

COCONINO COUNTY COMMUNITY COLLEGE DISTRICT

Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2002



Prepared by
District Business and Administrative Services Office
Flagstaff, Arizona

COCONINO COUNTY
COMMUNITY COLLEGE DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2002

Prepared by

DISTRICT BUSINESS AND ADMINISTRATIVE SERVICES OFFICE

**COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2002**

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INTRODUCTORY SECTION



LONE TREE CAMPUS 2800 S LONE TREE RD FLAGSTAFF AZ 86001-2701

October 10, 2002

TO THE CITIZENS OF COCONINO COUNTY COMMUNITY COLLEGE DISTRICT:

We are pleased to provide to you the Comprehensive Annual Financial Report (CAFR) of the Coconino County Community College District (the District), Flagstaff, Arizona for the fiscal year ended June 30, 2002.

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

The CAFR is presented in three sections: Introductory, Financial, and Statistical. The introductory section acquaints the reader with the report. The financial section includes the basic financial statements, as well as the auditors' report on the financial statements of the District. The statistical section presents selected unaudited financial and demographic information presented on a multi-year basis.

The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996; the U.S. Office of Management and Budget Circular A-133; and Government Auditing Standards issued by the Comptroller General of the United States. Information related to this single audit, including the Schedule of Expenditures of Federal Awards and auditors' reports on internal controls and compliance with applicable laws and regulations, will be available by contacting the Vice President for Business and Administrative Services.

Coconino County Community College District is committed to offering quality educational programs and services at a reasonable cost for the citizens of Coconino County. The District provides a wide range of programs, including general academic, technical-vocational, student development services, continuing education, and community service.

ORGANIZATION AND ADMINISTRATION

The District is operated as a comprehensive community college under the laws of the State of Arizona. The College is governed by a five-member District Governing Board (the Board). Each Board member is elected from one of the five precincts in Coconino County on a six-year staggered basis. The Board has oversight responsibility and control over all District activities. The administrative staff is responsible for the daily operation of the District.

ENTITY

The District is an independent reporting entity within the criteria established by generally accepted accounting principles and the Governmental Accounting Standards Board. The Board has governance responsibilities over all activities related to public community college education within the jurisdiction of the District. These responsibilities include the receipt of monies from local, state, and federal government sources and compliance with accompanying requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Board members are elected by the public, have decision-making authority with the power to designate management, maintain the responsibility to significantly influence operations, and possess primary accountability for fiscal matters. All funds of the District are included in this report.

HISTORY

The citizens of Coconino County in November of 1990 established the District under the provisions of legislation enacted by the Arizona State Legislature in 1971. In May 1991, the District's funding was approved through special election, and operations began on July 1, 1991. The District boundaries are conterminous with the boundaries of Coconino County.

ECONOMIC CONDITION AND OUTLOOK

Coconino County is located in the northern portion of the State and encompasses an area of approximately 12 million acres or over 18,000 square miles. Its boundaries include the cities of Page, Fredonia, Tuba City, Grand Canyon, Williams, Sedona, and Flagstaff, as well as other smaller cities and towns, and all the unincorporated areas of the County. The County's 2001 population has been estimated at 117,916 by the U.S. Census Bureau. The Arizona Department of Economic Security projects the County population to reach 150,000 within the next ten years.

The share of the County's labor force is heavily weighted towards government, trade, and service employment. These sectors employ over 85% of the entire county's nonagricultural work force. Relative to the rest of the state, the work force employed by government is high. Part of the reason for the large number of government workers in the county is the presence of several major national parks, the large portion of the county covered by Indian reservations and the high percentage of the total area in the county public lands; (94% of the county is public land; including Indian reservations which cover 45% of the county).

The State and National economy have declined somewhat this past year, however, property values in Coconino County have continued to grow and county unemployment rates have remained below both state and national levels. Despite the County's strengthening economy, the District must contend with the continued limited funding from the State. The District is committed to improving and offering additional service to meet the county needs. These efforts are achieved through careful monitoring of costs, innovative partnerships and continual searching for cost savings opportunities.

GROWTH OF STUDENT POPULATION

The District began in 1991, initially expecting to serve 600 students. Nearly 1,000 students registered the first semester. Since then, enrollment has increased dramatically. Today the College enrolls nearly 10,000 students annually (duplicated headcount).

MAJOR INITIATIVES

The District's major initiatives for the coming fiscal year are:

- Completing a significant remodeling project for the Fourth Street Campus and Technology Center.
- This will be the first full year for both the Lone Tree and the Williams Campuses, therefore it will be necessary to closely monitor expenses and maximize operational efficiencies.
- Further development of new programs, including an Associate Degree Nursing program, designed to prepare qualified students for entry-level nursing practice.

Fiscal Year 2002 Accomplishments

Significant accomplishments for fiscal year 2002 include:

- A visiting committee from the North Central Association of Colleges and Secondary Schools (NCA) has recommended the District be awarded ten-year accreditation.
- Completed 100% of the capital development bond initiatives throughout the District including finishing construction of the Lone Tree Campus and District Offices and the Williams Campus, as well as distance learning initiatives throughout various communities within the District.
- Moved into the new facilities; this transition required the College to simultaneously undergo an organizational restructuring.
- Improved our community participation and resource base by increased partnerships and collaboration with other entities (e.g. Nursing program).
- Updated and renewed several policies and procedures for the overall improvement to the institution's effectiveness.
- Continued to review and improve the salary and benefits plan for all college personnel to assist with the retention and turnover rates of our most valuable resource. Major accomplishments include an optional retirement program and flexible spending (cafeteria plan) account set up for employees.
- Began the Fourth Street Campus remodel as well as the Page/Lake Powell Campus addition; both projects were completed prior to the Fall 2002 semester.
- Formalized and adopted core indicators of the Institutional Effectiveness Plan.
- Overcame a budget deficit of several hundred thousand dollars through joint efforts and conservation of resources. Travel restrictions were imposed, purchasing of supplies were deferred, and some small classes were canceled. No current personnel were terminated; only vacancies were put on hold.

FINANCIAL INFORMATION

The District's responsibilities for stewardship, safeguarding of assets, and accountability to resource providers are fulfilled by effective management of these funds through internal control, budgetary controls, cash management, and financial reporting.

Internal Control

The District's administration is responsible for establishing and maintaining a system of internal controls designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The District's annual audit was conducted by the Certified Public Accounting firm of Heinfeld, Meech & Co., P.C. The auditors consider the adequacy of internal controls and test the District's compliance with applicable laws and regulations. The results of their audit procedures will be described in the auditors' report on compliance and on internal control over financial reporting to be issued later.

Single Audit

As a recipient of federal, state, and local assistance, the District also is responsible for providing adequate internal controls to ensure compliance with applicable laws and regulations related to those programs. This internal control system is subject to periodic evaluation by management and the independent auditors of the District.

As part of the District's single audit, the auditors have tested the District's compliance with requirements applicable to its major federal program and considered its internal control over compliance with requirements that could have a direct and material effect on a major federal program. The results of their audit procedures will be described in the auditors' report on compliance with requirements applicable to each major program and internal control over compliance to be issued later. Copies of the single audit reports will be available in the Office of the Vice President for Business and Administrative Services.

Budgetary Controls

The District maintains budgetary controls by line-item of the approved budget. Budget transfers are restricted by function and object. The objective of these budgetary controls is to ensure compliance with the annual budget adopted by the District's Governing Board. The legal level of budgetary control is by summary line item of the current and plant funds.

Budgetary compliance is also demonstrated with the issuance of an annual budgeted expenditure limitation report, which is also audited. The purpose of the expenditure limitation is to control expenditures and limit future increases in spending to adjustments for inflation; deflation; population growth of counties, cities, and towns; and student population growth of community college districts.

An encumbrance accounting system is maintained by the District as one technique of accomplishing budgetary control. Open encumbrances are not reported as reservations of fund balance at year end, but are liquidated (lapse at year end). Encumbrances are re-established at the beginning of the next fiscal year as an obligation against the current year's adopted budget.

DISTRICT FUNCTIONS

The District exercises primary property tax levy authority for generation of funds for operating purposes. State appropriations are also received based on full-time student enrollment and formula funding.

Cash Management

The District is governed by the Arizona Revised Statutes relating to the overall investment of idle public funds. The fiduciary responsibility of such investments is entrusted to the District Governing Board and facilitated through the Vice President for Business and Administrative Services.

Idle funds are invested by the District in a prudent, conservative, and secure manner for the highest yield as prescribed by Arizona Revised Statutes. Monies are on deposit with the State Treasurer. Amounts which are idle during the year are invested by the Treasurer on a pooled basis with the interest prorated back to the District.

During the year, idle funds were invested in demand deposits, notes, commercial paper, and certificates of deposit through the State of Arizona Local Government Investment Pool. The average yield on investments was 2.8 percent. The District's cash management objective is to equal or exceed the average returns on the thirteen week U.S. Treasury Bill rates. The average yield for 90-day U.S. Treasury Bills issued during the year was 2.2 percent.

Financial Reporting

The Comprehensive Annual Financial Report (CAFR) for the District was formulated with data from several sources including: District records, Coconino County Department of Finance reports, and Northern Arizona University College of Business economic outlook report. These statements present information on the financial condition of the District and whether resources were adequate to cover the costs of providing services during the reporting period. The District's CAFR is distributed to the District Governing Board and executive management, the State legislature, Federal and State agencies, and financial institutions as well as others throughout the general public. Internal management reports are customized and provided to meet the information and decision-making needs at all levels of the organization to aid management in the allocation of resources.

Debt Administration

The District sold \$25 million in general obligation bonds in January 1999. The voters of Coconino County have approved a secondary tax to retire this debt. These bonds are tax exempt and therefore subject to federal arbitrage requirements. The District has contracted with Gust-Rosenfeld for bond counsel and RBC Dain-Rauscher for financial advisement in the administration of this debt to ensure compliance with all state and federal regulations.

RISK MANAGEMENT

A full complement of insurance coverage is maintained for the District in accordance with (and usually in excess of) requirements established by the State Board of Directors for Community Colleges of Arizona. Liability coverage is broad in form, including errors and omissions and "wrongful acts" coverage, and is maintained with policy limits totalling \$10,000,000. Casualty coverages are maintained on a replacement value basis with a schedule of values agreed upon between the carrier and the District. Miscellaneous coverages include crime and fidelity coverages. Workers' Compensation coverage is maintained through the State Fund.

INDEPENDENT AUDIT

The District utilized the audit services of the Certified Public Accounting firm of Heinfeld, Meech & Co., P.C. to comply with Arizona Revised Statutes, which require an annual audit of the District's financial statements. This requirement has been complied with and the Independent Auditors' Report is included in this document. The auditors' expressed an unqualified opinion.

GFOA CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Coconino Community College for its comprehensive annual financial report for the fiscal year ended June 30, 2001. This was the seventh consecutive year that Coconino Community College District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENT

We thank the members of the District Governing Board for their interest and support in planning and conducting the financial operations of the District in a highly responsible and progressive manner. The preparation of this report could not have been accomplished without the hard work and dedicated services of the Business and Administrative Services staff. Appreciation is also expressed to Heinfeld, Meech, & Co., P.C. for timely completion of the audit.

Respectfully submitted,

Thomas S. Jordan
President

Jami V. Bradley, Vice President
Business and Administrative Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Coconino Community
College, Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

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



Thomas A. Dwyer
President

Jeffrey L. Esser
Executive Director

COCONINO COUNTY COMMUNITY COLLEGE DISTRICT

PRINCIPAL OFFICERS

DISTRICT GOVERNING BOARD

Nat White, Member, District 1

Carole Mandino, Secretary, District 2

Daniel W. Baertlein, Member, District 3

Paul Neuman, Member, District 4

Val Gleave, Chair, District 5

ADMINISTRATION

Thomas S. Jordan, President

Jami V. Bradley, Vice President for Business and Administrative Services

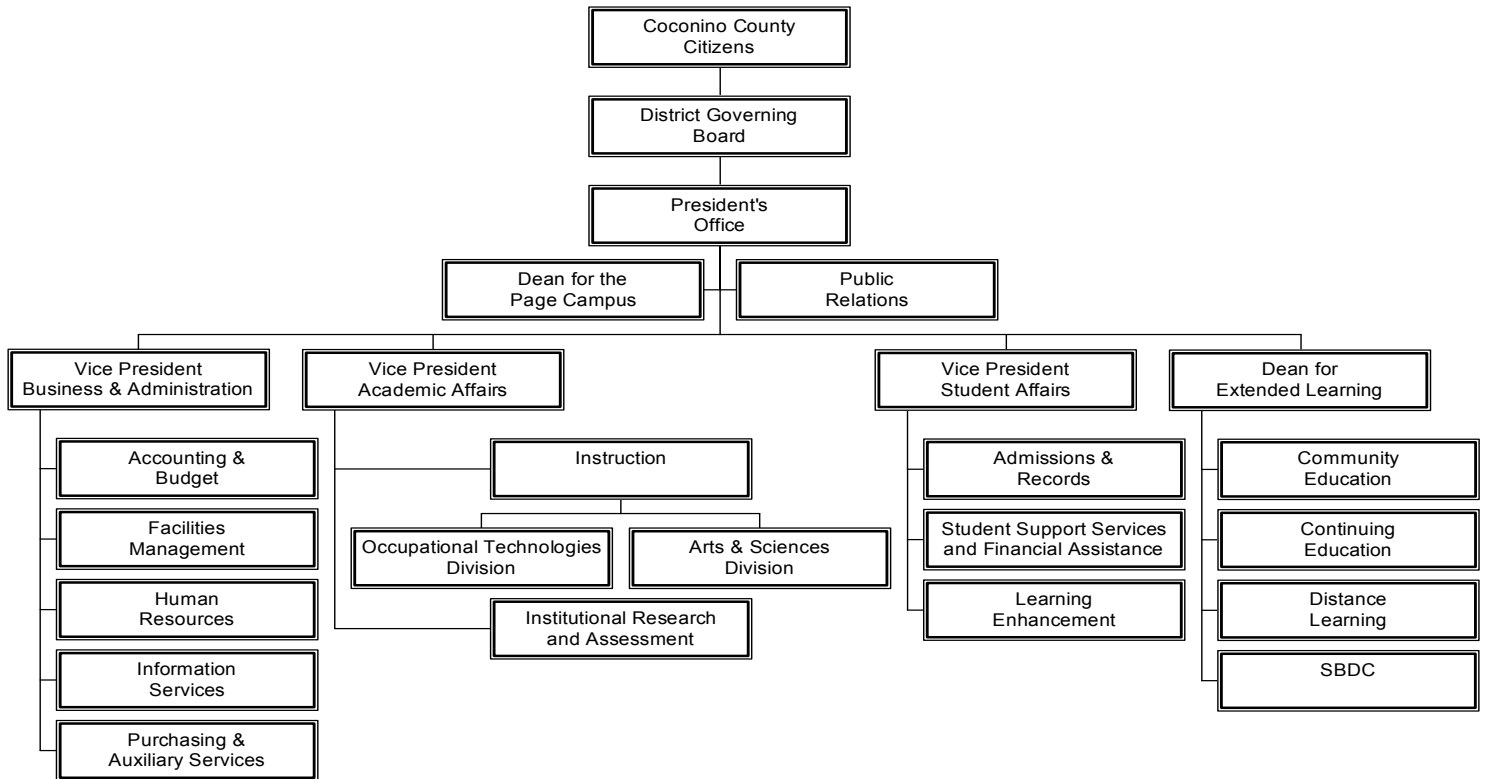
Kathleen Corak, Vice President for Academic Affairs

Terree Duncan, Vice President for Student Services

Lloyd Hammonds, Dean for Page Campus

Michael Lainoff, Dean for Extended Learning

ORGANIZATIONAL CHART



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FINANCIAL SECTION



HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Gary Heinfeld, CPA, CGFM
Nancy A. Meech, CPA, CGFM
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INDEPENDENT AUDITORS' REPORT

The Auditor General of the State of Arizona

The Governing Board of Coconino County Community College District

We have audited the accompanying basic financial statements of Coconino County Community College District as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Coconino County Community College District as of June 30, 2002, and the changes in financial position and cash flows of the District for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 2, the District adopted the provisions of GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, as of June 30, 2002, to implement a new financial reporting model.

The Management's and Discussion and Analysis on pages 15-20 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The information included in the introductory and statistical sections listed in the table of contents has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on such information.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Heinfeld, Meech & Co., P.C.

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

October 10, 2002

COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2002

This section of Coconino County Community College District's Comprehensive Annual Financial Report presents management's discussion and analysis of the College's financial activity for the year ended June 30, 2002. Please read it in conjunction with the transmittal letter beginning on page 1 and the District's financial statements, which begin on page 21.

Since this is an implementation year for financial reporting under Governmental Accounting Standards Board (GASB) Statement No. 35, only one year of financial data is presented. In future years, a comparative analysis of financial data will be presented.

Basic Financial Statements

Beginning with fiscal year 2001-02, the District is required to present annual financial statements in accordance with newly effective pronouncements issued by the Governmental Accounting Standards Board (GASB), the authoritative body for establishing Generally Accepted Accounting Principles (GAAP) for state and local governments, including public institutions of higher education. These new pronouncements permit public colleges and universities to use the guidance for special-purpose governments engaged only in business-type activities, in their separately issued financial statements. As such, the presentation format has shifted from a columnar fund group format to a consolidated, single-column, entity-wide format – similar to the type of financial statements one might encounter from a typical 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, 2002. It shows the various assets owned or controlled, related liabilities and other obligations, and the various categories of net assets. Net assets is an accounting concept defined as total assets less total liabilities, and as such, represents the institutional equity or ownership in the total assets of the District.

The Statement of Revenues, Expenses, and Changes in Net Assets reflects the results of operations and other changes for the year ended June 30, 2002. It shows the various revenues and expenses, both operating and non-operating, reconciling the beginning net assets amount to the ending net assets amount – which is shown on the *Statement of Net Assets* described above.

The Statement of Cash Flows reflects the inflows and outflows of cash and cash equivalents for the year ended June 30, 2002. It shows the various cash activities by type, reconciling the beginning cash and cash equivalents amount to the ending cash and cash equivalents amount – which is shown on the *Statement of Net Assets* described above. In addition, this statement reconciles cash flows used for operating activities to operating loss on the *Statement of Revenues, Expenses, and Changes in Net Assets* described above.

COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2002

Condensed Financial Information

***Statement of Net Assets
As of June 30, 2002***

<u>Assets</u>	
Current Assets	\$ 9,839,380
Capital Assets, net	30,883,087
Total Assets	<u>40,722,467</u>
<u>Liabilities</u>	
Current Liabilities	1,861,097
Noncurrent Liabilities	24,060,901
Total Liabilities	<u>25,921,998</u>
<u>Net Assets</u>	
Invested in Capital Assets (net of related debt)	7,048,087
Restricted for Capital Projects	4,014,103
Restricted for Debt Service	103,064
Unrestricted	3,635,215
Total Net Assets	<u><u>\$14,800,469</u></u>

Invested in Capital Assets (net of related debt), Restricted for Capital Projects, Restricted for Debt Service, and Unrestricted Net Assets represent 47.6%, 27.1%, 0.7%, and 24.6% of Total Net Assets, respectively.

***Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2002***

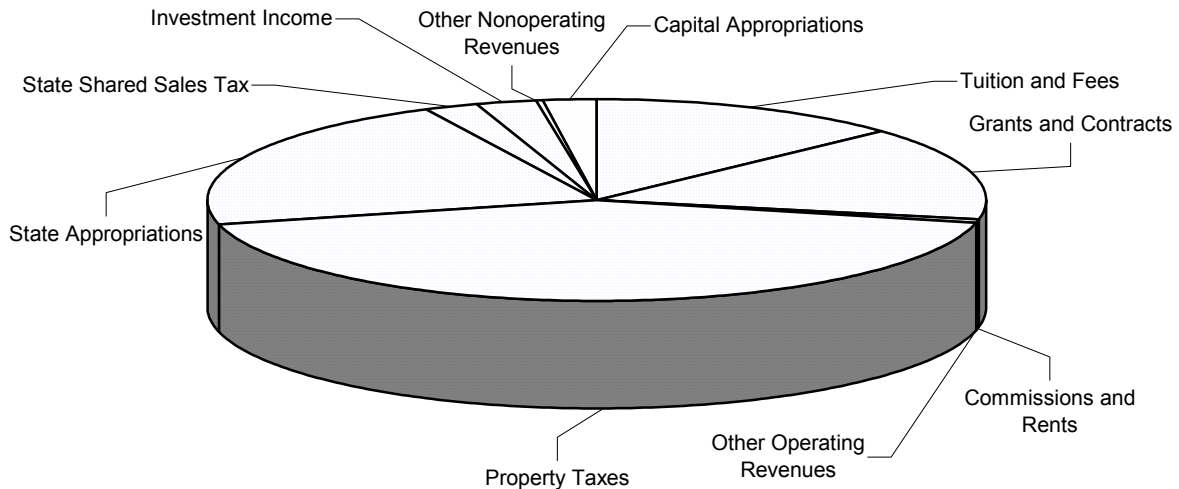
Tuition and Fees (net of scholarship allowances)	\$ 1,864,336
Grants and Contracts	2,154,347
Other Operating Revenues	53,411
Total Operating Revenues	<u>4,072,094</u>
Total Operating Expenses	13,378,583
Net Operating Loss	<u>(9,306,489)</u>
Nonoperating Revenues (Expenses)	
Property Taxes	6,066,249
State Appropriations	3,104,700
Investment Income	328,524
Other Nonoperating Revenue	370,279
Interest on Capital Asset Related Debt	(1,188,343)
Loss on disposal of capital assets	(188,109)
Net Nonoperating Revenues	<u>8,493,300</u>
Capital appropriations	<u>314,400</u>
Decrease in Net Assets	(498,789)
Net Assets, June 30, 2001 (as restated)	15,299,258
Net Assets, June 30, 2002	<u><u>\$ 14,800,469</u></u>

COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2002

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

<u>Operating Revenues</u>		<u>% of Total</u>
Tuition and Fees (net of scholarship allowances)	\$ 1,864,336	13.1%
Grants and Contracts	2,154,347	15.1%
Commissions and Rents	42,758	0.3%
Other Operating Revenues	10,653	0.1%
Total Operating Revenues	4,072,094	28.6%
<u>Nonoperating Revenues</u>		
Property Taxes	6,066,249	42.5%
State Appropriations	3,104,700	21.8%
State Shared Sales Tax	317,979	2.2%
Investment Income	328,524	2.3%
Other Nonoperating Revenues	52,300	0.4%
Total Nonoperating Revenues	9,869,752	69.2%
Capital Appropriations	314,400	2.2%
Total Revenues	\$ 14,256,246	100.0%

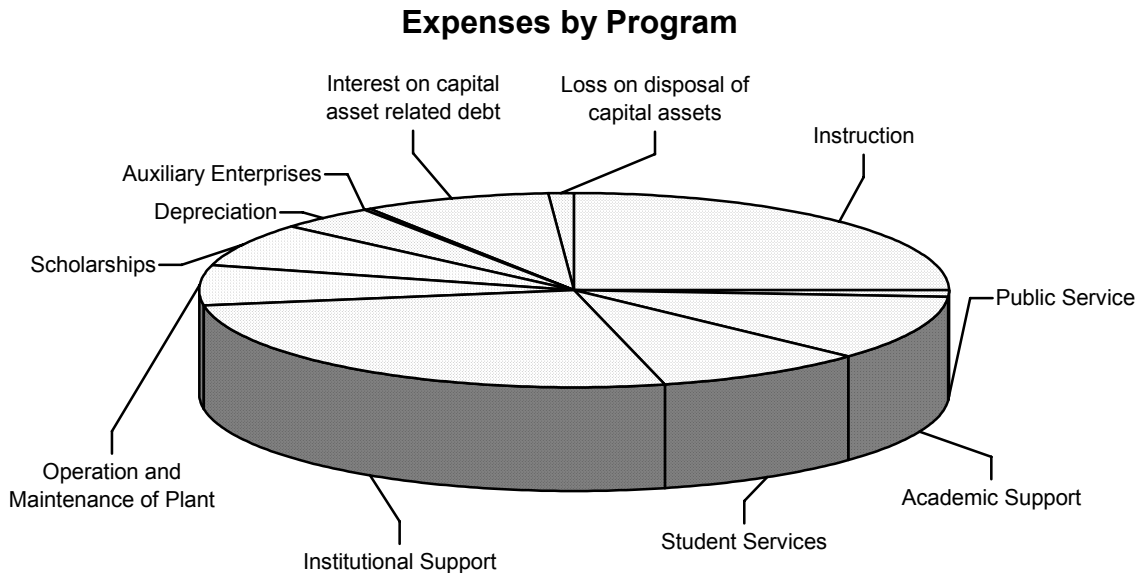
Revenues by Source



COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2002

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

<u>Operating Expenses</u>		<u>% of Total</u>
Education and General		
Instruction	\$ 3,700,462	25.1%
Public Service	142,160	1.0%
Academic Support	1,590,572	10.8%
Student Services	1,351,457	9.2%
Institutional Support	3,924,224	26.5%
Operation and Maintenance of Plant	972,581	6.6%
Scholarships	1,052,478	7.1%
Depreciation	628,274	4.3%
Auxiliary Enterprises	16,375	0.1%
Total Operating Expenses	<u>13,378,583</u>	<u>90.7%</u>
<u>Nonoperating Expenses</u>		
Interest on capital asset related debt	1,188,343	8.1%
Loss on disposal of capital assets	188,109	1.2%
Total Nonoperating Expenses	<u>1,376,452</u>	<u>9.3%</u>
Total Expenses	<u><u>\$ 14,755,035</u></u>	<u><u>100.00%</u></u>



COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2002

Capital Assets

Below is a summary of the capital assets, net of depreciation, as of June 30, 2002.

Capital Assets	
Land	\$ 1,089,000
Buildings	27,629,955
Improvements other than Buildings	98,144
Equipment	1,238,745
Vehicles	31,993
Construction in progress	795,250
Total Capital Assets	<u>\$ 30,883,087</u>

Capital assets are defined as those items costing over \$5,000, which have a normal useful life of more than two years. The District has created renewal and replacement (R&R) schedules for all of its facilities, as well as technology. The schedules are updated annually and funds are invested and designated for this purpose. For the year ending June 30, 2002, these funds amounted to \$1.1 million of the balance within the Local Government Investment Pool (LGIP).

Long-Term Debt

At June 30, 2002, the District's had one bond issue outstanding, consisting of a general obligation bond issue for \$25,000,000. Total long-term debt at June 30, 2002, is \$23,835,000. No new debt was issued during the fiscal year. See Note 5 on pages 32-33 for further details.

Current Economic Conditions

Despite unfavorable economic conditions nationwide, Coconino County realized an overall 5.8% increase in property values for the year, thereby increasing the College's property tax revenue. However, the District was still forced to make mid-year expenditure reductions and implement other efficiency initiatives due to the following revenue shortfalls:

- State appropriations were decreased by \$155,000.
- Full-time equivalent student enrollment (FTSE) decreased by 5.3%. This enrollment shortfall resulted in nearly \$200,000 less tuition revenue.
- Declining interest rates on the District's investments resulted in an approximately \$60,000 loss of projected revenue.

COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2002

Current Factors Having Probable Future Financial Significance

During the 2001-02 fiscal year, state appropriations to the District were reduced mid-year by \$155,000, or approximately 4.75%. Financial support from the State of Arizona is projected to continually decline. An additional 9.8% cut is projected for the 2002-03 fiscal year with possible further cuts in future years. The District is continuing to implement efficiency measures and strategies to increase other revenue sources in order to offset this projected shortfall and maintain services. Specifically, the District increased the tuition rate from \$34.00 per credit hour to \$37.00 per credit hour for the fall 2002 term and planning has begun to increase FTSE by more than 12% by fiscal year 2003-04.

Requests for Information

This discussion and analysis is designed to provide a general overview of the Coconino County Community College District's finances for all those with an interest in such matters. Questions concerning any of the information provided in this Comprehensive Annual Financial Report or requests for additional financial information should be addressed to the Office of the Controller, Coconino County Community College District, 2800 S. Lone Tree Road, Flagstaff, AZ 86001.

Basic Financial Statements

COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
Statement of Net Assets
June 30, 2002

ASSETS

Current assets

Cash in bank and on hand	\$ 890,157
Cash and investments held by the County Treasurer	158,517
Short-term Investments	8,257,710
Receivables:	
Property tax (net of allowances of \$58,163)	208,798
Government grants	76,307
Interest	36,530
Other (net of allowances of \$82,597)	104,738
Supplies inventory	8,606
Prepaid items	98,017
Total current assets	<u>9,839,380</u>

Noncurrent assets

Capital Assets:

Land	1,089,000
Buildings, net of depreciation	27,629,955
Improvements other than buildings, net of depreciation	98,144
Equipment, net of depreciation	1,238,745
Vehicles, net of depreciation	31,993
Construction in progress (estimated cost to complete \$1,368,600)	795,250
Total noncurrent assets	<u>30,883,087</u>
TOTAL ASSETS	<u>40,722,467</u>

LIABILITIES

Current liabilities

Accounts payable	181,759
Accrued liabilities	517,315
Accrued compensated absences - current portion	66,364
Deferred revenue	330,482
Deposits held in custody for others	45,177
Bonds payable - current portion	720,000
Total current liabilities	<u>1,861,097</u>

Noncurrent liabilities

Accrued compensated absences - noncurrent portion	306,089
Arbitrage payable	639,812
Bonds payable - noncurrent portion	23,115,000
Total noncurrent liabilities	<u>24,060,901</u>
TOTAL LIABILITIES	<u>25,921,998</u>

NET ASSETS

Invested in capital assets, net of related debt	7,048,087
Restricted for:	
Expendable:	
Capital projects	4,014,103
Debt service	103,064
Unrestricted	3,635,215
TOTAL NET ASSETS	<u>\$ 14,800,469</u>

See accompanying notes to financial statements.

COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2002

Operating revenues	
Tuition & fees (net of scholarship allowances of \$191,532)	\$ 1,864,336
Government grants and contracts	2,057,559
Private gifts, grants, and contracts	96,788
Auxiliary enterprises:	
Commissions and rents	42,758
Other operating revenues	10,653
Total operating revenues	<u>4,072,094</u>
Operating Expenses	
Educational and general:	
Instruction	3,700,462
Public service	142,160
Academic support	1,590,572
Student services	1,351,457
Institutional support	3,924,224
Operation and maintenance of plant	972,581
Scholarships	1,052,478
Depreciation	628,274
Auxiliary Enterprises	16,375
Total operating expenses	<u>13,378,583</u>
Net operating loss	<u>(9,306,489)</u>
Nonoperating revenues (expenses):	
Property taxes	6,066,249
State appropriations	3,104,700
Share of state sales taxes	317,979
Investment income	328,524
Interest on capital asset related debt	(1,188,343)
Loss on disposal of capital assets	(188,109)
Other nonoperating revenues (expenses)	52,300
Total nonoperating revenues (expenses)	<u>8,493,300</u>
Income before other revenues, expenses, gains, or losses	(813,189)
Capital appropriations	314,400
Decrease in net assets	<u>(498,789)</u>
Total net assets, July 1, 2001, as restated	<u>15,299,258</u>
Total net assets, June 30, 2002	<u><u>\$ 14,800,469</u></u>

See accompanying notes to financial statements.

COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
Statement of Cash Flows
Year Ended June 30, 2002

Cash flows from operating activities:	
Tuition and fees	\$ 1,867,643
Grants and contracts	2,303,537
Commissions and rents	40,974
Other receipts	10,653
Payments to employees for salaries and benefits	(7,733,389)
Payments to suppliers	(3,840,512)
Payments for scholarships	(1,052,478)
Net cash used for operating activities	<u>\$ (8,403,572)</u>
Cash flows from noncapital financing activities:	
Property taxes - primary	\$ 4,156,453
State appropriations	3,104,700
Share of state sales taxes	317,979
Other non-operating receipts	52,300
Agency receipts	318,972
Agency payments	(319,673)
Net cash provided by noncapital financing activities	<u>\$ 7,630,731</u>
Cash flows from capital and related financing activities	
Property taxes - secondary	\$ 1,823,935
Capital appropriations	314,400
Purchase of capital assets	(7,713,917)
Principal capital debt	(625,000)
Interest paid on capital debt	(1,188,343)
Net cash used for capital and related financing activities	<u>\$ (7,388,925)</u>
Cash flows from investing activities:	
Interest received on investments	<u>\$ 539,434</u>
Net cash provided by investing activities	<u>\$ 539,434</u>
Net decrease in cash and cash equivalents	\$ (7,622,332)
Cash and cash equivalents, July 1, 2001	16,928,716
Cash and cash equivalents, June 30, 2002	<u><u>\$ 9,306,384</u></u>

See accompanying notes to financial statements.

COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
Statement of Cash Flows (continued)
Year Ended June 30, 2002

Reconciliation of net operating loss to net cash used for operating activities:	
Operating loss	\$ (9,306,489)
Adjustments to reconcile net operating loss to net cash used for operating activities:	
Depreciation	628,274
Changes in assets and liabilities:	
Increase in:	
Other receivables	(9,269)
Supplies inventory	(8,606)
Prepaid items	(44,258)
Accounts payable and accrued liabilities	232,002
Deferred revenue	37,011
Decrease in:	
Government grants receivable	121,574
Compensated absences	(53,811)
Net cash used for operating activities	<u>\$ (8,403,572)</u>

Noncash transactions:	
Disposal of capital assets	<u>\$ 188,109</u>

Reconciliation of cash and cash equivalents to the Statement of Net Assets	
Cash in bank and on hand	\$ 890,157
Cash and investments held by the County Treasurer	158,517
Short-term investments	8,257,710
Cash and cash equivalents	<u>\$ 9,306,384</u>

See accompanying notes to financial statements.

COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements
June 30, 2002

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Coconino County Community College District conform to generally accepted accounting principles applicable to public institutions engaged only in business-type activities adopted by the Governmental Accounting Standards Board (GASB). During the year ended June 30, 2002, the District implemented GASB Statement No. 35, which prescribes a new reporting model for public colleges within the reporting guidelines of GASB Statement No. 34, as amended by GASB Statement No. 37. The District also implemented GASB Statement No. 38, which prescribes new and revised note disclosures.

A. Reporting Entity

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

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

B. Basis of Presentation and Accounting

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

A statement of net assets provides information about the assets, liabilities, and net assets of the District at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified according to external donor restrictions or availability of assets to satisfy District obligations. Invested in capital assets net of related debt represents the net value of capital assets less the debt incurred to acquire or construct the asset. Nonexpendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent grants, contracts, gifts, and other resources that have been externally restricted for specific purposes. Unrestricted net assets include all other net assets, including those that have been designated by management to be used for other than general operating purposes.

COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements
June 30, 2002

Note 1 - Summary of Significant Accounting Policies (continued)

A statement of revenues, expenses, and changes in net assets provides information about the District's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net assets are reported, including capital contributions and additions to endowments. Generally, revenues generated by the District for instruction and public service are considered to be operating revenues. Other revenues used for instruction and public service, such as property taxes and state appropriations, are not generated from operations and are considered to be nonoperating revenues.

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

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized in the year for which they are levied. State appropriations are recognized as revenue in the year in which the appropriation is first made available for use. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Internal activity is eliminated using a charge-back method, charging user departments and reducing expenses in the department providing the service.

The District follows FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

C. Cash and Investments

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

COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements
June 30, 2002

Note 1 - Summary of Significant Accounting Policies (continued)

D. Inventories

The supplies inventory is stated at the lower of cost (first-in, first-out method) or market.

E. Capital Assets

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$5,000		
Land improvements	\$5,000		
 Buildings	 \$5,000	 straight line	 40 years
Improvements Other than Buildings	\$5,000	straight line	15 years
Equipment and Vehicles	\$5,000	straight line	5 years
Library collections	\$5,000	straight line	10 years

F. Investment Income

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

G. Compensated Absences

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

COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements
June 30, 2002

Note 1 - Summary of Significant Accounting Policies (concluded)

Employees may accumulate vacation hours up to 1.5 times their annual vacation accrual, but any vacation hours in excess of the maximum amount that are unused at calendar year-end are forfeited. Upon termination of employment, unused and unforfeited vacation benefits are paid to employees, up to a maximum of one year's accrual. 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 and therefore, are not accrued. However, employees hired prior to January 1996 and with 10 years of service, 50% of unused accrued sick leave up to a maximum of 1,040 hours do vest; and upon normal retirement after 55 years of age or as defined by the Arizona State Retirement System, 100% of unused accrued sick leave up to a maximum of 2,080 hours do vest. For employees hired after January 1996 who are 60 or over and who have 10 year of service, a portion (up to a maximum of \$5,000) of their sick leave benefits do vest. The vested amounts are accrued as a liability in the financial statements.

H. Scholarship Allowances

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

Note 2 - Beginning Balances Restated

As a result of implementing GASB Statement No. 35 and a correction of an error affecting a prior period, the District's aggregate fund balances reported as of June 30, 2001, totaling \$16,572,688, have been restated as beginning net assets of \$15,299,258. The difference is attributable to recording accumulated depreciation on capital assets in the amount of \$718,186, and the correction of an overstatement of capital assets in the amount of \$555,244.

COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements
June 30, 2002

Note 3 - Deposits and Investments

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

Deposits—The District's deposits at June 30, 2002, were entirely covered by federal depository insurance or by collateral held by the District's custodial bank in the District's name.

Investments—At June 30, 2002, the District's investments consisted of the following:

	Fair Value
Cash and investments held by the County Treasurer	\$ 158,517
Investment in State Treasurer's investment pool	<u>8,257,710</u>
Total	<u><u>\$8,416,227</u></u>

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

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

COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements
June 30, 2002

Note 4 – Other Receivables

Other receivables are shown net of related allowances for uncollectibles. A summary for other receivables at June 30, 2002, follows:

	Receivable	Allowance	Net Receivable
Student accounts	\$ 175,396	\$ 82,597	\$ 92,799
Employee	1,317		1,317
Vendor	10,622		10,622
	<u>\$ 187,335</u>	<u>\$82,597</u>	<u>\$ 104,738</u>

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2002, was as follows:

	Balance July 1, 2001, as restated	Increases	Decreases	Balance June 30, 2002
Capital assets not being depreciated:				
Land	\$ 1,089,000	\$	\$	\$ 1,089,000
Construction in progress (estimated cost to complete \$1,368,600)	18,085,158	5,685,563	22,975,471	795,250
Total capital assets not being depreciated	<u>19,174,158</u>	<u>5,685,563</u>	<u>22,975,471</u>	<u>1,884,250</u>
Capital assets being depreciated:				
Buildings	5,292,078	22,996,410		28,288,488
Improvements other than Buildings	12,721	102,246		114,967
Equipment	877,610	1,246,461	261,802	1,862,269
Library books	22,235			22,235
Vehicles	21,790	35,548		57,338
Total capital assets being depreciated	<u>6,226,434</u>	<u>24,380,665</u>	<u>261,802</u>	<u>30,345,297</u>
Less accumulated depreciation for:				
Buildings	(239,479)	(419,054)		(658,533)
Improvements other than Buildings	(10,808)	(6,015)		(16,823)
Equipment	(423,874)	(199,650)		(623,524)
Library books	(22,235)			(22,235)
Vehicles	(21,790)	(3,555)		(25,345)
Total accumulated depreciation	<u>(718,186)</u>	<u>(628,274)</u>		<u>(1,346,460)</u>
Total capital assets being depreciated, net	<u>5,508,248</u>	<u>23,752,391</u>	<u>261,802</u>	<u>28,998,837</u>
Capital assets, net	<u>\$24,682,406</u>	<u>\$29,437,954</u>	<u>\$23,237,273</u>	<u>\$30,883,087</u>

COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements
June 30, 2002

Note 6 - Long-Term Liabilities

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2002.

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002	Due within one year
Compensated absences payable	\$ 426,264	\$324,800	\$378,611	\$ 372,453	\$66,364
Arbitrage payable	564,406	75,406		639,812	
Bonds payable:					
General obligation bonds	24,460,000		625,000	23,835,000	720,000
Total long-term debt	<u>\$25,450,670</u>	<u>\$400,206</u>	<u>\$1,003,611</u>	<u>\$24,847,265</u>	<u>\$786,364</u>

Bonds—The District's bonded debt consists of general obligation bonds that are generally callable with interest payable semiannually. Bond proceeds primarily pay for acquiring or constructing capital facilities. The District repays general obligation bonds from voter-approved property taxes. The \$25,000,000 in bonds were authorized by voters in November 1997, and were subsequently sold on January 7, 1999, at a net interest rate of 4.72%

Bonds outstanding at June 30, 2002, were as follows:

Description	Original Amount	Maturities	Interest Rates	Outstanding Principal
General obligation bonds Series A (1999)	\$25,000,000	annually through 7/1/2019	4.3% - 5.75%	\$23,835,000

Under Article IX of the Arizona Constitution, the total amount of indebtedness of the District may not exceed 15% of the County's secondary property assessed valuation. The bonds are subject to Federal Arbitrage Regulations.

COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements
June 30, 2002

Note 6 - Long-Term Liabilities (concluded)

The following schedule details debt service requirements to maturity for the District's bonds payable at June 30, 2002.

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2003	\$ 720,000	\$ 1,152,405
2004	820,000	1,111,005
2005	885,000	1,063,855
2006	955,000	1,012,968
2007	1,030,000	958,055
2008-12	6,345,000	3,918,947
2013-17	8,735,000	2,268,759
2018-19	4,345,000	296,325
Total	<u>\$ 23,835,000</u>	<u>\$ 11,782,319</u>

Note 7 - Obligations Under Operating Leases

The District leases the land on which the Fourth Street campus resides. The lease agreement is classified as an operating lease for accounting purposes. Rental expenses under the terms of the operating lease were \$28,833 for the year ended June 30, 2002. The operating lease has a remaining noncancelable lease term of 22 years, allowing four renewal options for eleven years each, and rental payments are adjusted annually based on changes in the Consumer Price Index (CPI). The future minimum rental payments required under the operating lease at June 30, 2002, were calculated using an estimated CPI of 3% annually and are as follows:

Future Minimum Operating Lease Payments

Year ending June 30:	
2003	\$ 29,698
2004	30,589
2005	31,507
2006	32,452
2007	34,428
2008-12	188,266
2013-17	218,252
2018-22	253,014
2023	<u>55,248</u>
Total minimum lease payments at June 30, 2002	<u>\$ 873,454</u>

COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements
June 30, 2002

Note 8 - 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.

Note 9 - Retirement Plan

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

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

Funding policy—The Arizona State Legislature establishes and may amend active plan members' and the District's contribution rates. For the year ended June 30, 2002, active plan members and the District were each required by statute to contribute at the actuarially determined rate of 2.49 percent (2.00 percent retirement and 0.49 percent long-term disability) of the members' annual covered payroll. The District's contributions to the System for the years ended June 30, 2002, 2001, and 2000, were \$114,632, \$124,490, and \$126,071, respectively, which were equal to the required contributions for the year.

In September 2001, the College implemented an Optional Retirement Plan (ORP), allowing the employee to opt out of the Arizona State Retirement System and establish a retirement account with one of three independent providers: Aetna Financial Services, Variable Annuity Life Insurance Company (VALIC), or Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF). For the year ended June 30, 2002, active participants and the District were required to contribute 7.0 percent and 2.0 percent, respectively.

COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements
June 30, 2002

Note 9 - Retirement Plan (concluded)

Disability insurance for employees electing the optional retirement program is provided by TIAA-CREF at a cost of .312 percent, with active participants and the District dividing the cost equally. The District's contributions for the Optional Retirement Program for the year ended June 30, 2002 were \$11,165.

Note 10 - Operating Expenses by Natural Classification

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

Compensation and benefits	\$7,772,362
Contract services	692,361
Supplies and other services	2,217,501
Annual fixed charges	339,061
Communications and utilities	402,867
Travel	200,266
Scholarships	1,052,478
Depreciation	628,274
Other	73,413
Total	<u>\$13,378,583</u>

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STATISTICAL SECTION

**COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
REVENUES BY SOURCE
FOR THE YEAR ENDED JUNE 30**

	2002	
<u>Operating Revenues</u>	<u>Amount</u>	<u>Percent</u>
Tuition and fees, net of scholarship allowances	\$ 1,864,336	13.1 %
Government grants and contracts	2,057,559	14.4
Private gifts, grants, and contracts	96,788	0.7
Commissions and rents	42,758	0.3
Other operating revenues	10,653	0.1
Total operating revenues	<u>\$ 4,072,094</u>	<u>28.6 %</u>
<u>Nonoperating Revenues</u>		
Property taxes	\$ 6,066,249	42.5 %
State appropriations	3,104,700	21.8
Share of state sales taxes	317,979	2.2
Investment income	328,524	2.3
Other nonoperating revenues	52,300	0.4
Total nonoperating revenues	<u>\$ 9,869,752</u>	<u>69.2 %</u>
Capital appropriations	<u>\$ 314,400</u>	<u>2.2 %</u>
Total Revenues	<u><u>\$ 14,256,246</u></u>	<u><u>100.0 %</u></u>

Source: Annual financial report for fiscal year 2001/02.

Note: Prior year comparative information was not available due to the implementation of GASB Statement No. 35 for the year ended June 30, 2002.

**COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
OPERATING AND NONOPERATING EXPENSES
FOR THE YEAR ENDED JUNE 30**

	2002	
<u>Operating Expenses</u>	<u>Amount</u>	<u>Percent</u>
Instruction	\$ 3,700,462	24.2 %
Public service	142,160	0.9
Academic support	1,590,572	10.4
Student services	1,351,457	8.8
Institutional support	3,924,224	25.5
Operation and maintenance of plant	972,581	6.4
Scholarships	1,052,478	6.9
Depreciation	628,274	4.1
Auxiliary Enterprises	16,375	0.1
Total operating expenses	<u>\$ 13,378,583</u>	<u>87.3 %</u>
 <u>Nonoperating Expenses</u>		
Interest on capital asset related debt	\$ 1,188,343	7.9 %
Loss on disposal of capital assets	743,353	4.9
Total nonoperating expenses	<u>\$ 1,931,696</u>	<u>12.7 %</u>
 Total Expenses	 <u>\$ 15,310,279</u>	 <u>100.0 %</u>

Source: Annual financial report for fiscal year 2001/02.

Note: Prior year comparative information was not available due to the implementation of GASB Statement No. 35 for the year ended June 30, 2002.

**COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
EXPENDITURE LIMITATION
STATUTORY LIMIT TO BUDGETED EXPENDITURES
LAST TEN FISCAL YEARS**

FISCAL YEAR	STATUTORY EXPENDITURE LIMITATION ¹	BUDGETED EXPENDITURES SUBJECT TO THE LIMITATION ²	UNUSED LEGAL LIMIT ³
1992-93	\$ 5,488,569	\$ 2,423,376	\$ 3,065,193
1993-94	5,918,104	2,732,135	3,185,969
1994-95	7,599,551	5,401,497	2,198,054
1995-96	8,358,792	6,890,003	1,468,789
1996-97	8,098,460	8,098,459	1
1997-98	8,606,136	8,606,135	1
1998-99	8,817,955	8,817,954	1
1999-00	8,584,609	8,584,608	1
2000-01	8,294,190	8,294,189	1
2001-02	8,996,579	8,996,578	1

Source: District records.

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

Note 2: Budgeted expenditures are net of allowable exclusions.

Note 3: The unused legal limit may be carried forward to the extent it does not exceed fund balances.

**COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

FISCAL YEAR	TOTAL TAX LEVY (1)	TOTAL TAX COLLECTIONS	RATIO OF TOTAL TAX COLLECTIONS TO TOTAL TAX LEVY	OUTSTANDING DELINQUENT TAXES	RATIO OF DELINQUENT TAXES TO TOTAL TAX LEVY
1992-93	\$ 2,413,001	\$ 2,456,490	101.80%	\$ 122,568	5.08%
1993-94	2,644,101	2,657,405	100.50%	111,708	4.22%
1994-95	2,742,094	2,756,133	100.51%	114,306	4.17%
1995-96	2,907,547	2,877,602	98.97%	138,938	4.78%
1996-97	3,169,405	3,101,761	97.87%	138,757	4.38%
1997-98	3,237,396	3,162,511	97.69%	167,321	5.17%
1998-99	3,390,966	3,366,588	99.28%	160,600	4.74%
1999-00	5,392,349	5,343,807	99.10%	143,270	2.66%
2000-01	5,601,262	5,546,120	99.02%	177,683	3.17%
2001-02	5,938,358	5,848,539	98.49%	266,962	4.50%

Source: Coconino County Department of Finance, Coconino County Treasurer's Office, and District records.

(1) Tax Levy is based on levy limits of the calendar year at June 30.

(2) Cash basis; excludes payments in lieu of taxes.

**COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
PROPERTY TAX LEVIES
SECONDARY ASSESSED VALUE AND CURRENT MARKET VALUE
OF ALL TAXABLE PROPERTY
LAST TEN TAX YEARS
(Dollars in Thousands)**

TAX YEAR	TOTAL PROPERTY VALUES		TOTAL ASSESSED VALUE AS A PERCENT OF TOTAL MARKET VALUE
	ASSESSED	CURRENT MARKET	
1993	\$ 704,577	\$ 4,523,115	15.6%
1994	735,069	4,862,390	15.1%
1995	763,229	5,162,803	14.8%
1996	780,215	5,814,529	13.4%
1997	845,386	6,215,438	13.6%
1998	887,556	6,462,245	13.7%
1999	939,915	6,700,526	14.0%
2000	1,004,869	7,158,212	14.0%
2001	1,062,082	7,535,970	14.1%
2002	1,084,876	7,860,165	13.8%

Source: Coconino County Assessor's Office

Note: Figures are not broken out between secured and unsecured.

**COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
PRIMARY PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN TAX YEARS
(Per \$100 Assessed Valuation)**

Tax Year	Coconino County Community College District	State of Arizona	Coconino County*	County Education District
1993	\$ 0.3671	\$ 0.4700	\$ 0.9624	\$ 2.3600
1994	0.3706	0.4700	0.9432	2.3600
1995	0.3728	0.4700	0.9308	2.3600
1996	0.3784	-	0.9137	2.2000
1997	0.3869	-	0.8899	2.2000
1998	0.3949	-	0.8733	2.2000
1999	0.4001	-	0.8650	2.1654
2000	0.3973	-	0.8556	2.1265
2001	0.4010	-	0.8407	2.0647
2002	0.4083	-	0.9042	2.0296

Tax Year	Cities or Fire Districts		School Districts	
	Range		Range	
	From	To	From	To
1993	\$ 0.6644	\$ 1.3880	\$ 2.2336	\$ 7.6900
1994	0.6644	1.3880	2.2370	7.6483
1995	0.7326	1.3880	1.6118	7.6483
1996	0.7326	1.3880	1.9114	6.8876
1997	0.7326	1.3880	2.2947	6.6914
1998	0.7326	1.3526	2.4607	7.8187
1999	0.7326	1.3138	1.9307	7.3800
2000	0.7326	1.2573	1.8239	6.4113
2001	0.7326	1.2573	1.0763	7.8089
2002	0.7326	1.4676	1.6887	6.6580

* Coconino County applies to the General, Library District and Fire District Assistance Funds.

Source: Arizona Tax Research Foundation

COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
SECONDARY PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN TAX YEARS
(Per \$100 Assessed Valuation)

Tax Year	Coconino County Community College District	Coconino Association for Vocation, Industry, and Technology	Coconino County*
1993	\$ -	\$ -	\$ 0.2026
1994	-	-	0.2190
1995	-	-	0.2164
1996	-	-	0.2248
1997	-	-	0.2269
1998	-	-	0.2361
1999	0.1946	-	0.2711
2000	0.1751	-	0.2780
2001	0.1707	0.0500	0.2544
2002	0.1726	0.0500	0.2899

Tax Year	Cities or Fire Districts		School Districts	
	Range		Range	
	From	To	From	To
1993	\$ -	\$ 2.6000	\$ -	\$ 9.9260
1994	-	2.6000	-	5.5190
1995	-	2.6000	-	6.9003
1996	-	2.6000	-	5.2463
1997	-	2.6000	-	6.6700
1998	-	2.6000	-	7.2869
1999	-	2.6000	-	7.8837
2000	-	2.6000	-	7.5159
2001	-	2.5000	-	6.6782
2002	-	3.0000	-	7.8860

2002 Tax Rates (Special Districts)	
Flood Control **	\$ 0.0797
Forest Lakes Domestic Water	1.1730
Williams Facilities District	0.2058
Williams Hospital District	0.9769
Page Hospital District	0.9946

* Coconino County applies to the General, Library District and Fire District Assistance Funds.

** Flood Control District applies to all property outside the cities of Flagstaff, Page and Fredonia.

Source: Arizona Tax Research Foundation

**COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
COMPUTATION OF LEGAL DEBT MARGIN
For Fiscal Year Ended June 30, 2002**

Secondary Assessed Value of Real and Personal Property		\$ 1,084,875,819
Debt Limit = 15% of secondary assessed value		162,731,373
Amount of debt applicable to debt limit:		
General Obligation Bonded Debt	<u>\$ 23,835,000</u>	
Total debt applicable to debt limit		<u>23,835,000</u>
Legal debt margin		<u><u>\$ 138,896,373</u></u>

Source: District Records

**COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
DIRECT AND OVERLAPPING DEBT
General Obligation Bonds, June 30, 2002**

Overlapping Municipality

Direct:

Coconino County Community College District	\$ 23,835,000
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Overlapping:

City of Flagstaff	\$ 9,145,000
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City of Williams	11,000
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Flagstaff Unified School District #1	62,355,000
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Fredonia-Moccasin Unified School District #6	30,000
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Grand Canyon Unified School District #4	4,170,000
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Page Unified School District #8	14,245,000
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Sedona-Oak Creek Unified School District #9	23,043,263
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Tuba City Unified School District #15	1,085,000
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Williams Unified School District #2	<u>2,665,000</u>
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TOTAL	<u><u>\$ 140,584,263</u></u>
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Source: RBC Dain Rauscher Incorporated

**COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
TOP TEN PRINCIPAL TAXPAYERS
June 30, 2002**

<u>TAXPAYER</u>	<u>TYPE OF BUSINESS</u>	<u>ESTIMATED 2002 SECONDARY ASSESSED VALUE</u>	<u>PERCENTAGE OF DISTRICT'S 2002 SECONDARY ASSESSED VALUE</u>
Arizona Public Service	Utility	\$ 59,642,816	5.50%
City of Los Angeles Dept. of Water & Power	Utility	21,937,054	2.02%
Transwestern Pipeline	Utility	18,657,434	1.72%
El Paso Natural Gas	Utility	18,013,917	1.66%
Burlington No. & Santa Fe Railwa	Utility	17,035,424	1.57%
Nevada Power Company	Utility	13,937,745	1.28%
Qwest Corporation	Utility	13,796,642	1.27%
Northern Arizona Gas	Utility	11,499,877	1.06%
Tucson Electric Power	Utility	11,781,816	1.09%
W.L. Gore & Associates	Manufacturer	9,738,182	0.90%
Total Top Ten Taxpayers		<u>\$ 196,040,907</u>	<u>18.07%</u>

Sources: Arizona Department of Revenue

Note: All figures are based on secondary assessed valuation.

**COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
HISTORIC ENROLLMENT
LAST TEN FISCAL YEARS**

FALL HISTORIC HEADCOUNT

<u>COLLEGE/CENTER</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Flagstaff	2,621	2,767	2,736	2,518	2,603
Page	309	348	286	226	203
Grand Canyon	16	32	40	15	32
Williams	42	27	38	28	14
Other	1	-	37	-	21
NAU	369	406	436	486	561
Total	<u>3,358</u>	<u>3,580</u>	<u>3,573</u>	<u>3,273</u>	<u>3,434</u>

<u>COLLEGE/CENTER</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>
Flagstaff	2,699	2,417	2,200	1,728	1,369
Page	252	248	256	249	253
Grand Canyon	26	31	26	39	34
Williams	21	43	40	50	47
Other	29	-	34	39	30
NAU	868	1,030	1,209	1,453	1,503
Total	<u>3,895</u>	<u>3,769</u>	<u>3,765</u>	<u>3,558</u>	<u>3,236</u>

HISTORIC FTSE*

<u>SEMESTER</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>
Fall/Spring Average	1,334.8	1,403.9	1,371.8	1,280.8	1,313.5
Summer	149.2	162.8	160.8	165.5	155.4
Short	80.3	85.6	71.3	45.3	27.8
Annual Total	<u>1,564.3</u>	<u>1,652.3</u>	<u>1,603.9</u>	<u>1,491.6</u>	<u>1,496.7</u>

<u>SEMESTER</u>	<u>1996-97</u>	<u>1995-96</u>	<u>1994-95</u>	<u>1993-94</u>	<u>1992-93</u>
Fall/Spring Average	1,427.6	1,369.3	1,240.4	1,047.3	894.8
Summer	150.7	146.0	146.0	138.6	115.6
Short	9.2	2.9	1.1	0.3	12.2
Annual Total	<u>1,587.5</u>	<u>1,518.2</u>	<u>1,387.5</u>	<u>1,186.2</u>	<u>1,022.6</u>

Source: District records

Note 1: Headcount is unduplicated for the 45th day of Fall semesters only.

* Full Time Student Equivalent (15 Credit Hours)

**COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
STUDENT ENROLLMENT DEMOGRAPHIC STATISTICS
LAST TEN FALL SEMESTERS**

FALL SEMESTER	RESIDENCY		
	COUNTY RESIDENT	OUT OF COUNTY	OUT OF STATE
1992	87%	10%	3%
1993	84%	13%	3%
1994	88%	9%	3%
1995	87%	9%	4%
1996	88%	9%	3%
1997	82%	11%	7%
1998	85%	8%	7%
1999	86%	4%	10%
2000	94%	5%	1%
2001	94%	5%	1%

FALL SEMESTER	ATTENDANCE		GENDER	
	FT	PT	M	F
1992	13%	87%	40%	60%
1993	16%	84%	40%	60%
1994	12%	88%	39%	61%
1995	13%	87%	40%	60%
1996	13%	87%	41%	59%
1997	14%	86%	41%	59%
1998	14%	86%	41%	59%
1999	14%	86%	41%	59%
2000	19%	81%	41%	59%
2001	16%	84%	42%	58%

FALL SEMESTER	ETHNIC BACKGROUND						MEAN AGE
	AMERICAN INDIAN	ASIAN	BLACK	HISPANIC	WHITE	OTHER	
1992	13%	2%	1%	9%	75%	0%	30
1993	12%	2%	2%	9%	75%	0%	30
1994	14%	2%	1%	10%	72%	1%	29
1995	15%	2%	1%	10%	70%	2%	29
1996	15%	2%	1%	10%	71%	1%	29
1997	15%	2%	1%	9%	72%	1%	29
1998	15%	1%	1%	9%	73%	1%	29
1999	15%	1%	2%	9%	71%	1%	29
2000	17%	1%	1%	9%	71%	1%	28
2001	18%	2%	1%	9%	69%	1%	29

Source: District records

Note: Coconino Community College students only - does not include CCC/NAU students.

**COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
ECONOMIC INDICATORS FOR COCONINO COUNTY
JUNE 30, 2002**

Coconino County Non-Farm Employment by Sector*

<u>Sector</u>	<u>Number of Personnel</u>	<u>Percent of Total</u>
Mining & Quarrying	100	0.17 %
Manufacturing	2,925	4.97
Construction	2,500	4.24
Transportation, Communication & Utilities	1,600	2.72
Trade	13,500	22.92
Finance, Insurance & Real Estate	1,375	2.33
Services & Miscellaneous	16,025	27.21
Government	<u>20,875</u>	<u>35.44</u>
Totals	<u>58,900</u>	<u>100.00 %</u>
Total Unemployment Rate (6 Month Average) for Coconino County		<u>5.5 %</u>
Arizona June 2002 Unemployment Rate		<u>6.0 %</u>
United States June 2002 Unemployment Rate		<u>5.9 %</u>

Source: Arizona Department of Economic Security (DES)

* Employment by Sector statistics are based on the first six months of the 2002 annual average.

All Unemployment Rates are seasonally adjusted

**COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
MISCELLANEOUS STATISTICS
JUNE 30, 2002**

Established: July 1, 1991

Geographical Location: North Central Arizona

Geographical Area: 18,600 Square Miles

Altitude:	Flagstaff Campuses/District Offices	7,000 Feet
	Page Campus	4,300 Feet

	<u>Year</u>	<u>Population</u>	
Population Statistics (State of Arizona)	2001	5,307,331	Estimated
(Coconino County)	2001	117,916	Estimated
	2005	135,595	Projected
	2010	147,352	Projected
	2015	158,753	Projected
	2020	169,343	Projected
	2025	179,555	Projected
	2050	235,707	Projected

Number of Faculty:	Full-time.	28
	Part-time.	.87 FTE

Number of Administrative and Support Staff: 104 FTE

Average Class Size: 16.5

Sources: District records
Arizona Department of Economic Security
U.S. Census Bureau