

**YUMA/LA PAZ COUNTIES COMMUNITY  
COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)**

**SINGLE AUDIT REPORTING PACKAGE**

**YEAR ENDED JUNE 30, 2009**

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
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## INDEPENDENT AUDITORS' 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 (the District), as of and for the year ended June 30, 2009, 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, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2010, 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.

The Auditor General of the State of Arizona  
The Governing Board of  
Yuma/La Paz Counties Community College District

The accompanying *Management's Discussion and Analysis*, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accounting in the United States of America. 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 of Yuma/La Paz Counties Community College District. 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.

*LarsonAllen LLP*

**LarsonAllen LLP**

Mesa, Arizona  
February 22, 2010

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009**

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, 2009. Please read it in conjunction with the financial statements, which immediately follow. The accompanying financial statements present the activities of the District and its component unit, the Arizona Western College Foundation (Foundation). The Foundation is a legally separate, tax-exempt organization. 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. Consequently, the foundation is considered a component unit of the District and is discretely presented in the District's financial statements.

**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, 2009. 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, 2009. 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, 2009. 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, 2009. 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.

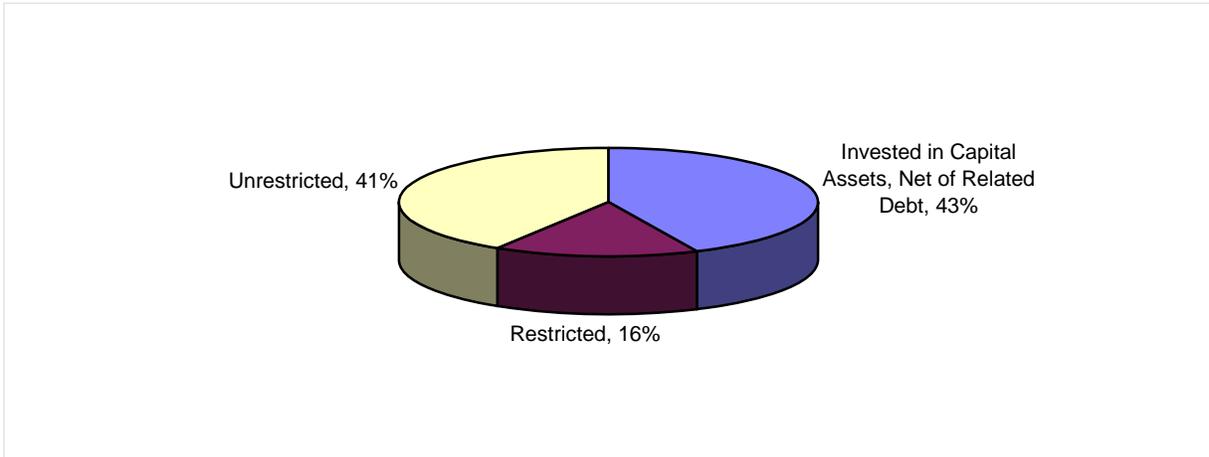
**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009**

**Condensed Financial Information**

**Condensed Statement of Net Assets as of June 30:**

	2009	2008
<b>Assets:</b>		
Current assets	\$ 46,208,563	\$ 47,862,684
Noncurrent assets, other than capital assets	992,303	944,917
Capital assets, net	<u>94,763,333</u>	<u>88,576,693</u>
Total assets	<u>141,964,199</u>	<u>137,384,294</u>
<b>Liabilities:</b>		
Other liabilities	16,136,718	15,547,810
Long-term liabilities	<u>75,415,275</u>	<u>77,757,820</u>
Total liabilities	<u>91,551,993</u>	<u>93,305,630</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	21,744,884	20,682,660
Restricted net assets	7,940,731	5,111,360
Unrestricted net assets	<u>20,726,591</u>	<u>18,284,644</u>
Total net assets	<u><u>\$ 50,412,206</u></u>	<u><u>\$ 44,078,664</u></u>

**Percent of Net Assets for 2009**

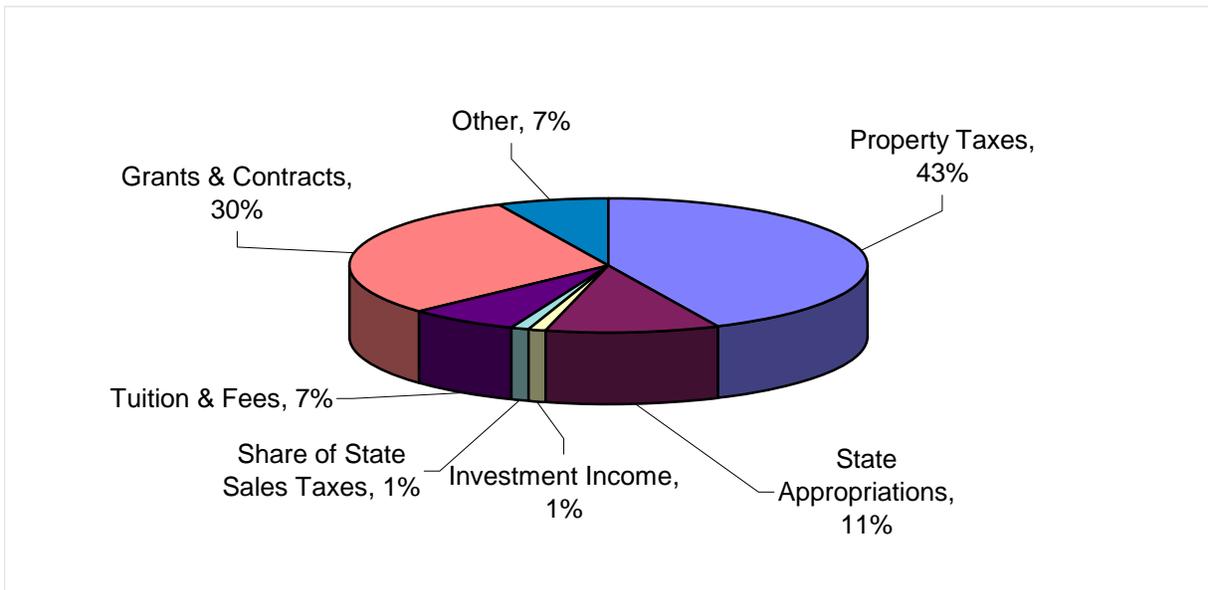


**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009**

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

	<u>2009</u>	<u>2008</u>
<b>Revenues</b>		
Operating		
Tuition and fees (net of scholarship allowances)	\$ 4,349,065	\$ 3,911,191
Contracts	663,453	670,247
Other	4,476,493	2,413,532
Nonoperating		
Grants	17,860,862	14,291,550
Property taxes	26,344,259	24,927,519
State appropriations	7,017,434	7,095,100
Investment income	597,645	2,377,234
Share of state sales taxes	665,283	732,382
Total revenues	<u>61,974,494</u>	<u>56,418,755</u>
 <b>Expenses</b>		
Operating	52,093,794	47,325,009
Nonoperating	3,547,158	3,474,605
Total expenses	<u>55,640,952</u>	<u>50,799,614</u>
 Income before other revenues, expenses, gains or losses	6,333,542	5,619,141
Capital appropriations	-	924,800
Increase in net assets	<u>6,333,542</u>	<u>6,543,941</u>
Total net assets, July 1	44,078,664	37,534,723
<b>Total net assets, June 30</b>	<u><u>\$ 50,412,206</u></u>	<u><u>\$ 44,078,664</u></u>

**Percent of 2009 Revenues by Source**

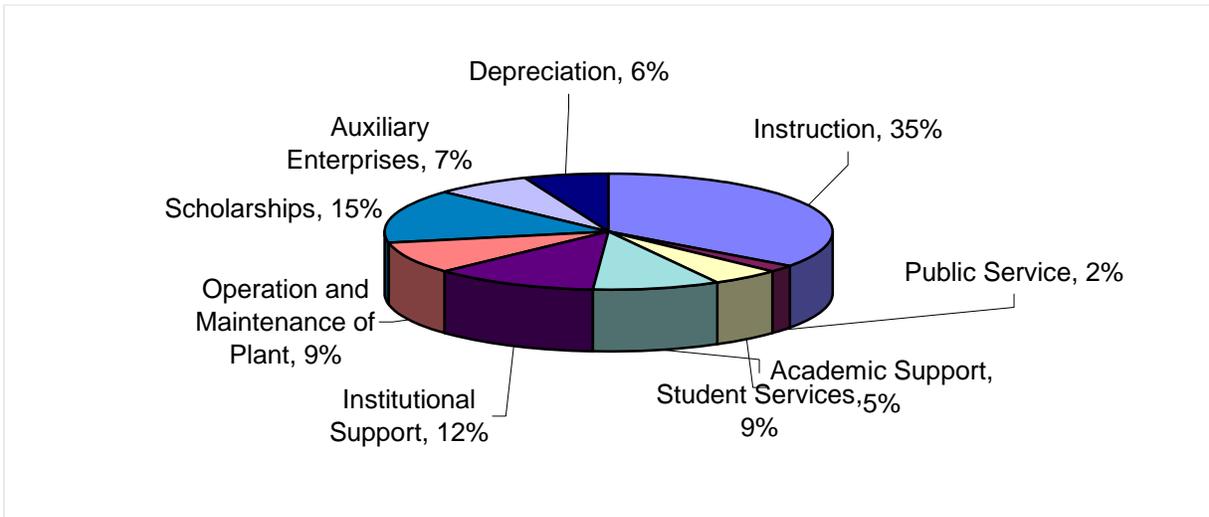


**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009**

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

	<u>2009</u>	<u>2008</u>
<b>Operating expenses</b>		
Educational and general:		
Instruction	\$ 18,160,670	\$ 17,407,599
Public service	868,636	839,073
Academic support	2,733,197	2,676,114
Student services	4,896,098	4,682,463
Institutional support	6,135,655	6,185,020
Operation and maintenance of plant	4,780,934	3,935,016
Scholarships	7,705,421	6,556,576
Auxiliary enterprises	3,490,547	2,992,062
Depreciation	<u>3,322,636</u>	<u>2,051,086</u>
Total operating expenses	52,093,794	47,325,009
<b>Nonoperating expenses</b>		
Interest expense on debt	3,367,408	3,469,569
Other nonoperating expenses	<u>179,750</u>	<u>5,036</u>
Total nonoperating expenses	<u>3,547,158</u>	<u>3,474,605</u>
<b>Total expenses</b>	<u><u>\$ 55,640,952</u></u>	<u><u>\$ 50,799,614</u></u>

**Percent of 2009 Operating Expenses by Category**



**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009**

**Financial Highlights and Analysis:**

**Statement of Net Assets**

The District's overall financial position improved in FY 2009. Total Assets increased \$4.6 million from FY 2008 to FY 2009. This increase is primarily due to additions to capital assets.

Total Liabilities decreased by \$1.8 million which is mostly due to a reduction in long-term debt.

Total Net Assets for the District increased by \$6.3 million from FY 2008 to FY 2009. This increase is primarily attributable to an increase of \$1.0 million in Invested in Capital Assets, net of related debt, an increase of \$1.1 million in Expendable Grants and Contracts, an increase in Restricted Expendable Capital Projects of \$1.6 million and an increase of \$2.4 million in Unrestricted Net Assets.

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 \$5.6 million from FY 2008 to FY 2009. The following revenue sources make up a significant portion of this total increase.

- Increase of \$1.4 million in Property Taxes due to increases in property valuations and new construction.
- Increase of \$438 thousand in Tuition and Fees, due to increased enrollment and a \$4 per credit hour increase in tuition.
- Decrease of \$1.8 million in Investment income primarily due to less bond funds available for investing.
- Increase of \$2.1 million in Other revenue primarily due to an increase in dining service, bookstore and unexpended plant revenues.
- Increase of \$3.6 million in grants and contracts which includes the \$1.3 million the District received in American Recovery Reinvestment Act funds, which are part of the State of Arizona's State Fiscal Stabilization Fund.
- Decrease in capital appropriations due to the discontinuance of capital aid by the State in fiscal year 2008-09.

Total operating expenses increased by \$4.8 million from FY 2008 to FY 2009. These increases reflect a \$1.3 million increase in Depreciation expense and increased equipment/supplies costs and staff enhancements. These expenses are reflected in the District's function/program expenses.

Nonoperating expenses in 2009 for interest expense on debt decreased slightly due to scheduled retirements of long-term debt.

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009**

**Capital Assets and Debt Administration:**

The District's capital assets as of June 30, 2009 totaled \$94,763,333 (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 7%. Additional information on capital assets can be found in detail in Note 4 to the District's basic financial statements.

At June 30, 2009, the District had four debt issues outstanding: three general obligation bond issues totaling \$73,480,000 and one revenue bond issue for \$140,000. 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 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 2008/2009 was the eighth year of this funding and the District received \$665,283. It is anticipated that the District will continue to receive at least this amount for the next twelve years.

The Arizona State Budget is facing a budget deficit which will impact the amount of state aid the District will receive in FY 2009/2010. 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 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, 2009**

**Assets**

Current Assets:

Cash and cash equivalents	\$ 41,724,559
Receivables (net of allowances for uncollectibles)	
Property taxes	1,049,683
Government grants and contracts	2,785,484
Interest	8,296
Other	525,240
Prepaid items	94,328
Deferred financing costs	20,972
Total current assets	46,208,562

Noncurrent assets:

Restricted assets:

Cash and cash equivalents held by trustees	267,072
Property taxes receivable	293,505
Student loans receivable (net of allowances)	5,001
Deferred financing costs	426,725
Capital assets, not being depreciated	1,013,080
Capital assets, being depreciated, net	93,750,253
Total noncurrent assets	95,755,636
Total assets	141,964,199

**Liabilities**

Current liabilities:

Accounts payable	1,032,600
Accrued payroll and employee benefits	888,044
Interest payable	1,682,934
Deposits held in custody for others	12,221,363
Deferred revenues	311,777
Current portion of compensated absences payable	130,708
Current portion of long-term debt	2,565,932
Total current liabilities	18,833,358

Noncurrent liabilities:

Compensated absences payable	1,216,793
Long-term debt	71,501,842
Total noncurrent liabilities	72,718,635
Total liabilities	91,551,993

**Net Assets**

Invested in capital assets, net of related debt	21,744,883
Restricted:	
Nonexpendable:	
Student Loans	172,597
Expendable:	
Grants and contracts	2,237,641
Debt service	2,091,534
Capital projects	3,438,960
Unrestricted	20,726,591
Total net assets	\$ 50,412,206

See accompanying Notes to Financial Statements.

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
STATEMENT OF FINANCIAL POSITION – COMPONENT UNIT  
JUNE 30, 2009**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	657,897
Investments		1,401,123
Accounts Receivable		1,756
Contributions Receivable		52,640
Total Current Assets		2,113,416

**NONCURRENT ASSETS**

Contributions Receivable		68,477
Property and Equipment, Net		948,614
Total Assets		\$ 3,130,507

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$	9,196
Accrued Payroll and Related Liabilities		3,581
Compensated Absences Payable		7,114
Total Current Liabilities		19,891

**NONCURRENT LIABILITIES**

Compensated Absences Payable		29,773
Total Liabilities		49,664

**NET ASSETS**

Unrestricted		1,188,912
Temporarily Restricted		574,744
Permanently Restricted		1,317,187
Total Net Assets		3,080,843

Total Liabilities and Net Assets		\$ 3,130,507
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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, 2009**

Operating revenues:	
Private grants and contracts	\$ 663,453
Tuition and fees (net of scholarship allowances of \$5,211,708)	4,349,065
Bookstore income	252,198
Food service income	1,131,889
Dormitory rentals and fees	599,329
Other	2,493,077
Total operating revenues	<u>9,489,011</u>
Operating expenses:	
Educational and general:	
Instruction	18,160,670
Public service	868,636
Academic support	2,733,197
Student services	4,896,098
Institutional support	6,135,655
Operation and maintenance of plant	4,780,934
Scholarships	7,705,421
Auxiliary enterprises	3,490,547
Depreciation	3,322,636
Total operating expenses	<u>52,093,794</u>
Operating loss	(42,604,783)
Nonoperating revenues (expenses)	
Government grants and contracts	17,860,862
Property taxes	26,344,258
State appropriations	7,017,434
Share of state sales taxes	665,283
Investment income	597,645
Interest expense on debt	(3,367,408)
Other nonoperating expenses	(457)
Loss on disposal of capital assets	(179,292)
Total nonoperating revenues (expenses)	<u>48,938,325</u>
Increase in net assets	6,333,542
Total net assets, July 1, 2008	<u>44,078,664</u>
Total net assets, June 30, 2009	<u><u>\$ 50,412,206</u></u>

See accompanying Notes to Financial Statements.

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
STATEMENT OF ACTIVITIES – COMPONENT UNIT  
JUNE 30, 2009**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND SUPPORT</b>				
Donations	\$ 45,299	\$ 30,826	\$ 12,082	\$ 88,207
Arizona Western College Support	196,515	-	-	196,515
Rental Income	152,644	-	-	152,644
Interest Income, Net of Expenses of \$25,940	9,282	41,549	-	50,831
Unrealized Losses	(18,335)	(88,660)	-	(106,995)
Realized Losses	(22,634)	(175,884)	-	(198,518)
Net Assets Released from Restriction	1,731,396	(1,716,096)	(15,300)	-
<b>Total Revenues and Support</b>	<b>2,094,167</b>	<b>(1,908,265)</b>	<b>(3,218)</b>	<b>182,684</b>
<b>EXPENSES</b>				
Program Services				
Arizona Western College				
Contributed Salaries	181,666	-	-	181,666
Scholarships	91,893	-	-	91,893
Science/Agriculture Building Contribution	1,609,250	-	-	1,609,250
Supporting Services				
Management and General	120,102	-	-	120,102
Century Plaza	96,876	-	-	96,876
Fundraising Services				
Fundraising	8,859	-	-	8,859
<b>TOTAL EXPENSE</b>	<b>2,108,646</b>	<b>-</b>	<b>-</b>	<b>2,108,646</b>
<b>CHANGE IN NET ASSETS</b>	<b>(14,479)</b>	<b>(1,908,265)</b>	<b>(3,218)</b>	<b>(1,925,962)</b>
Net Assets at Beginning of Year	1,203,391	2,483,009	1,320,405	5,006,805
Net Assets at End of Year	<u>\$ 1,188,912</u>	<u>\$ 574,744</u>	<u>\$ 1,317,187</u>	<u>\$ 3,080,843</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, 2009**

Cash flows from operating activities:	
Grants and Contracts	\$ 1,738
Tuition and fees	4,302,437
Bookstore receipts	239,005
Food services receipts	1,131,889
Dormitory rentals and fees	599,329
Collection of loans to students	199
Other receipts	3,057,772
Payments to suppliers and providers of good and services	(17,874,218)
Payments to employees	(30,417,982)
Net cash used for operating activities	<u>(38,959,831)</u>
Cash flows from noncapital financing activities:	
Property taxes	26,023,911
State appropriations	7,017,434
Share of state sales taxes	665,283
Government grants and contracts	16,212,118
Other nonoperating expenses	(457)
Deposits held in custody for others received	28,701,924
Deposits held in custody for others disbursed	(28,410,388)
Net cash provided by noncapital financing activities	<u>50,209,825</u>
Cash flows from capital and related financing activities:	
Principal paid on capital debt	(2,390,000)
Interest paid on capital debt	(3,416,121)
Purchases of capital assets	(9,688,569)
Net cash used for capital and related financing activities	<u>(15,494,690)</u>
Cash flows from investing activities:	
Interest received on investments	<u>596,139</u>
Net cash provided by investing activities	<u>596,139</u>
Net increase in cash and cash equivalents	(3,648,557)
Cash and cash equivalents, July 1, 2008	<u>45,640,188</u>
Cash and cash equivalents, June 30, 2009	<u><u>\$ 41,991,631</u></u>

See accompanying Notes to Financial Statements.

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
STATEMENT OF CASH FLOWS – PRIMARY GOVERNMENT (CONTINUED)  
YEAR ENDED JUNE 30, 2009**

Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (42,604,783)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	3,322,636
Changes in assets and liabilities:	
Increase in:	
Other Receivables	(134,876)
Accounts payable	309,607
Accrued payroll and employee benefits	59,980
Compensated absences	75,202
Decrease in:	
Student loans receivable	199
Prepaid items	34,169
Deferred revenues	(21,965)
Net cash used for operating activities	<u>\$ (38,959,831)</u>

See accompanying Notes to Financial Statements.

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**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, 2009, the District implemented the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. GASB Statement No. 49 establishes standards for accounting and financial reporting, including note disclosure requirements, for pollution remediation obligations. The implementation of GASB Statement No. 49 had no effect on the District's financial statements.

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, 2009, the Foundation distributed \$1,701,143 to the District for both restricted and unrestricted purposes. In addition, the District provided \$196,515 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, Arizona, 85364.

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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.

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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 one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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

Investment Income

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

Compensated Absences

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

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

Scholarship Allowances

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

**NOTE 2 DEPOSITS AND INVESTMENTS**

Arizona Revised Statutes (A.R.S.) 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, 2009, the total cash on hand was \$7,397, the carrying amount of the District's deposits was \$5,546,717 and the bank balance was \$5,894,670. Of the bank balance, \$253,788 was covered by federal depository insurance and \$5,640,882 was covered by the FDIC TAG program insurance provided through our financial institution.

Investments - At June 30, 2009, the District's investments consisted of the following:

	Fair Value
Money market mutual funds - U.S. Treasury securities	\$ 267,072
County Treasurer's investment pool	15,207,637
State Treasurer's investment pool	<u>20,962,808</u>
Total	<u><u>\$ 36,437,517</u></u>

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

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, 2009, 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	\$ 20,962,808
County Treasurer's investment pool	Unrated	Not applicable	15,207,637
Money market mutual funds - U.S. Treasury securities	AAA	Standard & Poor's	267,072
			<u>\$ 36,437,517</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. At June 30, 2009, the District had \$267,072 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, 2009, the District had the following investments in debt securities:

<u>Investment Type</u>	<u>Investment Maturities - Less than 1 Year</u>
State Treasurer's investment pool	\$ 20,962,808
County Treasurer's investment pool	15,207,637
Money market mutual funds - U.S. Treasury securities	267,072
	<u>\$ 36,437,517</u>

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

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

Cash, deposits, and investments:	Amount	Statement of Net Assets:	Amount
Cash on hand	\$ 7,397	Cash and cash equivalents	\$ 41,724,559
Carrying amount of deposits	5,546,717	Restricted assets:	
Reported amount of investments	36,437,517	Cash and cash equivalents held by trustees	267,072
Total	<u>\$ 41,991,631</u>	Total	<u>\$ 41,991,631</u>

**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:			
Noncurrent	\$ 10,328	\$ (5,327)	\$ 5,001
Total	<u>\$ 10,328</u>	<u>\$ (5,327)</u>	<u>\$ 5,001</u>

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2009, was as follows:

	Balance July 01, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets not being depreciated:				
Land	\$ 543,607	\$ -	\$ -	\$ 543,607
Construction in progress	66,854,675	469,473	66,854,675	469,473
Total capital assets not being depreciated	67,398,282	469,473	66,854,675	1,013,080
Capital assets being depreciated:				
Buildings	36,970,792	63,473,939	175,200	100,269,531
Equipment	9,767,641	3,614,244	4,092	13,377,793
Other improvements	11,957,343	8,927,909	-	20,885,252
Library books	1,999,910	57,678	-	2,057,588
Total capital assets being depreciated	60,695,686	76,073,770	179,292	136,590,164
Less accumulated depreciation for:				
Buildings	21,066,378	1,571,836	-	22,638,214
Equipment	8,167,570	1,001,724	-	9,169,294
Other improvements	8,739,955	658,593	-	9,398,548
Library books	1,543,372	90,483	-	1,633,855
Total accumulated depreciation	39,517,275	3,322,636	-	42,839,911
Total capital assets being depreciated, net	21,178,411	72,751,134	179,292	93,750,253
Capital assets, net	<u>\$ 88,576,693</u>	<u>\$ 73,220,607</u>	<u>\$ 67,033,967</u>	<u>\$ 94,763,333</u>

**NOTE 5 CONSTRUCTION COMMITMENTS**

The District completed many major contractual commitments related to various capital projects at June 30, 2009, for improvements to the Main Campus and improvements to the San Luis, Parker and Quartzsite centers. At June 30, 2009, the District had construction in progress of \$469,473 for construction of the College Cost Reduction and Access Act (CCRAA) math facility and had remaining contractual commitments with the contractors of \$2,096,084. The CCRAA project is being financed by the U.S. Department of Education.

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 6 LONG-TERM LIABILITIES**

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2009:

	Balance July 01, 2008	Additions	Reductions	Balance June 30, 2009	Due within one year
Compensated absences payable	\$ 1,272,299	\$ 1,006,125	\$ 930,923	\$ 1,347,501	\$ 130,708
Bonds payable:					
Revenue bonds	205,000	-	65,000	140,000	70,000
General obligation bonds	75,805,000	-	2,325,000	73,480,000	2,475,000
Plus premiums	490,952	-	42,738	448,214	21,372
Less deferred amount on refunding	(15,431)	-	(14,991)	(440)	(440)
Total long-term debt	<u>\$ 76,485,521</u>	<u>\$ -</u>	<u>\$ 2,417,747</u>	<u>\$ 74,067,774</u>	<u>\$ 2,565,932</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 \$149,800. Principal and interest paid for the current year and total pledged revenues were \$77,075 and \$5,755,447, 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, 2009 have been met.

Revenue bonds outstanding at June 30, 2009 were as follows:

Description	Original Amount	Interest Rates	Maturities	Outstanding Principal
Series A of 1971	\$1,700,000	6.9-7%	7/1/08-10	\$140,000

Revenue bond debt service requirements to maturity are as follows:

Year ending June 30,	Principal	Interest
2010	\$ 70,000	\$ 7,350
2011	70,000	2,450
Total	<u>\$ 140,000</u>	<u>\$ 9,800</u>

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 6 LONG-TERM LIABILITIES (CONTINUED)**

General Obligation Bonds Payable – General obligation bonds payable at June 30, 2009, 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, 2009 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	\$ 2,070,000
General obligation bonds – series 2005	20,000,000	3.5-5%	7/1/08-30	18,250,000
General obligation bonds – series 2006	53,850,000	3.75-5%	7/1/08-31	53,160,000
Total Bonds				<u>\$ 73,480,000</u>

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

Year ending June 30,	Principal	Interest
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	2,170,000	2,911,409
2015-19	12,570,000	12,830,719
2020-24	16,035,000	9,374,197
2025-29	20,480,000	5,066,213
2030-32	13,505,000	741,656
Total	<u>\$ 73,480,000</u>	<u>\$ 43,539,517</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, 2009 the following outstanding bonds were considered defeased:

Description	Amount
General obligation – Series of 1993	\$ 2,255,000

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**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.

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 POST-EMPLOYMENT 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.

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 8 PENSION AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

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, 2009, active plan members were required by statute to contribute at the actuarially determined rate of 9.45 percent (8.95 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 9.45 percent (7.99 percent for retirement, .96 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
2009	\$ 1,517,443	\$ 199,122	\$ 95,884
2008	1,448,761	189,021	90,019
2007	1,332,324	173,830	82,783

**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	\$ 30,553,164
Contract services	3,763,371
Supplies and other services	2,074,473
Communications and utilities	2,073,256
Scholarships	7,705,421
Depreciation	3,322,636
Other	2,601,473
Total	<u>\$ 52,093,794</u>

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 10 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES**

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

**Summary of Significant Accounting Policies**

**Nature of the Foundation**

Arizona Western College Foundation (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.

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, gains, and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted - Resources over which the Board of Directors has discretionary control. Designated amounts represent those revenues which the Board has set aside for a particular purpose.

Temporarily Restricted – 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. 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.

Permanently Restricted - 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 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.

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 10 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**Summary of Significant Accounting Policies (Continued)**

**Cash and Cash Equivalents**

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. Cash and cash equivalents designated for long-term investment purposes are included as investments. At times, cash may be in excess of the FDIC insurance limit.

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

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 10 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**Summary of Significant Accounting Policies (Continued)**

**Fair Value of Financial Instruments**

The Foundation categorizes its assets measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets valued at fair value are categorized based on the inputs to the valuation techniques as follows:

- Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access.
- Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.
- Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity

**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.

Accounting for uncertainty in income taxes recognized in an entity's financial statements prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. These have no impact on the Foundation's financial statements. The Foundation's federal and state tax returns are potentially open to examinations for the years 2005-2008.

**Subsequent Events**

In preparing these financial statements, the Foundation has considered events and transactions for potential recognition or disclosure through February 22, 2010, the date the financial statements were available to be issued.

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 10 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**Concentrations**

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash, investments in marketable securities and pledge receivables.

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.

**Investments**

Investments are comprised of the following at June 30 2009:

	Cost	Market
Cash & Cash Equivalents	\$ 57,966	\$ 57,966
Equities	990,272	810,191
Fixed Income	430,380	436,605
Mutual Funds	99,717	96,361
Total	\$ 1,578,335	\$ 1,401,123

**Contributions Receivable**

Included in contributions receivable at June 30, 2009 are the following unconditional promises to give:

Promises to Give Expected to be Collected in:	
Less Than One Year	\$ 54,268
One to Five Years	63,134
Greater Than Five Years	48,196
	165,598
Less Allowance for Uncollectible Promises to Give	(30,450)
Less Discounts on Promises to Give (3%)	(14,031)
	\$ 121,117

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 10 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**Property and Equipment**

Depreciation of furniture and equipment is provided on a straight-line basis over the estimated useful lives of the assets, which range from three to five years. At June 30, 2009, the costs of such assets were as follows:

Land	\$ 254,740
Building Improvements	1,091,227
Furniture and Equipment	19,782
Less: Accumulated Depreciation	<u>(417,135)</u>
Net Property and Equipment	<u><u>\$ 948,614</u></u>

Depreciation expense for the year ended June 30, 2009 was \$39,140.

**Net Assets**

Temporarily restricted net assets consisted of the following:

Capital Projects	\$ 177,200
Scholarships	397,544
Total	<u><u>\$ 574,744</u></u>

Permanently restricted net assets consisted of the following:

Scholarships	<u><u>\$ 1,317,187</u></u>
--------------	----------------------------

Net assets released from restriction were \$1,731,396 for the year ended June 30, 2009. Net assets were released from donor restriction by incurring expenses satisfying the purposes or by occurrence of other events specified by the donor, and by the passage of time.

**Fair Value Measurements**

The Foundation uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the Foundation measures fair value refer to the Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for assets of the Foundation measured at fair value on a recurring basis as of June 30, 2009:

Assets Recorded at Fair Value on a Recurring Basis:

	Level 1	Level 2	Level 3	Total
Investments				
Equities	\$ 810,191	\$ -	\$ -	\$ 810,191
Fixed Income	-	436,605	-	436,605
Mutual Funds	96,361	-	-	96,361
Total	<u><u>\$ 906,552</u></u>	<u><u>\$ 436,605</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,343,157</u></u>

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 10 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**Endowments**

**Donor Restricted Endowments**

The Arizona Western College Foundation stewards 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, the value of subsequent 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 UPMIFA.

**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 \$15,521 as of June 30, 2009. 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 Arizona Western College 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. Endowments assets include those assets of the donor-restricted scholarship funds that the organization 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% 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.

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
(ARIZONA WESTERN COLLEGE)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 10 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**Endowments (Continued)**

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 individual scholarship decisions approved by the Foundation Board of Directors.

The summary of changes in endowment net assets are as follows for the year ended June 30 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Fund Balance, June 30, 2008	\$ -	\$ 302,551	\$ 1,320,405	\$ 1,622,956
Contributions	-	-	12,082	12,082
Investment Return:				
Investment Income	-	37,442	-	37,442
Investment Expenses	-	(14,765)	-	(14,765)
Realized Gains (Losses)	-	(108,026)	-	(108,026)
Unrealized Gains (Losses)	(15,521)	27,046	-	11,525
Total Investment Return	(15,521)	(58,303)	-	(73,824)
Release from Donor Restriction	-	-	(15,300)	(15,300)
Appropriations	-	(20,158)	-	(20,158)
Endowment Fund Balance, June 30, 2009	<u>\$ (15,521)</u>	<u>\$ 224,090</u>	<u>\$ 1,317,187</u>	<u>\$ 1,525,756</u>

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
National Science Foundation			
NSF Light Grant	47.076		\$ 30,293
Passed through Arizona State University			
Collaborative Research: Motivated Engineering			
Transfers - STEM Talent Expansion Program	47.041	09-163	3,567
Total National Science Foundation			<u>33,860</u>
U.S. Small Business Administration			
Passed through Maricopa County Community			
College District - Small Business			
Development Center 2008	59.037	8-603001-Z-0003	37,086
Passed through Maricopa County Community			
College District - Small Business			
Development Center 2009	59.037	9-603001-Z-0003-17	38,927
Total U.S. Small Business Administration			<u>76,013</u>
U.S. Department of Housing and Urban Development			
Title IV – College Housing Program	14.Unknown		30,988
U.S. Department of Labor			
Department of Labor - Construction	17.261		406,484
Passed through Yuma County			
Workforce Investment Board Wired	17.268	11-69-Y-140339-0707	4,930
WIA Cluster:			
WIA Adult Program	17.258	DE081302001	324,995
WIA Youth Programs	17.259	DE081302001	354,463
WIA Green Constuction Special Project	17.259	DE091204001	4,210
WIA Summer Youth Camp	17.259	DE091204001	18,708
WIA Youth Summer Employment	17.259	DE091204001	128,638
WIA Displaced Workers	17.260	DE081302001	70,062
Total WIA Cluster			<u>901,076</u>
Total U.S. Department of Labor			<u>1,312,490</u>
U.S. Department of Education			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007		241,343
Federal Family Education Loan Program	84.032		3,638,302
Federal Work-Study Program	84.033		311,634
Federal Perkins Loan Program	84.038		-
Federal Pell Grant Program	84.063		11,205,666
Academic Competitiveness Grant	84.375		1,500
Total Student Financial Assistance Cluster			<u>15,398,445</u>

(Continued)

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
TRIO Cluster:			
Student Support Services	84.042		352,872
Talent Search	84.044		276,557
Upward Bound	84.047		290,813
Total TRIO Cluster			<u>920,242</u>
Higher Education – Institutional Aid	84.031		1,007,813
Passed through Arizona Department of Education			
Vocational Education – Basic Grants to States	84.048	08FCTDBG-870521-02A	146,356
Vocational Education – Basic Grants to States	84.048	09FCTDBG-970521-02A	158,052
			<u>304,408</u>
Tech-Prep Consortium	84.243	08FCTDTP-870521-01A	49,237
Tech-Prep Consortium	84.243	09FCTDTP-970521-02A	77,287
			<u>126,524</u>
Passed through Arizona Commission for Post- secondary Education			
Arizona State University 2=2 Professional Development School Teaching Education Program	84.336	P336B040017	37,500
Passed through Parker Unified School District			
Postsecondary Education Teaching & Learning Science	84.366	08FSDMPI-860662-19A	5,588
Passed through Arizona Commission for Postsecondary Education			
Leveraging Educational Assistance Partnership	84.069	None	7,455
Passed through Arizona Governor's Office of Economic Recovery			
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	None	1,311,722
Total U.S. Department of Education			<u>19,119,697</u>
U.S. Department of the Interior			
BLM Fuel Monitoring	15.232		7,646
BLM Seed Collection Project	15.288		9,793
U.S. Geological Survey Interns	15.808		26,869
Total U.S. Department of the Interior			<u>44,308</u>
U.S. Department of Justice			
Reduce Crime Against Women on Campus	16.525		141,426
Passed through City of Yuma			
Weed and Seed Program	16.595	2008-WS-QX-0124	7,469
Total U.S. Department of Justice			<u>148,895</u>
U.S. Department of the Interior			
Fish & Wildlife Service	15.637		2,112
Total Expenditures of Federal Awards			<u><u>\$ 20,768,363</u></u>

See accompanying Independent Auditors' Report and  
Notes to Schedule of Expenditures of Federal Awards

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
SUPPLEMENTARY INFORMATION  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009**

**NOTE 1 BASIS OF PRESENTATION**

The purpose of the schedule of expenditures of federal awards (the Schedule) is to present a summary of those activities of Yuma/La Paz Counties Community College District that have been financed by the United States Government.

The Schedule 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*.

**NOTE 2 LOANS OUTSTANDING**

The expenditures reported on the Schedule of Expenditures of Federal Awards for certain programs exclude loan balances outstanding at June 30, 2009 for the Federal Perkins Loan Program CFDA 84.038 of \$10,328.

**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**

Auditor General of the State of Arizona  
and Governing Board of  
Yuma/La Paz Counties Community College District  
Yuma, Arizona

We have audited the financial statements of the business-type activities and discretely presented component unit of Yuma/La Paz Counties Community College District (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 22, 2010. 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 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 generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control over financial reporting.

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 financial statements will not be prevented or detected by the District's internal control.

Auditor General of the State of Arizona  
and Governing Board of  
Yuma/La Paz Counties Community College District

**INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)**

Our consideration of the 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 the 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 Yuma/La Paz Counties Community College District's 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*.

We noted certain other matters that we reported to management of Yuma/La Paz Counties Community College District in a separate letter dated February 22, 2010.

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.



**LarsonAllen LLP**

Mesa, Arizona  
February 22, 2010

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

Auditor General of the State of Arizona  
and Governing Board of  
Yuma/La Paz Counties Community College District  
Yuma, Arizona

**COMPLIANCE**

We have audited the compliance of Yuma/La Paz Counties Community College District (the 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, 2009. The District's major federal programs are identified in the summary of audit 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 on 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, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 09-1 through 09-8.

**INTERNAL CONTROL OVER COMPLIANCE**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with 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.

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 as defined below. However, as described below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity'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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 09-1 through 09-8 to be significant deficiencies.

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. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 09-3 and 09-6 to be material weaknesses.

Yuma/La Paz Counties Community College District's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Yuma/La Paz Counties Community College District's responses and, accordingly, we express no opinion on them.

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.

*Larson Allen LLP*

**LarsonAllen LLP**

Mesa, Arizona  
February 22, 2010

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Yuma/La Paz Counties Community College District.
2. No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements of Yuma/La Paz Counties Community College District.
3. No instances of material noncompliance were identified during the audit of the financial statements of Yuma/La Paz Counties Community College District.
4. Eight significant deficiencies were identified during the audit of the major federal award programs of Yuma/La Paz Counties Community College District, two of which were determined to be material weaknesses.
5. The auditors' report on compliance for the major federal award programs for Yuma/La Paz Counties Community College District expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for Yuma/La Paz Counties Community College District are reported in Part C of this schedule.
7. The programs tested as major programs include:

Program	<u>CFDA No.</u>
Student Financial Assistance Program cluster	Various
WIA Cluster	Various
Trio Cluster	Various
Higher Education – Institutional Aid	84.031
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394

8. The threshold for distinguishing type A and B programs was \$513,902.
9. Yuma/La Paz Counties Community College District was not determined to be a low-risk auditee.

**B. FINANCIAL STATEMENT FINDINGS**

**Current Year:**

None reported

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2009**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**Current Year Findings:**

**09-1:**

**CFDA Number, Title and Award Number:**

84.042 – Trio Cluster – Student Support Services

**Grantor:**

U.S. Department of Education

**Award Period:**

September 1, 2008 to August 31, 2009

**Condition:**

Participants were given the wrong amount of grant aid due to the wrong Pell schedule being used.

**Criteria:**

The amount of grant aid awarded to an SSS student may not exceed the maximum appropriated Pell Grant or be less than the minimum appropriated Pell Grant.

**Questioned Costs:**

None

**Possible Asserted Effect:**

Students were only awarded \$400 when they were able to receive \$523.

**Auditors' Recommendation:**

Procedures should be implemented whereby the program managers are obtaining the updated Pell grant award schedule.

**Management Response:**

Procedures have been implemented effective October 1, 2009 where the current Pell Grant tables will be shared with Student Support Services personnel to ensure proper awarding and will be overseen by Lisa Seale, Director of Financial Aid.

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2009**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(CONTINUED)**

**09-2:**

**CFDA Number, Title and Award Number:**

84.063 – Federal Pell Grant Program

**Grantor:**

U.S. Department of Education

**Award Period:**

July 1, 2008 to June 30, 2009

**Condition – Pell Grant Overaward:**

During our testing, we identified one student out of 37 students tested who received a Pell Grant overpayment. The College used the full-time payment schedule instead of the less than half time payment schedules, thus resulting in a \$244 overpayment which was not returned to the Department of Education in a timely manner.

**Criteria:**

The U.S. Department of Education requires all Pell grants be calculated based on specific criteria of student need.

**Questioned Costs:**

\$244

**Possible Asserted Effect:**

The Pell overpayment occurred because the College failed to follow Department of Education regulations and the overpayment needs to be returned timely.

**Auditors' Recommendation:**

We recommend the College review their procedures to assure proper calculations are performed for awarding Pell Grants.

**Management Response:**

Questionable costs of \$244 returned to the Department of Education. Student only attended a summer session for 3 credit hours therefore her budget should have been adjusted for actual cost of attendance. Procedure change effective for summer session 2010: Summer budget form must now include academic year budget review and be signed off by office of financial aid staff member who awarded the aid and will be overseen by Lisa Seale, Director of Financial Aid.

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2009**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(CONTINUED)**

**09-3:**

**CFDA Number, Title and Award Number:**

Student Financial Assistance Cluster

**Grantor:**

U.S. Department of Education

**Award Period:**

July 1, 2008 to June 30, 2009

**Condition – Refunds of Federal Awards:**

During our testing, we noted that one out of the ten students tested had a refund calculation performed but the funds were not returned to the lender. This will cause the College to return \$2,008 of Stafford loans.

Three out of ten students tested had refund calculations performed but they did not exclude scheduled breaks of five or more consecutive days.

Three out of ten students tested had the wrong withdrawal dates used in their refund calculations. This will cause the College to return an additional \$272 of Pell grants to the Department of Education.

Two out of ten students tested had incorrect institutional charges used in their refund calculations. This will cause the College to return an additional \$300 of Pell grants to the Department of Education.

**Criteria:**

Refunds of federal awards are to be accurately calculated and received by the lender within 45 days of withdrawal.

**Questioned Costs:**

The cost in question is \$2,008 of loans that need to be returned to the lender and \$572 of Pell grants that also need to be returned to the Department of Education.

**Possible Asserted Effect:**

Refund calculations were not accurately calculated.

**Auditors' Recommendation:**

We recommend the College implement procedures to assure all refunds are calculated in the proper amounts and returned in a timely manner.

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2009**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(CONTINUED)**

**Management Response:**

Questionable costs of \$2,008 that need to be returned to the lender. Student had a refund calculation that was not returned within the required 45 days but returned to the lender on August 10, 2009. Procedure change: AWC is doing a weekly review of the Return of Title IV calculations to make sure the funds are returned within the required time frame. Plus we now included any breaks greater than 10 days in our calculation. We are also reconciling the student disbursement records to the general ledger.

Questionable costs of \$272 Pell grant returned to USDOE. The monies have been returned to USDOE on September 24, 2009. Procedure change: The Total Withdrawal Report has been modified to include the Notes/Comments date in the STAC (Student Academic Credits) detail screen, which will be populated by the Enrollment Office and by the professor of the class if the instructor chooses to withdraw the student for lack of attendance. At the end of the school term, if the student is a complete withdrawal on the Total Withdrawal Report for the Return of Title IV, the calculation date will be the 50% point of the semester.

Questionable costs of \$300 Pell grant returned to DOE. The monies were returned to the USDOE on September 24, 2009. Procedure change: The Return of Title IV calculation process for institutional charges will be used from the ARBC A/R Summary Inquiry by AR Code, which includes all institutional charges.

The changes to the above procedures became effective on October 1, 2009 and are overseen by Pearl Rodriguez, Financial Aid Disbursement Accountant.

**09-4:**

**CFDA Number, Title and Award Number:**

Student Financial Assistance Cluster

**Grantor:**

U.S. Department of Education

**Award Period:**

July 1, 2008 to June 30, 2009

**Condition – Academic Progress:**

During our testing, we noted two students out of 40 tested that were not put on academic probation when the students failed to meet the College's academic progress requirements. One of the two students had received Pell grant of \$1,020 that should be returned to the Department of Education.

We also noted two students out of 40 tested that were put on academic probation, but had met the College's academic progress requirements.

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2009**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(CONTINUED)**

**09-4 (Continued):**

**Criteria:**

Based on Department of Education guidelines, all students receiving federal aid are required to meet academic progress. If the student has not met academic progress within a school term, the school is allowed to place the student on academic probation or suspend financial aid.

**Questioned Costs:**

\$1,020 of Federal Pell Grant Program

**Possible Asserted Effect:**

The lack of reviewing academic progress may lead to federal dollars being disbursed to students who did not meet academic progress.

**Auditors' Recommendation:**

We recommend the College implement controls in which the status change for academic progress is monitored and updated in a timely manner.

**Management Response:**

Questionable cost of \$1,020 returned to the Department of Education. Student was not run through SAP calculation for summer. Policy and Procedure of SAP must have new parameters to include summer SAP for those who received Title IV for any semester within academic year. The SAP parameters will be implemented for summer session 2010 and will be overseen by Lisa Seale, Director of Financial Aid.

**09-5:**

**CFDA Number, Title and Award Number:**

84.033 – Federal Work-Study Program

**Grantor:**

U.S. Department of Education

**Award Period:**

July 1, 2008 to June 30, 2009

**Condition – Federal Work Study Overaward:**

During our testing, we identified one student out of forty students tested who received a Federal Work Study overpayment. The College did not take into consideration in the need determination calculation any grants and scholarships that are not Title IV aid, thus resulting in a \$646 overpayment.

**Criteria:**

The U.S. Department of Education requires the College to consider grants and scholarships received by the student in the need determination calculation.

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2009**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(CONTINUED)**

**09-5 (Continued):**

**Questioned Costs:**

\$646

**Possible Asserted Effect:**

The Federal Work-Study overpayment occurred because the College failed to follow Department of Education regulations and the overpayment needs to be returned timely.

**Auditors' Recommendation:**

We recommend the College review their procedures to assure proper calculations are performed for awarding Federal Work-Study.

**Management Response:**

Questionable costs of \$646 returned to Department of Education. Student over-awarded Federal Work Study. Policy and procedure change effective October 1, 2009 to ensure that when student is considered for Campus Based Gift Aid, all aid whether Merit or Athletic must be taken in consideration. The new policy and procedure change will be overseen by Lisa Seale, Director of Financial Aid.

**09-6:**

**CFDA Number, Title and Award Number:**

84.375 – Academic Competitiveness Grant

**Grantor:**

U.S. Department of Education

**Award Period:**

July 1, 2008 to June 30, 2009

**Condition – ACG Eligibility:**

During our testing, we identified 17 out of our sample of 40 students who self certified that they may qualify for ACG according to their SAR. However, the College did not review the criteria to see if they were eligible to receive ACG.

**Criteria:**

The U.S. Department of Education requires the College to attempt to collect the documentation to determine if the student is ACG eligible.

**Questioned Costs:**

None

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2009**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(CONTINUED)**

**09-6 (Continued):**

**Possible Asserted Effect:**

The College does not request proper documentation from the student if the student self certifies that they may qualify for the ACG grant.

**Auditors' Recommendation:**

We recommend the College review their procedures to assure attempts are made to collect the documentation from the student if the student self certifies that they may qualify for the ACG grant.

**Management Response:**

College did not request proper documentation from the student if the student self certifies that they may qualify for the ACG Grant. Policy and procedure change to identify those who self certify to also self report to institution with proper supporting documentation-HS Transcript. The policy and procedure change is being tested and is anticipated to be fully implemented by April 30, 2010 and will be overseen by Lisa Seale, Director of Financial Aid.

**09-7:**

**CFDA Number, Title and Award Number:**

84.032 – Federal Family Education Loan Program

**Grantor:**

U.S. Department of Education

**Award Period:**

July 1, 2008 to June 30, 2009

**Condition – Stafford Loan Disbursements:**

During student file testing, we noted that two out of three students' Stafford loans were credited to the student's account before the 30 day rule for first time borrowers.

**Criteria:**

Stafford loans for first time borrowers are not to be credited to a student's account until 30 days after classes begin.

**Questioned Costs:**

None

**Possible Asserted Effect:**

Stafford loan disbursements to first time borrowers were disbursed to the student prior to 30 days after classes began.

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2009**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(CONTINUED)**

**09-7 (Continued):**

**Auditors' Recommendation:**

We recommend the College review their policies for disbursing funds to first time borrowers.

**Management Response:**

We have reviewed the policies and specified the date for crediting a first time borrowers funds to his or her account. This date will not be until after 30 days from the start of the term; hence the date set to receive the disbursement ACH and roster from the specified lender will be corresponding to the 30 day date, effective October 1, 2009. The new policy will be overseen by Lisa Seale, Director of Financial Aid.

**09-8:**

**CFDA Number, Title and Award Number:**

84.375 – Academic Competitiveness Grant

**Grantor:**

U.S. Department of Education

**Award Period:**

July 1, 2008 to June 30, 2009

**Condition – ACG Awarding:**

During student file testing, we noted that one student of the forty tested was incorrectly awarded the first year ACG grant when the student should have been awarded the second year ACG grant.

**Criteria:**

Student's ACG grant was calculated incorrectly.

**Questioned Costs:**

None

**Possible Asserted Effect:**

Student was awarded was awarded the first year ACG grant when the student qualified for the second year ACG grant.

**Auditors' Recommendation:**

We recommend the College review their policies for awarding ACG grants to ensure students are receiving the correct grant amount.

**Management Response:**

Policies and procedures have been updated to ensure the accuracy of ACG notification of eligibility and awarding and will be implemented by 4/30/2010 and will be overseen by Lisa Seale, Director of Financial Aid.

**YUMA/LA PAZ COUNTIES COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2009**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(CONTINUED)**

**Prior Year Findings:**

None