,586)
Payments to students for scholarships	(13,254,099)
Net cash used for operating activities	<u>(50,646,709)</u>
Cash flows from noncapital financing activities:	
Property taxes	27,618,052
State appropriations	7,751,200
Government grants	25,014,670
Share of state sales taxes	624,303
Private grants and gifts	557,654
Federal direct lending receipts	3,281,914
Federal direct lending disbursements	(3,281,914)
Deposits held in custody for others received	23,475,351
Deposits held in custody for others disbursed	(23,100,386)
Net cash provided by noncapital financing activities	<u>61,940,844</u>
Cash flows from capital and related financing activities:	
Capital grants and gifts	6,225
Principal paid on capital debt	(4,250,000)
Interest paid on capital debt	(4,777,154)
Purchases of capital assets	(1,167,189)
Net cash used for capital and related financing activities	<u>(10,188,118)</u>
Cash flows from investing activities:	
Interest received on investments	<u>190,033</u>
Net cash provided by investing activities	<u>190,033</u>
Net increase in cash and cash equivalents	1,296,050
Cash and cash equivalents, July 1, 2010	<u>44,355,249</u>
Cash and cash equivalents, June 30, 2011	<u>\$ 45,651,299</u>

(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, 2011
 (Continued)

	<u>Business-Type Activities</u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (55,485,860)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	4,639,637
Changes in assets and liabilities:	
Increase in:	
Deferred revenues	131,783
Accrued payroll and employee benefits	229,263
Decrease in:	
Prepaid items	13,084
Other receivables	48,436
Student loans receivable, net	471
Accounts payable	(93,211)
Compensated absences payable	(130,312)
Net cash used for operating activities	<u>\$ (50,646,709)</u>

See accompanying notes to financial statements.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Notes to Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

During the year ended June 30, 2011, the Foundation distributed \$50,433 to the District for both restricted and unrestricted purposes. In addition, the District provided \$197,532 of support to the Foundation during the fiscal year. Complete financial statements for the Foundation can be obtained from the Foundation Office, 281 West 24th Street, Suite 132, Yuma, AZ 85364.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Notes to Financial Statements
June 30, 2011

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 the District's 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 include gifts that have been received for endowment purposes and federal contributions for the Federal Perkins Loan Program, the corpus of which cannot be expended. Expendable restricted net assets represent grants, contracts, gifts, and other resources that have been externally restricted for specific purposes. Unrestricted net assets include all other net assets, including those that have been designated by management to be used for other than general operating purposes.

A statement of revenues, expenses, and changes in net assets provides information about the District's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net assets are reported, including capital contributions and additions to endowments. Operating revenues and expenses generally result from exchange transactions. Accordingly, revenues, such as tuition and 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.

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.

Yuma/La Paz Counties Community College District
 (Arizona Western College)
 Notes to Financial Statements
 June 30, 2011

When both unrestricted and restricted 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

For the statement of cash flows, 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 1 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.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$5,000		
Construction in progress	5,000		
Buildings	5,000	Straight-line	20-40 years
Other improvements	5,000	Straight-line	15 years
Equipment	5,000	Straight-line	5 years
Library books	1	Straight-line	10 years

E. Investment Earnings

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

Yuma/La Paz Counties Community College District
(Arizona Western College)
Notes to Financial Statements
June 30, 2011

F. Compensated Absences

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

Employees may accumulate up to 330 or 352 hours of vacation depending on years of service and employee group classification, 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 the student's behalf. Accordingly, some types of student financial aid, such as Pell grants and scholarships awarded by the District, are considered to be scholarship allowances. These allowances are netted against tuition and fees revenues in the statement of revenues, expenses, and changes in net assets.

Note 2 - Deposits and Investments

Arizona Revised Statutes (A.R.S.) 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 another is property 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, 2011, the total cash on hand was \$7,450. The carrying amount of the District's deposits was \$9,827,387, and the bank balance was \$10,376,438.

Yuma/La Paz Counties Community College District
 (Arizona Western College)
 Notes to Financial Statements
 June 30, 2011

Investments—At June 30, 2011, the District’s investments consisted of the following:

	Fair Value
State Treasurer’s investment pool 7	\$25,018,784
County Treasurer’s investment pool	<u>10,797,678</u>
Total	<u>\$35,816,462</u>

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, 2011, credit risk for the District’s investments was as follows:

	<u>Rating</u>	<u>Amount</u>
State Treasurer’s investment pool 7	Unrated	\$25,018,784
County Treasurer’s investment pool	Unrated	<u>10,797,678</u>
Total		<u>\$35,816,462</u>

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.

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 1 year. At June 30, 2011, the District had the following investments in debt securities:

Investment Type	Investment Maturities-Less than 1 year
State Treasurer’s investment pool 7	\$25,018,784
County Treasurer’s investment pool	<u>10,797,678</u>
Total	<u>\$35,816,462</u>

Yuma/La Paz Counties Community College District
 (Arizona Western College)
 Notes to Financial Statements
 June 30, 2011

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	\$ 7,450	Cash and investments	\$45,651,299
Amount of deposits	9,827,387		
Amount of investments	<u>35,816,462</u>		
Total	<u>\$45,651,299</u>	Total	<u>\$45,651,299</u>

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 543,607			\$ 543,607
Construction in progress	<u> </u>	\$ 141,726		<u>141,726</u>
Total capital assets not being depreciated	<u>543,607</u>	<u>141,726</u>		<u>685,333</u>
Capital assets being depreciated:				
Buildings	104,402,431	37,692	\$1,374,698	103,065,425
Equipment	14,193,124	844,754	755,042	14,282,836
Other improvements	20,885,252	43,491		20,928,743
Library books	<u>2,119,676</u>	<u>99,526</u>	<u>609,820</u>	<u>1,609,382</u>
Total capital assets being depreciated	<u>141,600,483</u>	<u>1,025,463</u>	<u>2,739,560</u>	<u>139,886,386</u>
Less accumulated depreciation for:				
Buildings	24,974,490	2,378,279	1,374,698	25,978,071
Equipment	10,385,804	1,252,325	755,042	10,883,087
Other improvements	10,335,215	928,538		11,263,753
Library books	<u>1,720,691</u>	<u>80,495</u>	<u>609,820</u>	<u>1,191,366</u>
Total accumulated depreciation	<u>47,416,200</u>	<u>4,639,637</u>	<u>2,739,560</u>	<u>49,316,277</u>
Total capital assets being depreciated, net	<u>94,184,283</u>	<u>(3,614,174)</u>		<u>90,570,109</u>
Capital assets, net	<u>\$ 94,727,890</u>	<u>\$(3,472,448)</u>	<u> </u>	<u>\$ 91,255,442</u>

Yuma/La Paz Counties Community College District
 (Arizona Western College)
 Notes to Financial Statements
 June 30, 2011

Note 4 - Construction and Other Commitments

The District had major contractual commitments related to various capital projects at June 30, 2011, for the construction of Wellton Learning Center and renovation of DeAnza Dormitory. At June 30, 2011, the District had spent \$141,726 on these projects and had remaining contractual commitments with contractors of \$2,160,549. The Wellton Learning Center is being financed by the remaining unspent proceeds from the District's series 2006 general obligation bonds, and the DeAnza Dormitory renovation is being financed by Unexpended Plant Fund resources.

Note 5 - Long-Term Liabilities

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due within 1 year
Compensated absences payable	<u>\$ 1,457,607</u>	<u>\$1,083,239</u>	<u>\$1,213,551</u>	<u>\$ 1,327,295</u>	<u>\$122,377</u>
Bonds payable:					
General obligation bonds	\$71,005,000		\$4,180,000	\$66,825,000	
Revenue bonds	70,000		70,000		
Premiums	<u>426,842</u>		<u>20,728</u>	<u>406,114</u>	<u>20,727</u>
Total long-term debt	<u>\$71,501,842</u>	<u>\$</u>	<u>\$4,270,728</u>	<u>\$67,231,114</u>	<u>\$ 20,727</u>

General Obligation Bonds Payable—The District's bonded debt consists of general obligation bonds that are generally callable with interest payable semiannually. Bond proceeds primarily pay for acquiring or constructing capital facilities. 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, 2011, were as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
General obligation bonds—series 2005	\$20,000,000	7/1/2012-30	3.625–5%	\$16,965,000
General obligation bonds—series 2006	53,850,000	7/1/2012-31	3.75–5%	<u>49,860,000</u>
				<u>\$66,825,000</u>

Yuma/La Paz Counties Community College District
 (Arizona Western College)
 Notes to Financial Statements
 June 30, 2011

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

	Principal	Interest
Year Ending June 30,		
2012		\$ 1,528,628
2013	\$ 2,065,000	3,009,447
2014	2,170,000	2,911,409
2015	2,270,000	2,808,244
2016	2,390,000	2,695,556
2017-21	13,855,000	11,529,706
2022-26	17,690,000	7,755,029
2027-31	22,575,000	3,152,813
2032	<u>3,810,000</u>	<u>71,438</u>
Total	<u>\$66,825,000</u>	<u>\$35,462,270</u>

Note 6 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates with seven other Arizona community college districts and more than 200 Arizona school districts in the Arizona School Risk Retention Trust, Inc. (Trust), a public entity risk pool. The trust insures the District against liabilities arising from general liability, professional liability, and property, automobile, boiler, and machinery liability, and commercial crime risks. The Trust's operating agreement includes a provision for the member to be charged an additional assessment in the event that total claims paid by the Trust exceed the members' contributions and reserves in any single year. The District will be charged for any such assessment in the following year. The District also 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 3 fiscal years.

In addition, the District is a member of the Yuma Area Benefit Consortium, which provides life insurance, accidental death and dismemberment, disability, basic or major medical coverage for accidents or sicknesses, and dental and vision 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

Yuma/La Paz Counties Community College District
 (Arizona Western College)
 Notes to Financial Statements
 June 30, 2011

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 3 fiscal years.

Note 7 - 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, and 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 1-800-621-3778.

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, 2011, active plan members were required by statute to contribute at the actuarially determined rate of 9.85 percent (9.6 percent for retirement and 0.25 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 9.85 percent (9.01 percent for retirement, 0.59 percent for health insurance premium, and 0.25 percent for long-term disability) of the members' annual covered payroll.

The District's contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

Year ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2011	\$1,867,996	\$122,322	\$51,817
2010	1,659,676	131,341	79,665
2009	1,517,443	199,122	95,884

Yuma/La Paz Counties Community College District
(Arizona Western College)
Notes to Financial Statements
June 30, 2011

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—Primary Government. The operating expenses can also be classified into the following:

Personal services	\$32,885,539
Contract services	3,998,763
Supplies and other services	2,462,071
Communications and utilities	2,163,737
Scholarships	13,254,099
Depreciation	4,639,637
Other	<u>3,313,806</u>
Total	<u>\$62,717,652</u>

Note 9 - Discretely Presented Component Unit

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

Summary of Significant Accounting Policies

Nature of Activities—Arizona Western College Foundation (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. The Foundation is located in Yuma, Arizona and provides services to residents of Yuma and La Paz counties.

Basis of Accounting—The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recognized and recorded when incurred.

Basis of Presentation—The financial statement presentation follows generally accepted accounting principles. Under the principles the Foundation is required to report information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted Net Assets—Unrestricted net assets are those currently available at the discretion of the board of directors for use in the Foundation's operations, in accordance with its bylaws. The Foundation reports its revenue and other support as unrestricted if there are no donor-imposed restrictions limiting its use.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Notes to Financial Statements
June 30, 2011

Temporarily Restricted Net Assets—Temporarily restricted net assets are those contributions subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets are held for scholarships.

Permanently Restricted Net Assets—Permanently restricted net assets are those resources subject to a donor-imposed restriction that they be maintained permanently by the Foundation. Generally, the donors of these resources permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

Use of Estimates—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents—The Foundation considers all investment instruments purchased with an original maturity of 3 months or less to be cash equivalents. Cash and cash equivalents designated for long-term investment purposes are included as investments. The Foundation maintains its cash accounts in one financial institution. In the ordinary course of business, the Foundation's cash balances may exceed amounts insured by the federal government.

Investments—Investments are carried at fair value based on quoted market prices. Interest and dividend income is recognized when earned. Realized gains and losses are recognized upon the sales of investments. Unrealized gains and losses are recognized based on changes in the fair values of investments.

Contributions Receivable—Pledges that are expected to be collected within 1 year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using a discount rate applicable in the year in which the pledge is received. Amortization of the discount is included in contribution revenue. Conditional pledges are not included as support until such time as the conditions are substantially met.

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, and equipment are not capitalized and are recognized on the statement of activities in the fiscal year incurred.

Yuma/La Paz Counties Community College District
 (Arizona Western College)
 Notes to Financial Statements
 June 30, 2011

Tax-Exempt Status—The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Therefore, no expense has been recognized for income taxes in the accompanying financial statements. The Foundation is not a private foundation and contributions to the Foundation qualify as charitable deductions by the contributor. As of June 30, 2011, no uncertain tax positions have been identified and accordingly, no provision has been made. As of June 30, 2011, tax years 2008 through 2010 remain subject to examination by major tax jurisdictions.

Investments

Generally accepted accounting principles establish a fair value hierarchy which prioritizes valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income, or cost approach are used to measure fair value.

The fair value hierarchy prioritizes valuation techniques used to measure fair value into three broad levels:

Level 1 investments use quoted prices in active markets for identical assets that the Foundation has the ability to access. Such investments consist of holdings in equity securities, mutual funds, and bonds that are actively traded on an exchange.

Level 2 investments use inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly. The Foundation has no such investments.

Level 3 investments have no observable values for the assets and rely on management's own assumptions that market participants would use in pricing the asset. Such investments consist of holdings in mutual funds that in turn are invested in auction rate securities.

The following presents the Foundation's fair value hierarchy for the assets measured at fair value on a recurring basis as of June 30, 2011:

	Level 1	Level 3	Total
Equities	\$ 960,047		\$ 960,047
Mutual funds	303,275	\$350,000	653,275
U.S. Government bonds	245,364		245,364
Corporate bonds	<u>89,152</u>		<u>89,152</u>
Total investments	<u>\$1,597,838</u>	<u>\$350,000</u>	<u>\$1,947,838</u>

Yuma/La Paz Counties Community College District
 (Arizona Western College)
 Notes to Financial Statements
 June 30, 2011

The mutual funds classified as level 3 are invested in auction rate securities, for which there is no current liquidity in the market. The securities are being carried at cost, which represents the estimated value at which the securities will be redeemed in the future. Such value is management's best estimate of the securities' estimated fair value as of June 30, 2011.

Contributions Receivable

Contributions receivable at June 30, 2011, include the following unconditional promises to give:

Unconditional promises to give:	
Amount receivable, current	\$21,975
Allowance for uncollectible pledges	<u>(3,000)</u>
Contribution receivables	<u>\$18,975</u>

Property and Equipment

Property and equipment as of June 30, 2011, consist of the following:

Land	\$ 254,740
Building and improvements	1,113,939
Furniture and equipment	<u>19,782</u>
	1,388,461
Less: accumulated depreciation	<u>501,933</u>
Net property and equipment	<u>\$ 886,528</u>

Depreciation expense for the year ended June 30, 2011, was \$42,893.

Endowments

Donor Restricted Endowments—The Arizona Western College Foundation has donor restricted endowment funds established by donor request for the purpose of student scholarships. Net assets of the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of the Foundation has interpreted the state's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets the original value of the gifts to the permanent endowments and accumulated earnings that are required to be classified as permanently restricted based on donor stipulations. The remaining portion of a donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the UPMIFA.

Yuma/La Paz Counties Community College District
 (Arizona Western College)
 Notes to Financial Statements
 June 30, 2011

Funds with Deficiencies—From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$4,058 as of June 30, 2011; these deficiencies resulted from unfavorable market fluctuations in the endowment funds' investments and continued appropriations that were deemed prudent by the Board of Directors of the Foundation.

Return Objectives and Risk Parameters, Investment, and Spending Policies—The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to scholarships supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of the donor-restricted scholarship funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that meet or exceed the price and yield results of a moderate allocation model. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 6 percent annually. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through equity-based investments (realized and unrealized capital appreciation and dividends) and bonds (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent constraints. Distribution of endowment funds is consistent with donor instructions for scholarship disbursement.

The Foundation's policy for appropriation on donor-restricted endowments is to approve spending as part of the annual budget process and have individual scholarship decisions approved by the Foundation's Board of Directors.

The summary of changes in endowment fund balances for the year ended June 30, 2011, follows:

	Temporarily Restricted	Permanently Restricted	Total
Balance as of June 30, 2010	\$309,726	\$1,329,420	\$1,639,146
Contributions	7,116	26,626	33,742
Investment Return:			
Investment income	32,320		32,320
Investment expenses	(11,571)		(11,571)
Realized gains	121,289		121,289
Unrealized losses	<u>(27,395)</u>		<u>(27,395)</u>
Total investment return	114,643		114,643
Appropriations	<u>(26,616)</u>	<u>(64,666)</u>	<u>(91,282)</u>
Balance as of June 30, 2011	<u>\$404,869</u>	<u>\$1,291,380</u>	<u>\$1,696,249</u>

Yuma/La Paz Counties Community College District
(Arizona Western College)
Notes to Financial Statements
June 30, 2011

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 operation of the Foundation unless such revenues were replaced with other sources.