

COCHISE COLLEGE

Comprehensive Annual Financial Report

FISCAL YEAR ENDED
JUNE 30, 2018

Cochise County Community College District
Sierra Vista, Arizona



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Fiscal Year Ended June 30, 2018

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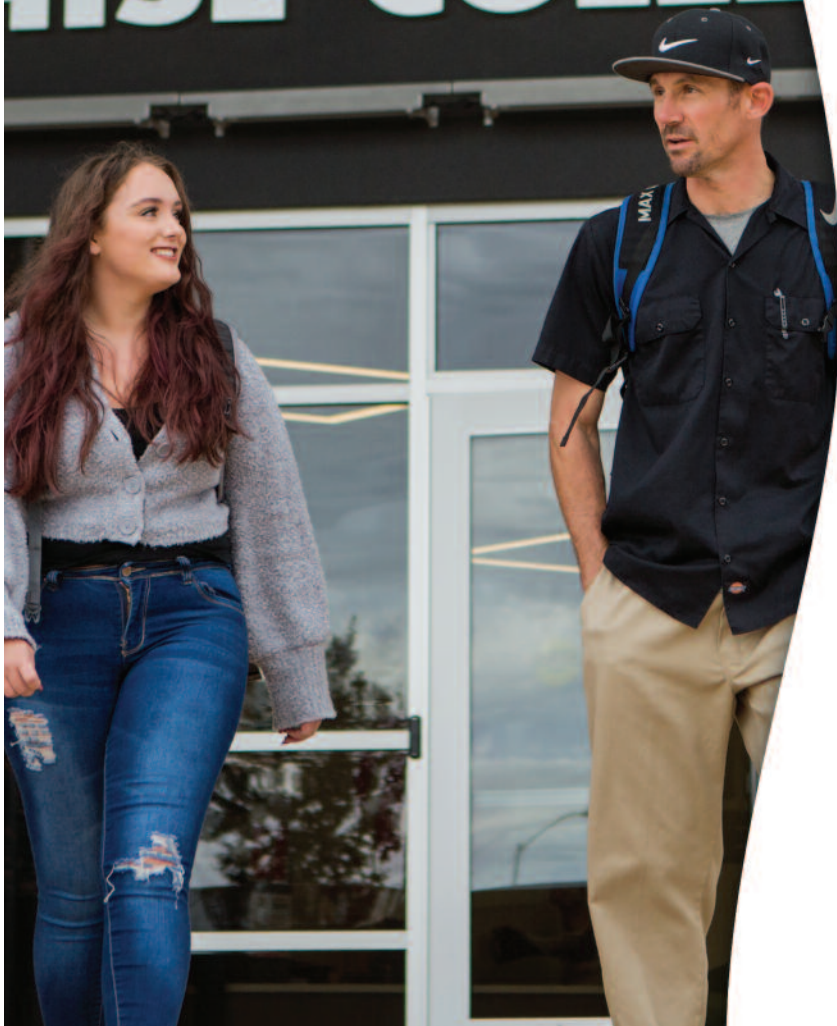


COCHISE
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Comprehensive Annual Financial Report

INTRODUCTORY
SECTION



COCHISE COLLEGE



COCHISE COLLEGE

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December 27, 2018



To the Citizens of Cochise County:

I am pleased to present to you the FY2018 Comprehensive Annual Financial Report (CAFR) for the Cochise County Community College District (the District). This report describes the financial operations of the District and provides you, the taxpayer, evidence that the District takes its fiduciary charge to be a responsible steward of the monies entrusted to us very seriously. We strive to fulfill the College's mission of providing accessible educational opportunities that lead to constructive citizenship, meaningful careers, and lifelong learning. We are committed to making a difference in the lives of our students and in the communities we serve.

Since the Districts' founding in 1962, Cochise College has provided accessible and affordable educational opportunities to thousands of students. From its humble beginnings with a single campus in Douglas, Arizona, the District has grown into a comprehensive community college, with two full-service campuses and multiple outreach and educational centers across Cochise County. Today, nearly all Cochise County residents are within an easy commute to college services and resources, ensuring that access to higher education are readily available. In addition, the District operates a Virtual Campus providing students learning opportunities beyond the boundaries of time and place. Through an intergovernmental agreement with the Santa Cruz County Provisional Community College District, Cochise College services are available to the citizens of Santa Cruz County. We continue to provide access to affordable educational opportunities, which has been at the core of the District's mission from its inception.

In fiscal year 2018, the District served 11,104 students at our campuses and extended learning centers. Student success and degree completion has been a major focus for Cochise College. To that end, 1,629 Associate degrees were conferred this academic year. Additionally, 559 certificates of completion were awarded in a wide variety of career and technical areas. In our Adult Education Program 30 students successfully passed their High School Equivalency Test and were awarded their diplomas. Despite reduced support from state appropriations, the District continues to provide high quality programs and services at a reasonable cost for the citizens of Cochise County. In fact, Cochise College continues to be recognized nationally as a top tier community college.

The District places a strong emphasis on balancing the educational needs of today while providing a solid asset base and plan for the future. The District's sound financial management practices have earned an A2 rating from Moody's Investors Services, a rating that provides financial flexibility as we move forward. With this philosophy in mind, we continue to prepare students for today and plan for the future. New opportunities abound, and we are well positioned to address any and all challenges.

As you read this Comprehensive Annual Financial Report, I hope you will agree that, once again, Cochise County Community College District has served its taxpayers well and used its resources wisely.

Sincerely,

J.D. Rottweiler, Ph.D.
President



COCHISE COLLEGE

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December 27, 2018

To the Citizens and District Governing Board of the Cochise County Community College District:

We are pleased to provide you with the Comprehensive Annual Financial Report (CAFR) of the Cochise County Community College District (the District), Douglas, Arizona, for the fiscal year ended June 30, 2018 (FY2018).

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentations, including all disclosures, rests with the District's management. 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 activities and financial status have been included.

District management is responsible for establishing and maintaining internal controls designed to ensure that assets are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformance with generally accepted accounting principles (GAAP) as established by the Government Accounting Standards Board (GASB).

This CAFR is presented in three sections: Introductory, Financial and Statistical. The introductory section includes the President's welcome, this transmittal letter, the District's organizational chart and a list of principal officers. The financial section includes the independent auditors' report, Management's Discussion and Analysis (MD&A), the basic financial statements and other required supplementary financial information. The State of Arizona, Office of the Auditor General has issued an unmodified opinion on the District's financial statements for the year ended June 30, 2018. The MD&A, which provides a narrative overview and analysis of the basic financial statements, complements this transmittal letter and should be read in conjunction with them. Finally, the statistical section includes selected unaudited financial and demographic information, generally presented on a multi-year basis.

THE REPORTING ENTITY

The District is an independent reporting entity within the criteria established by GAAP and the GASB. Although the District shares the same geographic boundaries with Cochise County, financial accountability over all activities related to public community college education in Cochise County is exercised solely by the District. According to GASB Statement No. 14, the financial reporting entity consists of the primary government organization for which the primary government is financially accountable as well as other organizations for which the nature and significance of their relationships with the primary government are such that exclusion would cause the reporting agency's financial statements to be misleading or incomplete. The District is a primary government entity because it is a special purpose political subdivision that has a separately-elected governing body, is legally separate, and is fiscally independent of other state and local government entities.

The District is not included in any other governmental financial reporting entities. In accordance with GASB Statement No. 39, the financial activity of the Cochise College Foundation, Inc. (the Foundation) is discretely presented as a component unit of the District.

History

The Cochise County Community College District was organized in 1961. Ground was broken for the Douglas Campus in 1962 and the District opened its doors to the first students in September of 1964. Having also served students in Sierra Vista and at Fort Huachuca since the mid-1960s, the District opened the Sierra Vista Campus in 1978.

With a constituency base that encompasses more than 6,200 square miles, the District has extended its reach into some of the more rural parts of Cochise County. The Willcox Center opened in 1988 for residents in that part of the county and the expansion continued in 2000 with the opening of the Benson Center to better serve the educational needs of residents in Benson, St. David, and surrounding communities. During FY2015, the District converted an existing automobile dealership into a vehicle service-training center through a successful partnership. The District has also opened an educational center in downtown Sierra Vista to accommodate its nursing and allied health, culinary and other programs. As necessary, the District provides education at various other sites in southeastern Arizona.

The District is accredited by the Higher Learning Commission of the North Central Association. The District also holds Federal Aviation Administration certification for its professional pilot program and Arizona Department of Health Services/Emergency Medical Services certification for its paramedicine and emergency medical technology programs. The Paramedicine Program is nationally accredited by the Committee on Accreditation of Educational Programs for Emergency Medical Services Professions (COAEMSP). The nursing program is accredited by the Accreditation Commission for Education in Nursing (ACEN) and approved by the Arizona State Board of Nursing. The Respiratory Therapy program is nationally accredited by the Commission on Accreditation for Respiratory Therapy Care (CoARC).

Organization and Administration

As a political subdivision of the State of Arizona, the Cochise County Community College District is subject to the oversight of the District's Governing Board, which is comprised of five elected members representing each of the five precincts of the county. These members are elected for six-year terms on a staggered basis. The District's Governing Board is granted full authority by the Arizona Revised Statutes to manage the business and educational needs of the District. The senior administration of the District, led by the president, is responsible for the operation and administration of all District functions. As noted above, the District currently operates from two primary campuses and four centers, with additional programs delivered at various locations throughout Cochise County and through its online campus. The District will be concluding its provision of instructional programs to the citizens of neighboring Santa Cruz County through an intergovernmental agreement with the Santa Cruz County Provisional Community College District. Beginning in FY2018 the District entered into a new intergovernmental agreement to provide a teach-out program for currently enrolled students concluding in December of 2018.

Service Area

Cochise County, named for the famed chief of the Chiricahua Apaches and established on February 1, 1881, is located in the southeast corner of Arizona, sharing a border with Mexico to the south and New Mexico to the east. The county was formed out of eastern Pima County with Tombstone being designated as the origi-

nal county seat. In 1929, the county seat was moved to Bisbee, a former hub of copper mining. The county's location makes it a unique crossroads of cultural, natural, and historical attractions.

The historic Old West towns of Tombstone, Bisbee, Douglas, Willcox, and Benson are located within the county, and Sierra Vista – the county's primary population center – is home to Fort Huachuca, the U.S. Army's intelligence training center. Cochise County's mountain ranges and desert grasslands make it an important destination for migratory birds. The county's temperate climate, open spaces, and proximity to the international border with Mexico make it one of the most culturally, historically and geographically diverse areas in the American Southwest.

LOCAL ECONOMIC OUTLOOK

The population of Cochise County as of 2017 was 128,343, held steady from 2016, according to estimates by Arizona's Office of Economic Opportunity (OEO). OEO projects the countywide population will reach 132,547 in 2020.

Because the District receives a significant amount of its funding from local property taxes, new construction rates and valuations of existing properties are important economic indicators. New residential construction in Cochise County was up 33% in 2017 with 185 new home permits issued (up from a record low of 139 the year prior, with records back to 1990). A large volume of foreclosed homes, which places upward pressure on existing home sales volume and downward pressure on prices, continued to dampen demand for new residential construction countywide through the remainder of 2017 and into 2018. In 2017, foreclosures accounted for 14.2% of home sales in Cochise County, down from 16.7% in 2016. Despite steady declines since 2011, foreclosures remain very high from a historical perspective. In the years leading up to the housing market crash of 2008-2009, foreclosures countywide accounted for about 2% of sales. The median home price in Cochise County in 2017 was \$135,000 (up 8% from 2016). The year 2017 was the third consecutive year of home price increases following seven straight years of decline. In the second quarter 2018, the median home price countywide was \$150,900 (up 8.9% from the second quarter 2017).

According to OEO estimates, the county's civilian labor force consisted of 49,373 actual or potential workers in 2017, down slightly by 809 from 2016. The unemployment rate as of June 2018 was 5.2%, down from 5.4% in June 2017. The drop in unemployment, however, has been related to a decline in the labor force, not necessarily job growth. Cochise County lost 200 nonfarm jobs in 2017 for a job growth rate of -0.59%, with the loss of 100 private-sector jobs (-0.45%) and 100 government jobs (-0.89%). Employment data from late 2017 and the first six months of 2018 suggests Cochise County's labor market continues to fluctuate. In the 12 months from July 2017 through June 2018, Cochise County saw year-over-year job declines in four months, losses in four months, and stabilization in one month. That followed persistent job losses over the previous seven and a half years. Looking forward, continued modest improvement in the regional labor market seems likely through the remainder of 2018 and into 2019.

The primary non-farm industry in Cochise County is government, followed by trade, transportation, and utilities; educational and health services; professional and business services; and leisure and hospitality. The county's largest employer is Fort Huachuca. As of September 2017, approximately 2,600 active duty military personnel were assigned to Fort Huachuca. There are also approximately 2,400 trainees (students) temporarily assigned to the fort for training on any given day (with more than 8,000 trained on site each year). Fort Huachuca directly employs approximately 3,000 civilian workers with an additional 400 civilians employed by other agencies operating on the installation, including U.S. Department of Homeland Security, Fort Huachuca Accommodation Schools, Army & Air Force Exchange Service, and others. The fort also contracts

with numerous area firms including General Dynamics, Northrup Grumman, ManTech International, Raytheon, TASC, Booz Allen Hamilton, and others employing more than 3,300 workers.

The largest threat to labor market improvement in Cochise County in recent years has come from defense budget cuts impacting Fort Huachuca as the result of winding down wars in Iraq and Afghanistan. While the rest of the state and nation suffered through severe effects of The Great Recession in 2008 and 2009, Cochise County was buffered from the worst of it due primarily to increases in defense spending on the fort and its missions, which peaked in 2011 and has declined each year since. While defense cuts have had a dampening effect on the regional labor market, the current administration's stated interest in increasing defense spending suggests an easing of constraints from recent years. An increased emphasis on defense spending is likely to impact military intelligence, unmanned aerial systems, and cybersecurity missions at Fort Huachuca, which have long been three of the fastest-growing missions in the Army and Department of Defense.

The most significant opportunity for long-term labor market improvement in Cochise County is the 28,000-home, master-planned 'The Villages at Vigneto' development in Benson. Developers anticipate achieving and maintaining an ambitious 2,000-residential-unit annual absorption rate until fully built out (approximately two decades). The development is projected to support 16,355 jobs at peak construction (including construction activity and spending by new residents). Once all construction is complete, spending by new residents is projected to support 8,780 jobs countywide, sustained indefinitely into the future. The U.S. Army Corp of Engineers has reinstated the Clean Water Act, Section 404 permit and developers anticipate construction to begin mid-2019.

Cochise County's GDP increased 0.6% in 2017—the first year of growth following six years of economic recession. Cochise County's economy fell 1.1% in 2011, followed by declines of 6.2%, 7.0%, 4.9%, 0.8%, and 0.5% in 2012, 2013, 2014, 2015, and 2016, respectively, easily meeting most economists' definition of an economic depression. Despite only modest, overall GDP growth in 2017, countywide retail sales grew at 4.2% for 2016 and 2.4% for 2017. Cochise County's restaurant and bar sales were up 2.9% in 2016 but were not available for 2017 at the time of publication, while hotel/motel receipts were down 12.1% in 2016 but were not available for 2017 at the time of publication.

LONG-TERM FINANCIAL PLANNING

The District engages in short and long term strategic planning. The short-term (3-year) cycle involves all levels of the organization. This plan is updated as external environments or internal opportunities and needs require. The process provides a framework for structuring and adjusting the District's goals in order to support its mission, vision, and values. A high-level 15-year financial projection model is maintained and based on actual results as well as reasonable estimates. It is updated periodically to reflect most recent performance for both short- and long-term planning purposes.

MAJOR PROGRAM INITIATIVES

District Infrastructure

The District completed the remodeling of several server rooms to meet industry standards. The server rooms are equipped with the latest in security and climate control features.

Enrollment

During FY2018, the District served a total of 6,322 Full Time Student Equivalents (FTSE) at all locations, a 0.48% decrease from FY2017, with an annual unduplicated headcount of 11,104. During this time, the District awarded a total of 1,629 associate degrees and 559 college-level certificates of completion in a wide variety of career and technical studies. These awards represent a 16.9% increase and an 82% increase from FY2017, respectively. Additionally, 30 students earned their high school equivalency during FY2018. The District has undertaken and continues to explore public-private partnerships to draw students into Aviation, Residential Construction Trades, Automotive, and Allied Health Programs.

The District's strong partnership with the county's largest employer, Fort Huachuca, remained a significant factor in both the number of students served and in the number of degrees conferred. This partnership has had its downsides in the past several years as the District has experienced enrollment declines associated with the fort as the military draw down has continued, but numbers have held somewhat steady through FY2018. Other factors that have influenced enrollment declines have been closely related to the overall county's population. Cochise County was again one of the highest in the country in the loss of residents during FY2018. The District has been proactive in reacting to these previous year enrollment trends, by reaching out to prospective new and returning students.

Student Achievement

District students continue to receive recognition for leadership and academic achievements. Four students were named to the All-Arizona Academic Team, one to the first team, one to the second team and two to the third team. One of our All-Arizona scholars received the Coca-Cola academic team scholarship. Cochise district students were the top three participants in the 2017 state Skills USA Welding Championship.

District athletic teams continued to experience success. The rodeo teams (Men and Women) did extremely well again this year. Members of the teams individually won five honors at the Grand Canyon Regional Championship and sent four members to the national finals. The women's rodeo team finished eighth at the College National Finals in Casper, Wyoming. The women's basketball team won the most games in the history of the college team and won Conference and Region 1 tournament. The men's basketball team was NJCAA Region 1 runner-up. The baseball team had 3 members named All ACCAC players.

PROGRAM DEVELOPMENT AND FUTURE INITIATIVES

New programs have been developed to provide additional degree and certificate options preparing students for employment opportunities. In FY2018, the District implemented degrees in LPN to Professional Nurse (AAS), and Residential Construction Technology (AAS). Certificate programs were also affected in Practical Nursing and Residential Construction Technology.

The district is planning to focus the upcoming year on improving student success by implementing features of a program called Guided Pathways. This is an effort to reduce unnecessary confusion and choices for students, thereby streamlining the path to completion. Some of this is accomplished through more predictable scheduling and by grouping related programs together to allow students to make some changes in focus without losing as many credits. In addition, advisors and faculty work closely together to make sure that students who are at risk can be assisted before they face critical consequences.

FINANCIAL INFORMATION

Effective management of the District's funds through internal control, budgetary controls, cash management, and financial reporting comprises the District's responsibilities for stewardship, safeguarding of assets, and accountability to resource providers. Additional information relating to the District's financial management can be found in the statistical section at the back of this report.

Internal Control

In developing and evaluating the District's accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to provide for the reasonable safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from that control element, and that the evaluation of costs and benefits requires estimates and judgments from management. All internal control evaluations occur within the above framework. We believe that the District's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls

The District maintains budgetary controls and budget transfer restrictions by function and major account category. The objective of these budgetary controls is to ensure compliance with the annual budget adopted by the District Governing Board. The District complies with state statutes requiring that a report of the District's adopted budget be published annually within the prescribed format as required by the State of Arizona, Office of the Auditor General. The District also complies with Arizona Revised Statutes governing community colleges by issuing an annual budget expenditure limitation report that is examined by the Office of the Auditor General.

Cash Management

The District is governed by the Arizona Revised Statutes relating to the overall investment of idle public funds. The fiduciary responsibility for such investments is entrusted to the District Governing Board and is orchestrated through the Vice President for Administration and Human Resources. The District invests idle funds in a prudent, conservative, and secure manner for the highest available yield, given cash flow constraints, as prescribed by Arizona Revised Statutes. The principal investment vehicles used during the fiscal year were a pooled investment with the County Treasurer, direct investment in a Local Government Investment Pool (LGIP) with the State Treasurer's office, and direct investment in eligible U.S. Treasury and U.S. Government Agency securities and money market mutual funds.

The District constantly revisits its changing liquidity needs, and adjusts the structure of its idle funds to properly address these needs. In FY2018, the District continued to monitor targeted proportions of its idle funds in various maturity ranges, matching conservative projections of cash flow needs. These maturity range targets are adjusted periodically, as cash flow needs evolve. Most importantly, this approach continually prioritizes the District's primary objectives of maintaining safe, liquid investments, then, after those objectives are met, seeking to maximize yield.

Financial Reporting

This CAFR for the District was formulated with data from various sources including District and Foundation records, the Cochise County Treasurer's Office and the Cochise County Assessor's Office. The 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 will be distributed to the District Governing Board and senior administration; federal, state and county 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 and to aid management in the allocation of resources. The Notes to the Financial Statements are an integral part of this CAFR and should be read in conjunction with the Financial Statements for a full understanding of the information presented therein.

RISK MANAGEMENT

The District staffs a Safety Officer who is dedicated to the risk management function of the District and is tasked with responsibilities that include minimization of risks through the implementation of insurance and safety and loss prevention procedures across the District. Safety training and calendared drills are, in part, a portion of our loss prevention activities. The District maintains a full complement of insurance requirements in accordance with Arizona Revised Statutes. Liability coverage is carried on a broad basis, including error and omissions and "wrongful acts" coverage. Property coverage is maintained on a replacement value basis in accordance with an agreed-upon schedule of values. Additional coverages includes non-employee or student events and vehicle fleet liability, crime and fidelity coverage, boiler and machinery insurance, professional liability, workers' compensation, aircraft and airport liability, international travel and student athlete accident coverage.

INDEPENDENT AUDIT

The District utilizes the audit services of State of Arizona, Office of the Auditor General to determine that the financial statements are free of material misstatements and ensure compliance with Arizona Revised Statutes requiring an annual audit of the District's financial statements. The Independent Auditors' Report is included in the financial section of this CAFR. The District received an unmodified opinion for the fiscal year ended June 30, 2018.

ACKNOWLEDGEMENTS

The College would like to express its appreciation to the District's Governing Board members, who volunteer their time and expertise on a regular basis to provide vision and guidance to the District. The District's mission could not be achieved without the president's continuing leadership through the strategic plan. The District would also like to express its appreciation to the Office of the Auditor General for timely completion of the audit. Finally, this report could not have been developed without the efficient and dedicated efforts of the District Financial Operations staff, others within the District community, and the Cochise County Assessor's and Treasurer's offices, all of whom contributed to its preparation.

Respectfully submitted,

Wendy Davis, Ph.D.
Vice President for Administration and Human Resources

Debra Craig
Controller



COCHISE
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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Cochise County
Community College District
Arizona**

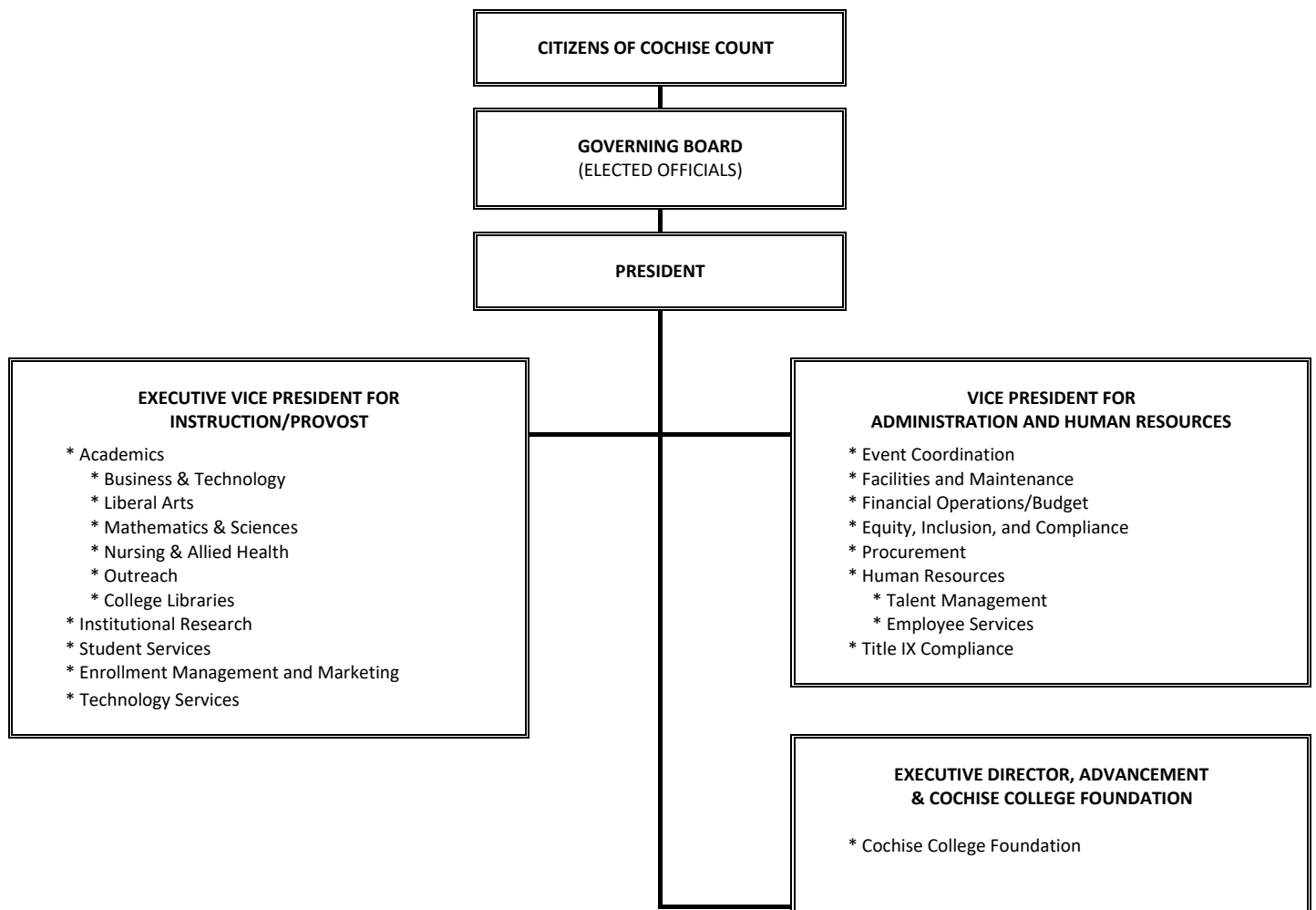
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT ORGANIZATIONAL CHART



COCHISE COUNTY COMMUNITY COLLEGE DISTRICT

PRINCIPAL OFFICERS

June 30, 2018

DISTRICT GOVERNING BOARD

Mr. Daniel Ortega, *Chair, Precinct 2*

Mr. David DiPeso, *Secretary, Precinct 1*

Mr. Dennis Nelson, *Precinct 5*

Mrs. Jane C. Strain, *Precinct 3*

Mr. Tim Quinn, *Precinct 4*

PRESIDENT

Dr. J.D. Rottweiler

ADMINISTRATION

Dr. Verlyn Fick, *Executive Vice President for Instruction/Provost*

Dr. Wendy Davis, *Vice President for Administration & Human Resources*

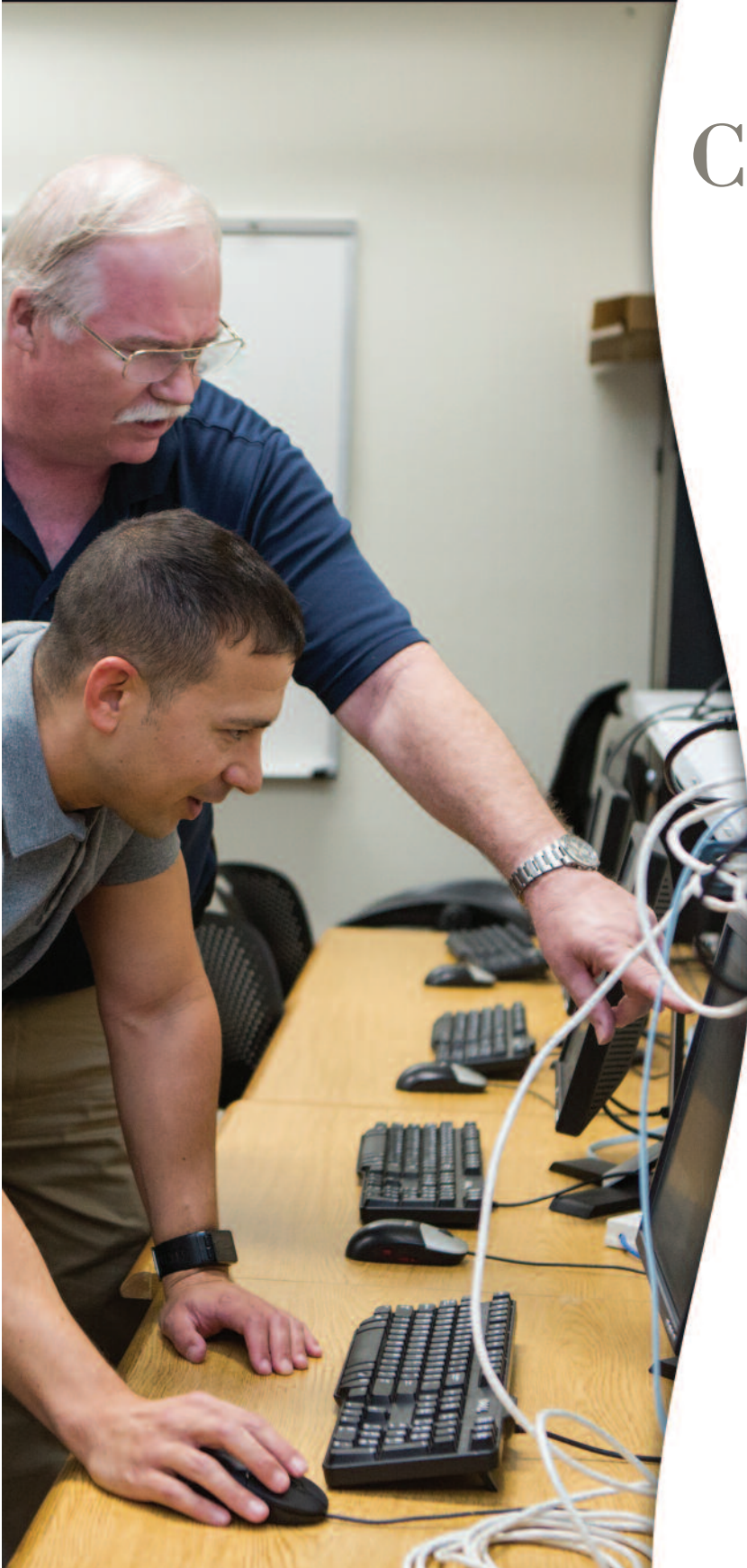


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FINANCIAL
SECTION



COCHISE COLLEGE



MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
DEPUTY AUDITOR GENERAL

Independent auditors' report

Members of the Arizona State Legislature

The Governing Board of
Cochise County Community College District

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the Cochise County Community College District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the other auditors' report. 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 from material misstatement. The other auditors did not audit the discretely presented component unit's financial statements in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Cochise County Community College District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other matters

Required supplementary information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 10, schedule of the District's proportionate share of the net pension liability on page 43, and schedule of district pension contributions on page 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is solely 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lindsey Perry, CPA, CFE
Auditor General

December 27, 2018

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

Introduction

This Management’s Discussion and Analysis introduces the basic financial statements and provides an overview of the District’s financial activities for the year ended June 30, 2018. It should be read in conjunction with the letter of transmittal, which precedes this section, and with the financial statements and their accompanying notes, which immediately follow.

Basic Financial Statements

The basic financial statements consist of the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position reflects the financial position of the District at June 30, 2018. It shows the various assets owned or controlled by the District, deferred outflows and inflows of resources, liabilities and the various categories of net position. Net position is defined as total assets and deferred outflows of resources less total liabilities and deferred inflows of resources, 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 Position reflects the results of operations and other activities for the year ended June 30, 2018. It shows the various revenues and expenses, both operating and non-operating, and reconciles the beginning net position balance to the ending net position balance shown on the Statement of Net Position described above.

The Statement of Cash Flows reflects the inflows and outflows of cash and cash equivalents for the year ended June 30, 2018. It indicates the various cash activities by type and reconciles the beginning cash and cash equivalents balance to the ending cash and cash equivalents balance shown on the Statement of Net Position first described above. In addition, this statement reconciles cash flows used for operating activities to the operating loss on the Statement of Revenues, Expenses, and Changes in Net Position described immediately above.

Although the primary focus of this document is on the results of activities for fiscal year 2017-18 (FY2018), comparative data is also presented for the previous fiscal year 2016-17 (FY2017). This discussion and analysis uses the prior fiscal year as a reference point in illustrating issues and trends when assessing the institution’s financial health.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

**Condensed Financial Information
Net Position**

	<u>As of June 30, 2018</u>	<u>As of June 30, 2017</u>
<u>Assets</u>		
Current assets	\$ 22,928,459	\$ 22,763,810
Noncurrent assets, other than capital assets	2,095,166	2,071,666
Capital assets, net	<u>72,331,536</u>	<u>74,156,015</u>
Total assets, net	<u>97,355,161</u>	<u>98,991,491</u>
<u>Deferred Outflows of Resources</u>	5,257,422	7,866,574
<u>Liabilities</u>		
Other liabilities	3,743,130	3,960,697
Long-term liabilities	<u>59,800,860</u>	<u>63,628,860</u>
Total liabilities	<u>63,543,990</u>	<u>67,589,557</u>
<u>Deferred Inflows of Resources</u>	2,272,874	4,169,432
<u>Net Position</u>		
Net investment in capital assets	46,450,838	46,442,365
Restricted for:		
Grants and contracts	1,716,886	1,566,709
Debt service	1,560,000	1,510,000
Unrestricted	<u>(12,932,005)</u>	<u>(14,419,998)</u>
Total net position	<u>\$ 36,795,719</u>	<u>\$ 35,099,076</u>

Total assets decreased by \$1.64 million in FY2018 primarily as a result of the net change of capital asset purchases of \$1.83 million and the current year depreciation of all existing assets of \$3.65 million. Total liabilities decreased by \$4.04 million in FY2018 as a result of long term debt payments of \$1.85 million and a decrease in net pension liability of \$1.64 million. Deferred outflows of resources decreased \$2.61 million as a result of the current year effect of the difference between projected and actual investment earnings related to pensions. Deferred inflows of resources decreased by \$1.90 million due to decreases in the difference between expected and actual experience, and changes in assumptions or other inputs related to the net pension liability. For the above reasons, total net position increased by \$1.70 million in FY2018.

During FY2018, the current ratio increased slightly to 3.9 from 3.8 last fiscal year with total current assets increasing by \$0.16 million and total current liabilities decreasing by \$0.15 million. The increase in current assets was primarily due to an increase in depository account balances while the decrease in current liabilities was the result of a variety of factors, including a slight decrease

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

of \$.12 million in accrued payroll and employee benefits.

Unrestricted net position increased by \$1.49 million in FY2018, primarily due to the \$1.64 million net pension liability decrease. The net investment in capital assets increased only slightly in FY2018. This change represents the net difference of capital assets and bond premium/payables. In FY2018, capital assets decreased by \$1.82 million (2.5%), while bond premium/payables decreased by \$1.83 million (7.1%). The net investment in capital assets is now 126.2% of total net position, down from 132.3% last year.

Revenues, Expenses, and Changes in Net Position

	Fiscal Year Ended <u>June 30, 2018</u>	Fiscal Year Ended <u>June 30, 2017</u>
<u>Operating revenues</u>		
Tuition and fees (net of scholarship allowances)	\$ 6,280,110	\$ 6,068,885
Contracts	410,909	1,088,283
Other operating revenues	1,171,229	998,670
Total operating revenues	<u>7,862,248</u>	<u>8,155,838</u>
Total operating expenses	<u>46,538,055</u>	<u>47,766,303</u>
Operating loss	<u>(38,675,807)</u>	<u>(39,610,465)</u>
<u>Nonoperating revenues (expenses)</u>		
Property taxes	21,552,268	20,706,947
State appropriations	10,786,200	10,556,600
Government grants	7,556,950	8,019,470
Share of State sale taxes	1,141,611	1,062,446
Private gifts	17,885	17,726
Investment earnings	119,874	50,106
Interest on capital asset-related debt	(864,237)	(917,380)
Gain on disposal of capital assets	13,831	23,104
Other nonoperating revenues	48,068	27,383
Net nonoperating revenues	<u>40,372,450</u>	<u>39,546,402</u>
Increase (decrease) in net position	1,696,643	(64,063)
Total net position, beginning of year	<u>35,099,076</u>	<u>35,163,139</u>
Total net position, end of year	<u>\$ 36,795,719</u>	<u>\$ 35,099,076</u>

Total operating revenues decreased \$0.29 million in FY2018 versus the prior year with small increases in tuition and fees and other operating revenues. The offset being a \$0.68 million decrease in contracts. This decrease is primarily due to the sun-setting of the IGA with Santa Cruz County.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

Overall, nonoperating revenues increased slightly compared to the prior year. Component movements included an increase in collected property taxes of \$0.84 million from a 2% levy increase, an increase in state equalization aid (a portion of state appropriations) of \$0.23 million as a result of a decrease in average assessed property valuations across the rural counties, a decrease of \$0.46 million in government grants resulting from the conclusion of Veterans' Business Outreach Centers (VBOC) activities, which included consulting services for veterans' starting and operating small businesses. Operating expenses decreased by \$1.23 million for the year ended June 30, 2018.

The most significant elements of the overall decrease in operating expenses were as follows:

**Operating Expenses Comparison
(Dollars in thousands)**

	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017	Increase (Decrease)	Increase (Decrease) (%)
Salaries and wages	\$ 23,175	\$ 23,235	\$ (60)	(0.3)
Employee benefits	5,305	6,917	\$ (1,612)	(23.3)
Contractual services	4,009	3,779	\$ 230	6.1
Supplies and other services	2,839	3,109	\$ (270)	(8.7)
Scholarships	3,716	3,755	\$ (39)	(1.0)
Depreciation	3,656	3,171	\$ 485	15.3
Other Expenses	3,838	3,800	\$ 38	1.0
Total	\$ 46,538	\$ 47,766	\$ (1,228)	(2.6)

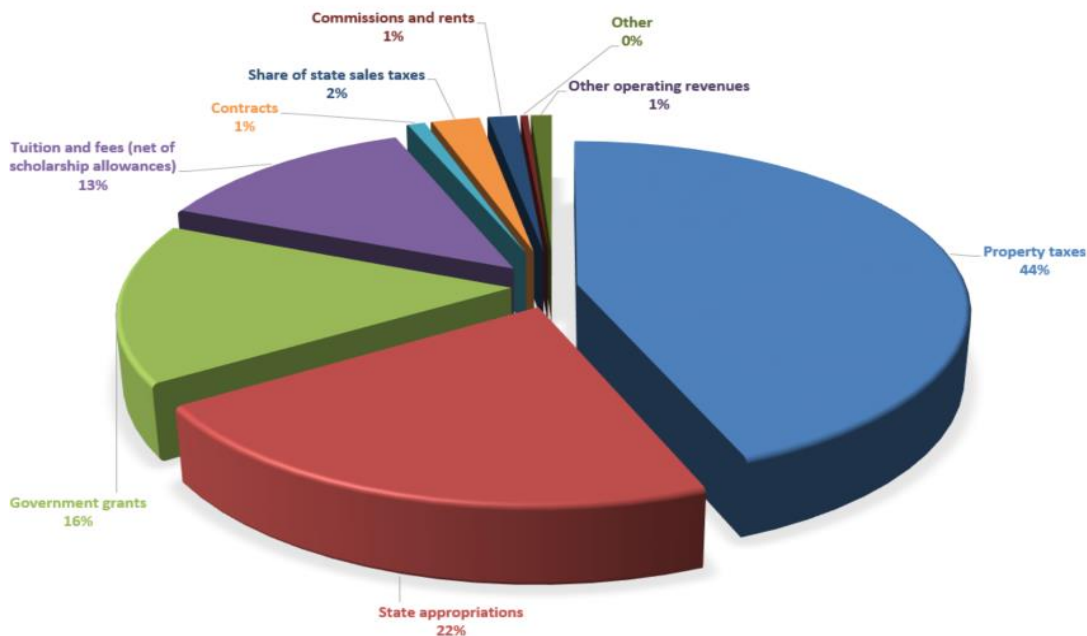
Comparing FY2018 to the prior year, the largest percentage increase in operating expenses was in depreciation that increased 15.3% as a result of the in-service date of the Downtown Center. The second highest increase was 6.1% in contractual services. IT contracts for consulting services were acquired to address districtwide computer software upgrade requirements and hardware infrastructure support. Employee benefits represented the largest decrease versus a year ago, down 23.3% as a result of unfilled vacancies which necessitated the hiring of outside contractors, who did not earn benefits from the college and a decrease in employee pension benefits expenses.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

The following is a summary of revenues for fiscal years ended June 30, 2018, and June 30, 2017:

	<u>Fiscal Year Ended June 30, 2018</u>		<u>Fiscal Year Ended June 30, 2017</u>	
<u>Operating revenues</u>				
Tuition and fees (net of scholarship allowances)	\$ 6,280,110	13 %	\$ 6,068,885	12 %
Contracts	410,909	1	1,088,283	2
Commissions and rents	681,682	1	726,981	1
Other operating revenues	489,547	1	271,689	1
Total operating revenues	<u>7,862,248</u>	<u>16</u>	<u>8,155,838</u>	<u>16</u>
<u>Nonoperating revenues</u>				
Property taxes	21,552,268	44 %	20,706,947	44
State appropriations	10,786,200	22	10,556,600	22
Government grants	7,556,950	16	8,019,470	16
Share of state sales taxes	1,141,611	2	1,062,446	2
Private gifts	17,885	0	17,726	0
Investment earnings	119,874	0	50,106	0
Gain on disposal of capital assets	13,831	0	23,104	0
Other nonoperating revenues	48,068	0	27,383	0
Total nonoperating revenues	<u>41,236,687</u>	<u>84</u>	<u>40,463,782</u>	<u>84</u>
Total revenues	<u>\$ 49,098,935</u>	<u>100 %</u>	<u>\$ 48,619,620</u>	<u>100 %</u>

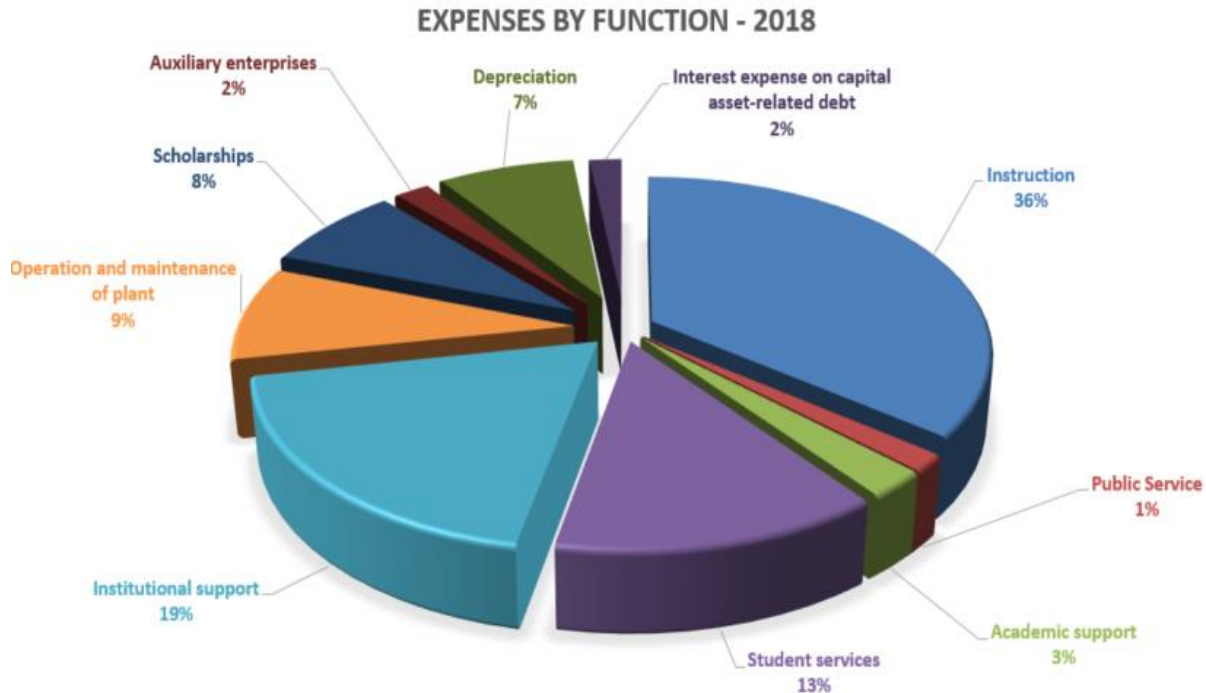
REVENUES BY SOURCE - 2018



**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

The following is a summary of expenses for fiscal years ended June 30, 2018, and June 30, 2017:

	<u>Fiscal Year Ended June 30, 2018</u>		<u>Fiscal Year Ended June 30, 2017</u>	
<u>Operating expenses</u>				
Educational and general:				
Instruction	\$ 16,897,775	36 %	\$ 17,692,489	36 %
Public service	739,666	1	843,231	2
Academic support	1,239,466	3	1,275,601	2
Student services	6,301,964	13	6,280,632	13
Institutional support	8,936,062	19	11,550,687	24
Operation and maintenance of plant	4,131,963	9	2,274,967	5
Scholarships	3,715,968	8	3,755,498	8
Auxiliary enterprises	919,453	2	921,943	2
Depreciation	3,655,738	7	3,171,255	6
Total operating expenses	<u>46,538,055</u>	<u>98</u>	<u>47,766,303</u>	<u>98</u>
<u>Nonoperating expenses</u>				
Interest expense on capital asset-related debt	<u>864,237</u>	<u>2</u>	<u>917,380</u>	<u>2</u>
Total expenses	<u>\$ 47,402,292</u>	<u>100 %</u>	<u>\$ 48,683,683</u>	<u>100 %</u>



**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

Capital Assets and Debt Administration

Below is a summary of capital assets, net of accumulated depreciation, as of June 30, 2018 and June 30, 2017. See Note 3 for further details.

	Balance June 30, 2018	Balance June 30, 2017
Capital assets (net of depreciation):		
Land	\$ 1,993,038	\$ 1,993,038
Museum art collection	66,000	66,000
Construction in progress	35,984	28,580
Buildings and improvements	57,676,623	59,676,480
Improvements other than buildings	8,154,608	8,725,256
Equipment	4,180,066	3,414,129
Library books	225,217	252,532
Total capital assets (net of depreciation)	72,331,536	74,156,015

The decrease of \$1.82 million is the net change of capital asset purchases of \$1.83 million and the current year depreciation of all existing assets of \$3.65 million.

During FY2018, principal payments were \$125,000 on the Series 2008 Revenue Bonds, \$370,000 on the Series 2016A Revenue Bonds, and \$1,015,000 on the Series 2008 Pledged Revenue Obligations (PROs). At June 30, 2018, the District had an outstanding principal balance due of \$130,000 for the 2008 revenue bonds, \$6,940,000 for the 2016A revenue bonds, \$14,675,000 for the 2016B revenue refunding bonds, and \$1,055,000 for the 2008 PROs. Note 4 to the basic financial statements provides details on all bond issues and long-term obligations.

Current Factors Having Probable Future Financial Significance

Although the State of Arizona has recently shown signs of economic recovery, Cochise County has continued to struggle, although most economic indicators are now reflecting greater optimism. New factors are now coming into play that will have financial bearing on the District.

The first factor is the 2016 passing of the Fair Wages and Healthy Families Initiative for the State of Arizona, also known as Proposition 206, which increased minimum wage requirements in the state to \$10.50 an hour beginning in January of 2018 and which will continue to gradually increase this rate to \$12 by 2020. This will result in additional financial commitments for the District related to part-time and student work-study labor costs. The increase in the minimum wage will affect the amount of work-study hours the District will be able to support.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

In addition, continuing declines in enrollment in recent years appear to be stabilizing and slowly reversing trends, which will have a financial impact on how the District considers its financial picture. Full-time student equivalents (FTSE) have dropped steadily since FY2011, reducing the District's allocation of state maintenance and operations funding. In FY2018, the District's state aid allocation (a portion of state appropriations) decreased by \$80,400. On a positive note, in FY2019, it will increase by \$102,700. The primary factors behind the enrollment declines are the continuing but stabilizing local economic recession that began in 2011 and the recent drawdown of the military and civilian workforce at Fort Huachuca, located in Sierra Vista, which is a major source of students for the District. In light of these economic challenges, the District continues to focus on investment opportunities in specific educational programs with growth opportunities such as Aviation, Nursing and Allied Health, Culinary Arts, Automotive Technology and Cybersecurity.

To help counter the effects of these reductions in state aid allocation, the District will continue to consider adjustments to tuition and property taxes, and to explore public-private partnerships and additional cost saving measures. Despite these economic pressures, the District is committed to fulfilling its mission of providing educational opportunities that lead to constructive citizenship, meaningful careers and lifelong learning.

Requests for Information

This discussion and analysis is designed to provide a general overview of the Cochise County Community College District's finances for all those with an interest in such matters. Questions concerning any of the information provided in this Comprehensive Annual Financial Report or requests for additional financial information should be addressed to the Office of the VP for Administration and Human Resources, Cochise County Community College District, 901 North Colombo Avenue, Sierra Vista, Arizona 85635.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2018

<u>Assets</u>	<u>Business-Type Activities</u>
Current assets:	
Cash and cash equivalents	\$ 5,663,673
Investments	14,012,941
Receivables:	
Accounts (less allowances of \$595,784)	313,606
Property taxes (less allowances of \$293,966)	1,487,261
Government grants and contracts	231,675
Interest	37,724
Other	277,427
Inventories	677,590
Prepaid items	226,562
Total current assets	22,928,459
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents held by trustee	2,095,166
Capital assets, not being depreciated	2,095,022
Capital assets, being depreciated, net	70,236,514
Total noncurrent assets	74,426,702
Total assets	97,355,161
<u>Deferred Outflows of Resources</u>	
Deferred outflows related to pensions	4,087,407
Deferred charge on debt refunding	1,170,015
Total deferred outflows of resources	5,257,422
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	876,837
Accrued payroll and employee benefits	1,766,233
Interest payable	535,022
Deposits held in custody for others	172,183
Unearned revenues	392,855
Current portion of compensated absences payable	217,987
Current portion of long-term debt	1,851,180
Total current liabilities	5,812,297
Noncurrent liabilities:	
Compensated absences payable	1,218,198
Total other postemployment benefits liability (OPEB)	3,742
Long-term debt	24,029,517
Net pension liability	32,480,236
Total noncurrent liabilities	57,731,693
Total liabilities	63,543,990
<u>Deferred Inflows of Resources</u>	
Deferred inflows related to pensions	2,272,874
Total deferred inflows of resources	2,272,874
<u>Net Position</u>	
Net investment in capital assets	46,450,838
Restricted:	
Expendable:	
Grants and contracts	1,716,886
Debt service	1,560,000
Unrestricted	(12,932,005)
Total net position	\$ 36,795,719

See accompanying notes to financial statements.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF FINANCIAL POSITION - COMPONENT UNIT
JUNE 30, 2018**

		Cochise College Foundation
<u>Assets</u>		
Cash and cash equivalents	\$	238,079
Accounts receivable		1,245
Investments		10,913,870
Land held as an investment		19,825
Assets restricted to investment in property and equipment		1,678,753
 Total assets	 \$	 <u><u>12,851,772</u></u>
<u>Liabilities</u>		
Deposits held on behalf of others	\$	14,722
Liability under split-interest agreement		269,314
Total current liabilities		284,036
<u>Net Assets</u>		
Unrestricted net assets:		
Undesignated, available for operations		205,348
Designated funds		603,020
Total unrestricted net assets		808,368
Temporarily restricted		8,355,678
Permanently restricted		3,403,690
Total net assets		12,567,736
 Total liabilities and net assets	 \$	 <u><u>12,851,772</u></u>

See accompanying notes to financial statements.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PRIMARY GOVERNMENT
YEAR ENDED JUNE 30, 2018

	<u>Business-Type Activities</u>
Operating revenues:	
Tuition and fees (net of scholarship allowances of \$3,005,839)	\$ 6,280,110
Government contracts	243,711
Private contracts	167,198
Bookstore income	96,097
Food service income	574,725
Dormitory rentals and fees	10,860
Other	489,547
Total operating revenues	<u>7,862,248</u>
Operating expenses:	
Educational and general:	
Instruction	16,897,775
Public service	739,666
Academic support	1,239,466
Student services	6,301,964
Institutional support	8,936,062
Operation and maintenance of plant	4,131,963
Scholarships	3,715,968
Auxiliary enterprises	919,453
Depreciation	3,655,738
Total operating expenses	<u>46,538,055</u>
Operating loss	<u>(38,675,807)</u>
Nonoperating revenues (expenses):	
Property taxes	21,552,268
State appropriations	10,786,200
Government grants	7,556,950
Share of state sales taxes	1,141,611
Private gifts	17,885
Investment earnings	119,874
Interest expense on capital asset-related debt	(864,237)
Gain on disposal of capital assets	13,831
Other nonoperating revenues	48,068
Net nonoperating revenues	<u>40,372,450</u>
Increase in net position	<u>1,696,643</u>
Total net position, July 1, 2017	<u>35,099,076</u>
Total net position, June 30, 2018	<u>\$ 36,795,719</u>

See accompanying notes to financial statements.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF ACTIVITIES - COMPONENT UNIT
YEAR ENDED JUNE 30, 2018**

	Cochise College Foundation			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue:				
Contributions	\$ 353,193	\$ 296,644	\$ 450,000	\$ 1,099,837
Investment income	247,059	491,891	-	738,950
Other income	20	-	-	20
Total support and revenue	<u>600,272</u>	<u>788,535</u>	<u>450,000</u>	<u>1,838,807</u>
Net assets released from restriction:				
Satisfaction of donor restrictions	627,151	(627,151)	-	-
	<u>1,227,423</u>	<u>161,384</u>	<u>450,000</u>	<u>1,838,807</u>
Expenses:				
Program services:				
Scholarships	736,170	-	-	736,170
Special programs	189,058	-	-	189,058
Total program expenses	<u>925,228</u>	<u>-</u>	<u>-</u>	<u>925,228</u>
Supporting services:				
Salaries and wages	188,503	-	-	188,503
Other	76,496	-	-	76,496
Total supporting services	<u>264,999</u>	<u>-</u>	<u>-</u>	<u>264,999</u>
Fundraising services:				
Fundraising	77,352	-	-	77,352
Total fundraising services	<u>77,352</u>	<u>-</u>	<u>-</u>	<u>77,352</u>
Total expenses	<u>1,267,579</u>	<u>-</u>	<u>-</u>	<u>1,267,579</u>
Change in net assets	(40,156)	161,384	450,000	571,228
Net assets, beginning of year	<u>848,524</u>	<u>8,194,294</u>	<u>2,953,690</u>	<u>11,996,508</u>
Net assets, end of year	<u>\$ 808,368</u>	<u>\$ 8,355,678</u>	<u>\$ 3,403,690</u>	<u>\$ 12,567,736</u>

See accompanying notes to financial statements.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
YEAR END JUNE 30, 2018**

	Business-Type Activities
Cash flows from operating activities:	
Tuition and fees	\$ 6,313,291
Government and private contracts	410,909
Bookstore receipts	96,797
Food services receipts	574,725
Dormitory rentals and fees	10,860
Other receipts	781,091
Payments to suppliers and providers of goods and services	(10,523,741)
Payments for employee wages and benefits	(29,997,415)
Payments for scholarships	(3,715,968)
Other payments	(222,331)
Net cash used for operating activities	(36,271,782)
Cash flows from noncapital financing activities:	
Property taxes	21,504,575
State appropriations	10,786,200
Government grants	8,102,284
Share of state sales taxes	1,146,219
Direct loans received	1,656,412
Direct loans disbursed	(1,656,412)
Deposits held in custody for others received	1,410,632
Deposits held in custody for others disbursed	(1,466,067)
Net cash provided by noncapital financing activities	41,483,843
Cash flows from capital and related financing activities:	
Principal paid on capital debt	(1,510,000)
Interest paid on capital debt	(922,653)
Proceeds from sale of capital assets	13,831
Purchases of capital assets	(1,946,047)
Net cash used for capital and related financing activities	(4,364,869)
Cash flows from investing activities:	
Purchases of investments	(42,766,759)
Proceeds from sale and maturities of investments	44,223,478
Interest received on investments	108,895
Net cash provided by investing activities	1,565,614
Net increase in cash and cash equivalents	2,412,806
Cash and cash equivalents, July 1, 2017	5,346,033
Cash and cash equivalents, June 30, 2018	\$ 7,758,839

(Continued)

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
YEAR END JUNE 30, 2018
(CONCLUDED)**

	Business-Type Activities
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (38,675,807)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	3,655,738
Provision for uncollectable accounts	(39,782)
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Accounts receivable	91,012
Other receivables	299,684
Inventories	(57,912)
Deferred outflows of resources related to pensions	2,492,151
Accounts payable	(25,722)
Accrued payroll and employee benefits	(117,097)
Compensated absences payable	(12,605)
Unearned revenues	(18,049)
Deferred inflows of resources related to pensions	(1,896,558)
Prepaid items	15,607
Net OPEB obligation	(338,980)
Net pension liability	(1,643,462)
Net cash used for operating activities	\$ (36,271,782)

Noncash investing, noncapital financing, and capital and related financing activities:

The District amortized \$31,773 for premiums received on revenue bonds issued in 2008, \$56,300 for premiums received on revenue bonds issued in 2016, and \$234,880 for premiums received on revenue refunding bonds issued in 2016. The District amortized \$117,002 for deferred charge associated with the revenue refunding bonds issued in 2016.

See accompanying notes to financial statements.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting entity

The District is a special-purpose government that a separately elected governing body governs. 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 Cochise College Foundation, Inc. (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 District operations. Although the District does not control the timing or amount of the 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 (FASB) 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 District’s respective counterpart financial statements. 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 GAAP for public colleges and universities. The Foundation has a June 30 year-end.

During the year ended June 30, 2018, the Foundation distributed \$925,228 to and on behalf of the District for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Cochise College Foundation, 4190 West Highway 80, Douglas, Arizona 85607-6100.

B. Basis of presentation and accounting

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

A statement of net position provides information about the District’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net position is classified according to external donor restrictions or availability of assets to satisfy the District’s

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018

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

obligations. Net investment in capital assets represents the value of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the assets. Expendable restricted net position includes grants, contracts, gifts, and other resources that have been externally restricted for specific purposes. Unrestricted net position consists of all other resources, 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 position 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 position are reported. Operating revenues and expenses generally result from exchange transactions. Accordingly, revenues, such as tuition and bookstore, food service, and dormitory charges in which each party receives and gives up essentially equal values, are considered operating revenues. Other revenues, such as property taxes, state appropriations, and government grants, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered 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 as revenue 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 the provider imposed have been met.

The District eliminates all internal activity.

It is the District's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

C. Cash and investments

For the statement of cash flows, the District's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the County Treasurer, investments in the State Treasurer's Local Government Investment Pool, and only those highly liquid investments with a maturity of 3 months or less when purchased.

All investments are stated at fair value.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018**

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

D. Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

E. Capital assets

Capital assets are reported at actual cost (or estimated historical cost if historical records are not available). Donated assets are reported at acquisition value.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$5,000	N/A	N/A
Museum art collection	5,000	N/A	N/A
Buildings	5,000	Straight line	5-40 years
Improvements other than buildings	5,000	Straight line	5-40 years
Equipment	5,000	Straight line	3-20 years
Library books	All	Straight line	10 years

F. Deferred outflows and inflows of resources

The statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense in future periods. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will be recognized as a revenue in future periods.

G. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, deferred inflows of resources related to pensions, pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

H. Investment earnings

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

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018

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

I. Scholarship allowances

A scholarship allowance is the difference between the stated charge for goods and services the District provides and the amount that the student or third party making payments on the student's behalf pays. Accordingly, some types of student financial aid, such as Pell grants and scholarships the District awards, are considered scholarship allowances. These allowances are netted against tuition and fees revenues in the statement of revenues, expenses, and changes in net position.

J. Compensated absences

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

Employees may accumulate up to 180 hours of vacation depending on years of service, but they forfeit any unused vacation hours in excess of the maximum amount at fiscal year-end. Upon terminating employment, the District pays all unused and unforfeited vacation benefits to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate up to 876 hours of sick leave. Generally, sick leave benefits provide for ordinary sick pay and are cumulative, but employees forfeit them upon terminating employment. Terminating employees fall into one of three categories based upon the sick leave policy in place on the date of their hire: 1) Employees hired before July 1, 2014, who are at least 55 years of age or have met the necessary points for full retirement with the Arizona State Retirement System and have been employed by the District for at least 10 years are eligible to receive a portion of their sick leave benefits. 2) Sick leave for employees hired before July 1, 2014, who do not meet the additional age, time in service and Arizona State Retirement System requirements do not vest. 3) Employees hired after June 30, 2014, who have accrued a minimum of 40 hours and have provided a minimum of two weeks' notice of separation, are also eligible to receive a portion of their sick leave benefits. Because sick leave benefits in 2) above do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements. However, sick leave benefits for employees in categories 1) and 3) do vest, and, therefore, are accrued as a liability in the financial statements.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018**

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. A.R.S. does not require the District to deposit other public monies in its custody with the County Treasurer; however, the District must act as a prudent person dealing with another’s property when making investment decisions about those monies. A.R.S. requires collateral for deposits at 102 percent of all deposits not covered by federal depository insurance. A.R.S. does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the District’s investments.

Deposits

At June 30, 2018, the carrying amount of the District’s deposits was \$2,480,147, and the bank balance was \$2,570,325. For deposits, custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to the District. The District currently does not have a deposit policy for custodial credit risk.

Investments

The District’s investments at June 30, 2018, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	Amount	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level				
U.S. Treasury securities	\$ 5,706,617	\$ 5,706,617	\$ -	\$ -
Money market mutual fund	2,095,166	-	2,095,166	-
U.S. agency securities	8,306,324	-	8,306,324	-
Total investments by fair value level	<u>\$ 16,108,107</u>	<u>\$ 5,706,617</u>	<u>\$ 10,401,490</u>	<u>\$ -</u>
External investment pools measured at fair value				
State Treasurer's investment pool 7	\$ 493,845			
County Treasurer's investment pool	2,685,581			
Total external investment pools measured at fair value	<u>\$ 3,179,426</u>			
Total investments measured at fair value	<u>\$ 19,287,533</u>			

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018**

NOTE 2 – DEPOSITS AND INVESTMENTS (Cont'd)

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the District held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. The investment in the County Treasurer's pool is valued using the District's proportionate participation in the pool because the pool's structure does not provide for shares. The State Board of Investment provides oversight for the State Treasurer's investment pools. No comparable oversight is provided for the County Treasurer's investment pool.

Credit risk

Through its investment policy and in accordance with state statute, the District manages its credit risk by limiting the maturity of any one investment to 5 years and by limiting the type of investments that the District utilizes to U.S. Treasury securities and U.S. government agency securities.

At June 30, 2018, the District had the following investments:

Investment Type	Rating	Rating agency	Amount
State Treasurer's investment pool 7	Unrated	Not applicable	\$ 493,845
County Treasurer's investment pool	Unrated	Not applicable	2,685,581
U.S. agency securities	Aaa	Moody's	8,306,324
Money market mutual fund	Aaa-mf	Moody's	2,095,166
			<u>\$ 13,580,916</u>

Custodial credit risk

For an investment, custodial credit risk is the risk that, in the event of a counterparty's failure, the District will not be able to recover the value of its investments or collateral securities that are in an outside party's possession. The District currently does not have a formal investment policy for custodial credit risk.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018**

NOTE 2 – DEPOSITS AND INVESTMENTS (Concl'd)

Concentration of credit risk

The District does not have a formal policy regarding concentration of credit risk. The District had investments at June 30, 2018, of 5 percent or more in Federal Home Loan Banks, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation. These investments were 12.54 percent, 18.55 percent, and 8.92 percent, respectively, of the District's total investments.

Interest rate risk

Through its investment policy, the District manages its exposure to fair value losses arising from increasing interest rates by limiting the maturity of any one investment to 5 years.

At June 30, 2018, the District had the following investments:

Investment type	Investment Maturities		Fair Value
	Less than 1 Year	1-5 Years	
State Treasurer's investment pool 7	\$ 493,845	\$ -	\$ 493,845
County Treasurer's investment pool	2,685,581	-	2,685,581
Money market mutual fund	2,095,166	-	2,095,166
U.S. Treasury Securities	2,019,517	3,687,100	5,706,617
U.S. Agency Securities	3,105,524	5,200,800	8,306,324
	<u>\$ 10,399,633</u>	<u>\$ 8,887,900</u>	<u>\$ 19,287,533</u>

A reconciliation of cash, deposits, and investments to amounts shown on the statement of net position follows:

Cash, deposits, and investments:		Statement of net position:	
Cash on hand	\$ 4,100	Cash and cash equivalents	\$ 5,663,673
Amount of deposits	2,480,147	Current investments	14,012,941
Amount of investments	19,287,533	Restricted assets:	
		Cash and cash equivalents	2,095,166
Total	<u>\$ 21,771,780</u>	Total	<u>\$ 21,771,780</u>

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018**

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 1,993,038	\$ -	\$ -	\$ 1,993,038
Museum art collection	66,000	-	-	66,000
Construction in progress	28,580	7,404	-	35,984
Total capital assets not being depreciated	<u>2,087,618</u>	<u>7,404</u>	<u>-</u>	<u>2,095,022</u>
Capital assets being depreciated:				
Buildings and improvements	86,121,068	119,995	-	86,241,063
Equipment	10,746,799	1,579,614	(5,335)	12,321,078
Improvements other than buildings	13,513,573	98,967	-	13,612,540
Library books	543,593	25,279	(60,587)	508,285
Total capital assets being depreciated	<u>110,925,033</u>	<u>1,823,855</u>	<u>(65,922)</u>	<u>112,682,966</u>
Less accumulated depreciation for:				
Buildings and improvements	(26,444,588)	(2,119,852)	-	(28,564,440)
Equipment	(7,332,670)	(813,677)	5,335	(8,141,012)
Improvements other than buildings	(4,788,317)	(669,615)	-	(5,457,932)
Library books	(291,061)	(52,594)	60,587	(283,068)
Total accumulated depreciation	<u>(38,856,636)</u>	<u>(3,655,738)</u>	<u>65,922</u>	<u>(42,446,452)</u>
Total capital assets being depreciated, net	<u>72,068,397</u>	<u>(1,831,883)</u>	<u>-</u>	<u>70,236,514</u>
Capital assets, net	<u>\$ 74,156,015</u>	<u>\$ (1,824,479)</u>	<u>\$ -</u>	<u>\$ 72,331,536</u>

As of June 30, 2018, the District performed an update to the main servers on the Sierra Vista Campus and Douglas Campus to meet industrial standards as well as college policy regarding cyber security. This also included an upgrade to the HVAC units to ensure proper temperature control in the server rooms. The District also undertook the FAA mandated upgrade of all GPS instruments in the college owned airplanes used by the aviation program. Inception-to-date spending by the District on these projects totaled \$968,835 as of June 30, 2018.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 – LONG-TERM LIABILITIES

The following schedule details the District’s long-term liability and obligation activity for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due within one year
Bonds payable and pledged revenue obligations (PROs):					
Revenue bonds	\$ 7,565,000	\$ -	\$ 495,000	\$ 7,070,000	\$ 505,000
Revenue refunding bonds	14,675,000	-	-	14,675,000	-
PROs	2,070,000	-	1,015,000	1,055,000	1,055,000
Premiums	3,403,650	-	322,953	3,080,697	291,180
Total bonds payable and PROs	<u>27,713,650</u>	<u>-</u>	<u>1,832,953</u>	<u>25,880,697</u>	<u>1,851,180</u>
Net Pension Liability	34,123,698		1,643,462	32,480,236	-
Compensated absences	1,448,790	1,267,396	1,280,001	1,436,185	217,987
Total OPEB liability	342,722	-	338,980	3,742	-
Total long-term liabilities	<u>\$ 63,628,860</u>	<u>\$ 1,267,396</u>	<u>\$ 5,095,396</u>	<u>\$ 59,800,860</u>	<u>\$ 2,069,167</u>

Bonds and PROs

The District’s bonded debt consists of various issues of revenue bonds and one issue of pledged revenue obligation bond (PROs). The 2008 Revenue Bonds and PROs are noncallable with interest payable semiannually. The 2016A Revenue Bonds and 2016B Revenue Refunding Bonds have interest payable semiannually and only those bonds that mature on or after July 1, 2026, are callable prior to maturity. Bond and PRO proceeds pay primarily for improving, acquiring, or constructing capital facilities. The 2016B bonds were issued to advance-refund previously issued 2008 bonds. Bonds are repaid from tuition, fees, rentals, and other charges to students, faculty, and others. Federal arbitrage regulations are applicable to all of the District’s bond issues.

The following bonds and PROs were outstanding at June 30, 2018:

Description	Original Amount Issued	Maturity Ranges	Interest Rates	Outstanding Principal
Revenue Bonds				
Series 2008	\$ 10,595,000	7/1/2018	4.00-4.125%	\$ 130,000
Series 2016A	7,310,000	7/1/2018-31	2.00-5.00%	6,940,000
Revenue Refunding Bonds				
Series 2016B	14,675,000	7/1/2019-28	5.00%	14,675,000
Pledged Revenue Obligations				
Series 2008	15,000,000	7/1/2018	4.00-4.125%	1,055,000
				<u>\$ 22,800,000</u>

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 – LONG-TERM LIABILITIES (Concl'd)

The following schedule details debt service requirements to maturity for the District's bonds and PROs at June 30, 2018:

Year Ending June 30:	Revenue Bonds Series 2008		Pledged Revenue Obligations Series 2008		Revenue Bonds Series 2016A		Revenue Bonds Series 2016B		Total Debt Service Requirements
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2019	130,000	-	1,055,000	-	375,000	280,200	-	733,750	2,573,950
2020	-	-	-	-	385,000	260,950	1,165,000	675,500	2,486,450
2021	-	-	-	-	405,000	240,700	1,230,000	614,000	2,489,700
2022	-	-	-	-	425,000	219,450	1,285,000	549,750	2,479,200
2023	-	-	-	-	445,000	197,200	1,350,000	482,250	2,474,450
2024-2028	-	-	-	-	2,495,000	720,750	7,835,000	1,273,500	12,324,250
2029-2032	-	-	-	-	2,410,000	149,250	1,810,000	-	4,369,250
Totals	\$ 130,000	\$ -	\$ 1,055,000	\$ -	\$ 6,940,000	\$ 2,068,500	\$ 14,675,000	\$ 4,328,750	\$ 29,197,250

Revenue Refunding Bonds

In prior years, the District defeased certain revenue 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, 2018, the following bonds were considered defeased:

Description	Amount
Revenue Bond Series 2008	\$ 9,480,000
Pledged Revenue Obligation Series 2008	6,115,000

Revenues Pledged

The District has pledged future revenue streams from tuition, fees, rentals, and other payments from students, faculty, and others to make debt service payments on all revenue bonds, revenue refunding bonds, and PROs outstanding at June 30, 2018. Annual principal and interest payments on the debt issuances, payable solely from these revenues through 2032, are expected to require less than 35% of the annual pledged gross revenues. For FY 2018 principal, interest and total pledged gross revenues were \$2,580,188 and \$7,571,213 respectively. Total principal and interest remaining to be paid is \$29,197,250.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018

NOTE 5 – RISK MANAGEMENT

The District is exposed to various risks of loss including, but not limited to, torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and third parties; and natural disasters. The District participates with other Arizona community college districts and school districts in the Arizona School Risk Retention Trust, Inc. (Trust), a public entity risk pool. The Trust insures the District for its property, general, professional and automobile liability and commercial crime coverages. The coverage limit for property insurance is \$119.6 million with a \$1,000 deductible. The general, professional and automobile liability coverage limit is \$50 million with no deductible. The commercial crime coverage limit is \$1.5 million with a \$100 deductible. The cyber liability coverage limit is \$1.0 million with a \$5,000 deductible.

The Trust's operating agreement includes a provision for the member to be charged an additional pro-rata assessment in the event that total claims paid by the Trust exceed the members' contributions and reserves in any one year. The District will be charged for any such assessment in the following year. The District has never been charged such an assessment.

The District also carries commercial insurance for other exposure to loss, including workers' compensation and employers' liability, aviation and airport liability, coverage for damage to owned aircraft, international travel accidental death and dismemberment, liability for students and employees, accident coverage for students participating in sports programs, and professional liability for students participating in allied health training.

Settled claims have not exceeded commercial insurance coverage in the past 3 fiscal years. There were no uninsured losses in the year ended June 30, 2018.

The District provides health, prescription, dental, life, and short term disability benefits to its employees and their dependents through the Cochise Combined Trust ("CCT") currently composed of two member entities: Cochise College and Cochise County. CCT provides the benefits through a self-funding agreement with its participants and has contracted with a third party to administer the program. The District is responsible for paying the premium for employee coverage and employees can enroll eligible dependents, with dependent coverage the responsibility of the employee. During the fiscal year, employees were not required to contribute a portion of the employee premium, but beginning July 1, 2018, the District intends to ask employees to contribute a small percentage to their premium. If the District withdraws from CCT, it is responsible for a proportional share of any claims runout costs, including administrative costs that exceed trust fund reserves. If CCT were to terminate, the District would be responsible for its proportional share of any trust deficit.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018**

NOTE 6 - PENSION BENEFITS

Plan description – District employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. The ASRS is a component unit of the State of Arizona. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

Benefits provided – The ASRS provides retirement and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement	
	Initial membership date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions plus interest earned.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018

NOTE 6 – PENSION BENEFITS (Cont'd)

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.34 percent for retirement of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 10.9 percent for retirement of the active members' annual covered payroll. In addition, the District was required by statute to contribute at the actuarially determined rate of 9.26 percent for retirement of annual covered payroll of retired members who worked for the District in positions that an employee who contributes to the ASRS would typically fill. The District's contributions to the pension for the year ended June 30, 2018, was \$2,271,842.

Pension liability – At June 30, 2018, the District reported a liability of \$32,480,236 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The District's proportion measured as of June 30, 2017, was 0.20850 percent, which was a decrease of 0.00291 from its proportion measured as of June 30, 2016.

The net pension liability measured as of June 30, 2018, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the college's net pension liability as a result of these changes is not known.

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2018, the District recognized pension expense for ASRS of \$1,215,684. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018**

NOTE 6 – PENSION BENEFITS (Cont'd)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 973,937
Changes of assumption or other inputs	1,410,691	971,217
Net difference between projected and actual earnings on pension plan investments	233,186	-
Changes in proportion and differences between district contributions and proportionate share of contributions	171,688	327,720
District contributions subsequent to the measurement date	2,271,842	-
Total	<u>\$ 4,087,407</u>	<u>\$ 2,272,874</u>

The \$2,271,842 reported as deferred outflows of resources related to ASRS pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30	
2019	1,303,213
2020	1,224,839
2021	368,207
2022	(747,142)

Actuarial assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3-6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018**

NOTE 6 – PENSION BENEFITS (Cont'd)

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.7 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.84%
Total	<u>100%</u>	

Discount rate – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s proportionate share of the ASRS net pension liability to changes in the discount rate – The following table presents the District’s proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	<u>1% Decrease (7%)</u>	<u>Current discount rate (8%)</u>	<u>1% Increase (9%)</u>
District's proportionate share of the net pension liability	\$ 41,688,947	\$ 32,480,236	\$ 24,785,569

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018**

NOTE 6 – PENSION BENEFITS (Concl'd)

Pension plan fiduciary net position – Detailed information about the plan’s fiduciary net position is available in the separately issued ASRS financial report.

Pension contributions payable – The District’s accrued payroll and employee benefits included \$76,128 of outstanding pension contribution amounts payable to ASRS for the year ended June 30, 2018.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018

NOTE 7 – OPERATING EXPENSE

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

Personnel services	\$ 28,480,864
Contract services	4,009,380
Supplies and other services	2,839,041
Rent and insurance	1,598,513
Communication and utilities	1,463,083
Travel	584,665
Scholarship	3,715,968
Depreciation	3,655,738
Other	190,803
Total	<u>\$ 46,538,055</u>

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018

NOTE 8 – DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES

A. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities – The Cochise College Foundation, Inc. (the Foundation) is an Arizona not – for-profit organization incorporated under the laws of the state of Arizona on March 20, 1967. The Foundation's mission is to promote student success, facilities development, and program support for Cochise College. The Foundation funds its activities primarily through contributions and investment income. The governing board of the Foundation consists of 15 appointed individuals who collectively serve as the Board of Trustees.

Basis of Accounting – The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles as related to nonprofit foundations.

Basis of Presentation - The accompanying financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, Not-for-Profit Entities - Presentation of Financial Statements. Under FASB ASC 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Investments - The Foundation accounts for its investments in accordance with FASB ASC 958-320, Not-for-Profit Entities - Investments - Debt, and Equity Securities. Under FASB ASC 958-320, the Foundation is required to report investments in equity securities that have readily determinable fair values and all investments in debt securities, at fair value. The fair values of investments in debt and marketable equity securities are based on quoted market prices. Certificates of deposit held as investments in the accompanying statement of financial position are carried at amortized cost, which approximates fair value.

Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018

NOTE 8 – DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (Cont'd)

Land held as an Investment - The Foundation accounts for land held as an investment in accordance with FASB ASC 958-325, Not-for-Profit Entities - Investments - Other. Under FASB ASC 958-325, the Foundation reports land held as an investment at its original value at the time of gift. There have been no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment. Therefore, the fair value of land held as an investment was not estimated.

Fair Value Measurements - FASB ASC 820, Fair Value Measurements, establishes a common definition for fair value to be applied to accounting principles generally accepted in the United States of America requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. FASB ASC 820 also establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values by requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.
- Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability. Assets reported at net asset value (NAV) using the practical expedient provisions are considered Level 2 when the Foundation has the ability to redeem its investment at net asset value or its equivalent at the measurement date or within a reasonably short period of time subsequent to the measurement date.
- Level 3: Unobservable inputs for the asset or liability. Assets reported at NAV using the practical expedient provisions are considered level 3 when investments will never have the ability to be redeemed at the net asset value or the redemption period is long term in nature.

Following is a description of the valuation methodologies used for assets measured at fair value:

Equity securities - Equity securities are measured using the quoted market prices for each security from major stock exchanges or other electronic quotation systems.

Mutual Funds and Money Market Funds - Mutual funds are valued at the NAV of shares held by the Foundation at year end based on readily determinable fair values, which are published daily and are the basis for current transactions.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018

NOTE 8 – DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (Cont'd)

Bonds - Bonds are valued using propriety valuation models incorporating live data from active market makers and inter-dealer brokers as reported on electronic communication networks. The valuation models incorporate benchmark yields, reported trades, broker/dealer quotes, bids, offers, and other data.

Unit trusts - Unit trusts are valued at the NAV of shares held by the Foundation at year end based on readily determinable fair values, which are published daily and are the basis for current transactions.

Limited partnerships - Limited partnerships are measured using the quoted market prices for each security from major stock exchanges or other electronic quotation systems.

Real Estate Investment Trusts ("RE/Ts") - REITs are valued at the NAV of shares held by the Foundation at year-end, which approximates the value of transactions for identical holdings in markets that are not active.

Deposits Held on Behalf of Others - Deposits held on behalf of others consist of donated amounts designated by third parties to specified scholarship recipients that have yet to be awarded. At June 30, 2017, deposits held on behalf of others totaled \$14,722 and is held within investments on the accompanying statement of financial position.

Functional Expenses - The costs of providing various program and supporting services have been summarized on a functional basis in the statement of activities. Expenses are charged to the various expense categories based on direct expenditures incurred. Any expenditure not directly chargeable to a functional expense category is charged to the supporting services category.

Conditional Promise to Give - During fiscal year 2013, the Foundation was notified that a donor named the Foundation as the sole beneficiary of his estate. The assets of the donor's estate, which had an estimated value of \$3,500,000 million at the date of the notification, are held within a revocable trust. Since the trust is revocable, this contribution is considered a conditional promise to give. The contribution will be recognized in the period in which the trust becomes irrevocable.

Assets Restricted to Investment in Property and Equipment - Assets restricted to investment in property and equipment consist of investments and cash and cash equivalents that are restricted by a donor to support capital construction and campus enhancements on the Cochise College, Sierra Vista campus. These assets were recorded as contributions at their estimated fair value at the date of donation. The assets thereafter will continue to be carried at fair value. The fair value of the assets restricted to investment in property and equipment totaled \$1,678,753 as of June 30, 2018. There were no costs incurred related to the construction of the building during the fiscal year 2018.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018

NOTE 8 – DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (Cont'd)

Income Taxes – Income taxes are not provided for in the financial statements since The Cochise College Foundation, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under A.R.S. 43-1201(4). Furthermore, the Foundation has been classified by the Internal Revenue Service as a publicly supported Foundation, and not as a private foundation.

Contributions – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions. Contributions are recorded as income in the period received. Unconditional promises to give are recognized when the "promise" is received or made, not when the gift is transferred. Conditional promises to give or receive are recognized when the specified future and uncertain event occurs or when the conditions outlined by the donor are substantially met.

Support and investment income that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other donor-restricted support and investment income are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose or time of usage. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Management's Review – Management has evaluated all of the Foundation's events or transactions for subsequent events that would require disclosure in the financial statements through the financial issuance date of October 23, 2018.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018**

NOTE 8—DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (Cont'd)

B. Investments

Investments consist of:

Equity securities	\$ 4,768,896
Preferred Stock	1,228,277
Mutual funds:	
Large growth	1,670,060
High Yield Corporate Bonds	695,414
Large blend	376,218
Fixed income	142,281
Large Value	26,378
Bonds:	
Corporate	2,433,505
Municipal	721,263
Cash and cash equivalents	312,810
Unit trusts	108,700
Limited partnership	106,550
Money market funds	<u>2,271</u>
 Total investments	 <u><u>\$ 12,592,623</u></u>

Net investment income consists of:

Dividends and interest income	\$ 454,335
Realized/unrealized investment gains/ (losses)	<u>284,615</u>
Investment income	<u><u>\$ 738,950</u></u>

The Foundation paid investment broker fees of \$4,258 in 2018, which were charged against investment income.

C. Split-Interest Agreement

In 2004 the Foundation was named the remainder beneficiary and trustee of a charitable remainder unitrust. The unitrust beneficiaries will be paid 100% of the investment earnings annually for the rest of their natural lives. At the end of the Trust's term, the remaining assets are available for the Foundation's use. Assets held in the charitable remainder unitrust are reported at fair value and at June 30, 2018, totaled \$564,308 (consisting of cash and marketable securities of \$2,890 and \$561,418, respectively). Fair value measurements at the reporting date are determined using quoted prices in active markets (Level 1 fair value hierarchy).

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018

NOTE 8–DISCRETELY RESENTED COMPONENT UNIT DISCLOSURES (Cont’d)

D. Fair Value Measurements

The following table summarizes the valuation of the Foundation’s assets and liabilities subject to fair value measurement by the above FASB ASC 820 categories as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equity securities	\$ 4,768,896	\$ -	\$ 4,768,896
Preferred Stock	1,228,277	-	1,228,277
Mutual funds:			
Large growth	1,670,060	-	1,670,060
High Yield Corporate Bonds			
	695,414	-	695,414
Large blend	376,218	-	376,218
Fixed Income	142,281	-	142,281
Large value	26,378	-	26,378
Bonds:			
Corporate	-	2,433,505	2,433,505
Municipal	-	721,263	721,263
Cash	312,810	-	312,810
Unit trusts	108,700	-	108,700
Limited partnership	106,550	-	106,550
Money market funds	2,271	-	2,271
Total	<u>\$ 9,437,855</u>	<u>\$ 3,154,768</u>	<u>\$ 12,592,623</u>

E. Endowments

As of June 30, 2018, the Board of Directors has designated \$603,020 of unrestricted net assets as a general endowment fund to support the mission of the Foundation. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The Foundation's endowments consist of both donor-restricted contributions and funds designated by the Board to function as endowments. Additionally the Foundation’s Board of Directors has designated certain gifts as quasi-endowments, which are classified as temporarily restricted net assets based upon the original gift purpose. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In September 2008, the State of Arizona enacted ARS§10-11801 et. seq. Management of Charitable Funds Act (MCFA). The Board of Directors of the Foundation has interpreted MCFA as requiring the preservation of the fair value of the original gift as of the gift date

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018

NOTE 8– DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES
(Cont’d)

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 (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the 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 MCFA.

In accordance with MCFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

The endowment net asset composition by type of fund as of June 30, 2018 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (6,116)	\$ 5,053,792	\$ 3,403,690	\$ 8,451,366
Quasi-endowments	-	527,555	-	527,555
Board-designated endowment funds	603,020	-	-	603,020
Total	<u>\$ 596,904</u>	<u>\$ 5,581,347</u>	<u>\$ 3,403,690</u>	<u>\$ 9,581,941</u>

The changes in endowment net assets for the year ended June 30, 2018 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 619,932	\$ 5,498,494	\$ 2,953,690	\$ 9,072,116
Contributions	-	38,001	450,000	488,001
Investment returns:				
Net appreciation, realized & unrealized	94,945	313,822	-	408,767
Interest and dividend income	60,703	200,640	-	261,343
Appropriation of endowment assets for expenditure	(178,676)	(469,610)	-	(648,286)
Endowment net assets, end of year	<u>\$ 596,904</u>	<u>\$ 5,581,347</u>	<u>\$ 3,403,690</u>	<u>\$ 9,581,941</u>

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018

NOTE 8 –DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (Concl'd)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MCFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and totaled \$6,116 at June 30, 2018.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, up to two-thirds of the endowment assets are invested in fixed income securities, and up to one-third of the endowment assets are invested in equity securities.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that consists of equity-securities, corporate bonds, and government securities.

The Foundation has a policy of appropriating for distribution each year an amount up to the realized income from the endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

F. Related Party Transactions

Cochise College provides data processing and certain other administrative support services and office space used by the Foundation at no charge. In addition, Cochise College pays certain salaries and administrative expenses for the Foundation. The estimated fair value of these services was \$198,944 for the year ended June 30, 2018 and is included within contributions on the accompanying statement of activities. Donated materials and services are recognized as revenue in the accompanying statement of activities as contributions and have been charged to the appropriate expenses to which they relate.

Required
Supplementary
Information

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S
 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 JUNE 30, 2018**

Arizona State Retirement System	Reporting fiscal year (Measurement date)				2014 through 2009
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
District's proportion of the net pension liability	0.208500 %	0.211410 %	0.209250 %	0.205556 %	Information unavailable
District's proportionate share of the net pension liability	\$ 32,480,236	\$ 34,123,698	\$ 32,593,219	30,415,328	
District's covered payroll	\$ 20,481,634	\$ 19,922,523	\$ 19,367,663	18,643,023	
District's proportionate share of the net pension liability as a percentage of its covered payroll	158.58 %	171.28 %	168.29 %	163.15 %	
Plan fiduciary net position as a percentage of the total pension liability	69.92 %	67.06 %	68.35 %	69.49 %	

* Fiscal year 2015 was the 1st year of implementation; therefore, only four years are shown.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
JUNE 30, 2018**

Arizona State Retirement System	Reporting Fiscal Year					2013 through 2009
	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 2,271,842	\$ 2,200,634	\$ 2,150,931	\$ 2,098,856	\$ 1,982,651	Information unavailable
District's contributions in relation to the statutorily required contribution	<u>(2,271,842)</u>	<u>(2,200,634)</u>	<u>(2,150,931)</u>	<u>(2,098,856)</u>	<u>(1,982,651)</u>	
District's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
District's covered payroll	<u>\$ 21,158,907</u>	<u>\$ 20,481,634</u>	<u>\$ 19,922,523</u>	<u>\$ 19,367,663</u>	<u>\$ 18,643,023</u>	
District's contributions as a percentage of covered payroll	10.74%	10.74%	10.80%	10.84%	10.63%	

COCHISE COLLEGE

Comprehensive Annual Financial Report

STATISTICAL
SECTION



COCHISE COLLEGE



COCHISE
COLLEGE

Statistical Section

The Cochise County Community College District (the District) implemented the provisions of Governmental Accounting Standards Board Statement No. 44, *Economic Condition Reporting: The Statistical Section*.

This section of the District's Comprehensive Annual Financial Report presents detailed information as a context for further understanding of the information in the financial statements, note disclosures, and supplementary information.

Financial Trends (Pp. 46-49)

These schedules contain trend information to help the reader understand how the District's financial performance has changed over time.

Revenue Capacity (Pp. 50-57)

These schedules contain information to help the reader assess the District's most significant revenue sources.

Debt Capacity (Pp. 58-61)

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information (Pp. 62-64)

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Information (Pp. 65-66)

These schedules contain service and capital asset data to help the reader understand how the information in the District's financial report relates to the services the government provides and the activities it performs.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
NET POSITION by COMPONENT
Last Ten Fiscal Years
Unaudited

	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09
Primary government										
Net investment in capital assets	\$ 46,450,838	\$ 46,442,365	\$ 44,944,760	\$ 41,984,840	\$ 35,925,323	\$ 36,415,925	\$ 34,554,781	\$ 34,051,711	\$ 31,548,105	\$ 15,508,518
Restricted	3,276,886	3,076,709	2,870,429	2,526,468	2,228,846	1,997,386	4,082,474	2,603,068	2,520,295	10,193,018
Unrestricted (1)	(12,932,005)	(14,419,998)	(12,652,050)	(10,984,157)	20,660,174	18,757,710	16,989,965	16,325,657	14,745,324	18,053,024
Total primary government net position	\$ 36,795,719	\$ 35,099,076	\$ 35,163,139	\$ 33,527,151	\$ 58,814,343	\$ 57,171,021	\$ 55,627,220	\$ 52,980,436	\$ 48,813,724	\$ 43,754,560

Source: Annual reports on audited financial statements.

Note (1):
In FY 2015, GASB 68, Accounting and Financial Reporting for Pensions, was implemented requiring restatement of the July 1, 2014 Unrestricted Net Position.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
CHANGES in NET POSITION
Last Ten Fiscal Years
Unaudited

	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09
Operating Revenues										
Tuition and fees	\$6,280,110	\$6,068,885	\$5,905,314	\$ 5,818,553	\$ 5,451,854	\$ 4,145,645	\$ 5,895,640	\$ 5,697,196	\$ 5,062,696	\$ 4,641,758
Bookstore sales	96,097	108,800	107,857	122,657	125,890	139,493	145,643	166,818	166,036	165,000
Food service sales	574,725	599,211	526,802	543,160	517,284	436,794	441,992	530,212	410,869	355,009
Dormitory rentals	10,860	18,970	11,142	34,803	34,815	43,526	45,852	49,646	169,018	130,599
Other sales and services	489,547	271,689	219,424	495,859	449,497	744,533	656,049	784,654	314,220	378,493
Contracts	410,909	1,088,283	1,045,303	1,154,562	1,241,933	375,176	348,206	427,620	380,659	702,115
Total operating revenues	\$7,862,248	\$8,155,838	\$7,815,842	8,169,594	7,821,273	5,885,167	7,533,382	7,656,146	6,503,498	6,372,974
Operating Expenses										
Instruction	16,897,775	17,692,489	18,025,593	19,475,217	17,953,714	16,995,134	16,943,608	17,762,911	17,313,386	17,223,291
Public service	739,666	843,231	737,123	728,049	680,951	712,767	707,786	755,106	645,728	545,869
Academic support	1,239,466	1,275,601	1,238,435	1,292,307	1,275,203	1,303,798	1,336,388	1,379,655	1,381,213	1,373,347
Student services	6,301,964	6,280,632	6,004,145	5,763,778	5,504,157	5,344,397	5,366,567	4,980,131	4,761,273	4,373,637
Institutional support	8,936,062	11,550,687	7,946,543	6,990,661	6,606,802	7,653,628	7,965,076	6,987,892	6,933,163	8,208,375
Operation & maintenance of plant	4,131,963	2,274,967	4,219,197	2,773,621	3,979,099	4,390,045	4,230,372	4,304,833	3,771,919	3,407,441
Scholarships	3,715,968	3,755,498	4,202,770	4,325,915	3,625,679	1,966,611	4,026,671	5,245,819	4,983,370	3,173,812
Depreciation	3,655,738	3,171,255	2,992,295	3,286,484	3,431,707	3,215,175	3,062,231	2,510,400	1,561,969	1,217,122
Auxiliary enterprises	919,453	921,943	731,877	922,570	904,655	1,053,205	1,045,291	1,123,718	1,042,744	1,186,629
Total operating expenses	46,538,055	47,766,303	46,097,978	45,558,602	43,961,967	42,634,760	44,683,990	45,050,465	42,394,765	40,709,523
Operating income (loss)	(38,675,807)	(39,610,465)	(38,282,136)	(37,389,008)	(36,140,694)	(36,749,593)	(37,150,608)	(37,394,319)	(35,891,267)	(34,336,549)
Nonoperating Revenues/(Expenses)										
Property taxes	21,552,268	20,706,947	19,877,619	19,291,883	18,653,023	17,900,838	17,320,483	16,558,225	15,833,368	14,960,185
State appropriations	10,786,200	10,556,600	10,812,665	10,326,735	10,422,500	11,399,300	13,620,900	15,330,500	15,330,500	13,494,004
Government grants (1)	7,556,950	8,019,470	8,626,294	9,982,425	8,018,017	8,945,661	8,710,077	9,835,411	10,122,113	8,305,737
Share of state sales taxes	1,141,611	1,062,446	1,009,459	1,059,998	1,091,200	982,761	961,059	866,461	832,908	924,881
Investment earnings/(loss)	119,874	50,106	231,402	180,431	154,161	81,374	202,428	91,903	152,839	449,061
Interest on debt	(864,237)	(917,380)	(802,704)	(936,821)	(977,421)	(1,016,422)	(1,085,531)	(1,121,469)	(1,161,306)	(1,199,131)
Gain(Loss) on sale/disposal of capital assets	79,784	68,213	163,389	43,502	(27,864)	(118)	67,976	-	(159,991)	-
Total nonoperating revenues/expenses	40,372,450	39,546,402	39,918,124	39,948,153	37,333,616	38,293,394	39,797,392	41,561,031	40,950,431	36,934,737
Income (loss) before other revenues, expenses, gains or losses	1,696,643	(64,063)	1,635,988	2,559,145	1,192,922	1,543,801	2,646,784	4,166,712	5,059,164	2,598,188
Capital appropriations	-	-	-	-	450,400	-	-	-	-	-
Capital grants and gifts	-	-	-	4,522,500	-	-	-	-	-	-
Change in net position	\$ 1,696,643	\$ (64,063)	\$ 1,635,988	\$ 7,081,645	\$ 1,643,322	\$ 1,543,801	\$ 2,646,784	\$ 4,166,712	\$ 5,059,164	\$ 2,598,188

Source: Annual reports on audited financial statements.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
EXPENSES by FUNCTION
Last Ten Fiscal Years
Unaudited

Function	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09
Instruction	\$16,897,775	\$17,692,489	\$18,025,593	\$ 19,475,217	\$ 17,953,714	\$ 16,995,134	\$ 16,943,608	\$ 17,762,911	\$ 17,313,386	\$ 17,223,291
Public service	739,666	843,231	737,123	728,049	680,951	712,767	707,786	755,106	645,728	545,869
Academic support	1,239,466	1,275,601	1,238,435	1,292,307	1,275,203	1,303,798	1,336,388	1,379,655	1,381,213	1,373,347
Student services	6,301,964	6,280,632	6,004,145	5,763,778	5,504,157	5,344,397	5,366,567	4,980,131	4,761,273	4,373,637
Institutional support	8,936,062	11,550,687	7,946,543	6,990,661	6,606,802	7,653,628	7,965,076	6,987,892	6,933,163	8,208,375
Operation & maintenance of plant	4,131,963	2,274,967	4,219,197	2,773,621	3,979,099	4,390,045	4,230,372	4,304,833	3,771,919	3,407,441
Scholarships	3,715,968	3,755,498	4,202,770	4,325,915	3,625,679	1,966,611	4,026,671	5,245,819	4,983,370	3,173,812
Depreciation	3,655,738	3,171,255	2,992,295	3,286,484	3,431,707	3,215,175	3,062,231	2,510,400	1,561,969	1,217,122
Interest on debt	864,237	917,380	802,704	936,821	977,421	1,016,422	1,085,531	1,121,469	1,161,306	1,199,131
Other nonoperating expenses	-	-	-	-	27,864	118	-	-	159,991	-
Auxiliary enterprises	919,453	921,943	731,877	922,570	904,655	1,053,205	1,045,291	1,123,718	1,042,744	1,186,629
Total expenses	\$47,402,292	\$48,683,683	\$46,900,682	\$46,495,423	\$44,967,252	\$43,651,300	\$45,769,521	\$46,171,934	\$43,716,062	\$41,908,654

Source: Annual reports on audited financial statements.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
EXPENSES by USE
Last Ten Fiscal Years
Unaudited

USE	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09
Salaries and benefits	\$ 28,480,864	\$ 30,151,304	\$ 29,449,109	\$ 28,673,880	\$ 28,269,494	\$ 28,149,135	\$ 28,405,143	\$ 28,222,002	\$ 27,659,796	\$ 26,798,469
Contract services	4,009,380	3,778,831	3,697,971	3,342,740	3,270,501	3,209,859	3,337,706	2,985,146	2,582,219	3,890,058
Supplies and materials	2,781,720	2,762,909	2,429,072	2,649,771	2,193,815	2,311,373	2,457,485	2,849,171	2,603,551	2,392,886
Subscriptions, dues, insurance and rentals	1,598,513	1,460,493	1,231,946	1,292,948	1,122,839	1,354,753	1,445,978	1,232,396	1,211,054	1,296,725
Utilities and communication	1,463,083	1,555,204	1,353,332	1,300,323	1,312,654	1,395,966	1,369,180	1,324,946	1,221,728	1,127,915
Travel	584,665	614,862	565,770	466,194	477,412	446,182	409,499	393,920	379,702	381,690
Noncapitalized equipment	57,321	345,887	169,008	124,381	248,463	557,150	115,656	138,172	58,030	229,881
Scholarships	3,715,968	3,755,498	4,202,770	4,325,915	3,625,679	1,966,611	4,026,671	5,245,819	4,983,370	3,173,812
Depreciation	3,655,738	3,171,255	2,992,295	3,286,484	3,431,707	3,215,175	3,062,231	2,510,400	1,561,969	1,217,122
Other	190,803	170,060	6,705	95,966	9,403	28,556	54,441	148,493	133,346	200,965
Total operating expenses	46,538,055	47,766,303	46,097,978	45,558,602	43,961,967	42,634,760	44,683,990	45,050,465	42,394,765	40,709,523
Interest on debt	864,237	917,380	802,704	936,821	977,421	1,016,422	1,085,531	1,121,469	1,161,306	1,199,131
Other nonoperating expenses	-	-	-	-	27,864	118	-	-	159,991	-
Total nonoperating expenses	864,237	917,380	802,704	936,821	1,005,285	1,016,540	1,085,531	1,121,469	1,321,297	1,199,131
Total expenses	\$ 47,402,292	\$ 48,683,683	\$ 46,900,682	\$ 46,495,423	\$ 44,967,252	\$ 43,651,300	\$ 45,769,521	\$ 46,171,934	\$ 43,716,062	\$ 41,908,654

Source: Annual reports on audited financial statements.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
REVENUE by SOURCE
Last Ten Fiscal Years
Unaudited

Source of Revenue	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09
Property taxes	\$ 21,552,268	\$ 20,706,947	\$ 19,877,619	\$ 19,291,883	\$ 18,653,023	\$ 17,900,838	\$ 17,320,483	\$ 16,558,225	\$ 15,833,368	\$ 14,960,185
State appropriations	10,786,200	10,556,600	10,812,665	10,326,735	10,422,500	11,399,300	13,620,900	15,330,500	15,330,500	13,494,004
Grants and contracts	7,967,859	9,107,753	9,671,597	11,136,987	9,259,950	9,320,837	9,058,283	10,263,031	10,502,772	9,007,852
Tuition and fees	\$6,280,110	\$6,068,885	\$5,905,314	5,818,553	5,451,854	4,145,645	5,895,640	5,697,196	5,062,696	4,641,758
Investment income	119,874	50,106	231,402	180,431	154,161	81,374	202,428	91,903	152,839	449,061
Bookstore sales	96,097	108,800	107,857	122,657	125,890	139,493	145,643	166,818	166,036	165,000
Food services sales	574,725	599,211	526,802	543,160	517,284	436,794	441,992	530,212	410,869	355,009
Dormitory rentals	10,860	18,970	11,142	34,803	34,815	43,526	45,852	49,646	169,018	130,599
Other	1,710,942	1,402,348	1,392,272	1,599,359	1,540,697	1,727,294	1,685,084	1,651,115	1,147,128	1,303,374
Total Revenues	\$ 49,098,935	\$ 48,619,620	\$ 48,536,670	\$ 49,054,568	\$ 46,160,174	\$ 45,195,101	\$ 48,416,305	\$ 50,338,646	\$ 48,775,226	\$ 44,506,842

Source: Annual reports on audited financial statements.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
EXPENDITURE LIMITATION
STATUTORY LIMIT TO BUDGETED EXPENDITURES
Last Ten Fiscal Years
Unaudited**

FISCAL YEAR	STATUTORY EXPENDITURE LIMITATION (1)	BUDGETED EXPENDITURES SUBJECT TO LIMITATION (2)	UNUSED LEGAL LIMIT
2008/09	50,550,255	33,612,389	16,937,866
2009/10	56,193,413	36,546,032	19,647,381
2010/11	61,030,092	30,744,862	30,285,230
2011/12	70,584,273	30,213,535	40,370,738
2012/13	78,573,112	30,997,697	47,575,415
2013/14	71,911,314	29,920,485	41,990,829
2014/15	62,525,638	26,821,028	35,704,610
2015/16	50,816,985	30,031,966	20,785,019
2016/17	54,065,834	34,234,628	19,831,206
2017/18	63,125,907	36,821,888	26,304,019

Source: <https://www.azdor.gov/ReportsResearch/EconomicEstimatesCommission.aspx>

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.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
ASSESSED VALUE and FULL CASH VALUE of ALL TAXABLE PROPERTY
Last Ten Fiscal Years
Unaudited

Fiscal Year/ Levy Type	Net Assessed Value (1)	Full Cash Value	Percentage of Net Assessed to Full Cash Value
2008/09 primary	903,521,761	7,310,606,108	12.36%
2008/09 secondary	1,018,740,280	8,314,559,327	12.25%
2009/10 primary	986,677,834	8,079,032,213	12.21%
2009/10 secondary	1,060,241,909	8,674,971,385	12.22%
2010/11 primary	1,049,525,230	8,630,036,695	12.16%
2010/11 secondary	1,111,756,015	9,170,232,226	12.12%
2011/12 primary	1,049,827,355	8,869,023,621	11.84%
2011/12 secondary	1,092,081,033	9,214,115,159	11.85%
2012/13 primary	1,038,327,080	8,850,763,191	11.73%
2012/13 secondary	1,060,199,126	9,043,935,353	11.72%
2013/14 primary	1,006,475,403	8,676,916,370	11.60%
2013/14 secondary	1,011,138,917	8,726,898,700	11.59%
2014/15 primary	955,783,522	8,280,926,389	11.54%
2014/15 secondary	959,542,199	8,316,032,735	11.54%
2015/16 primary	920,583,366	8,124,910,795	11.33%
2015/16 secondary	924,708,480	8,162,151,023	11.33%
2016/17 primary	909,774,049	8,147,810,573	11.17%
2016/17 secondary	916,090,192	8,201,817,835	11.17%
2017/18 primary	913,002,927	8,153,190,780	11.20%
2017/18 secondary	924,154,911	8,249,788,418	11.20%

Source: Cochise County Assessor's Office, Arizona Department of Revenue

Note (1): The full cash value of taxable property by class of real and personal property is not currently available.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
 ASSESSED VALUATION, TAX RATE and LEVY HISTORY
 Last Ten Fiscal Years
 Unaudited**

Fiscal Year	Primary			Secondary (1)		
	Assessed Valuation	Tax Rate	Tax Levy	Assessed Valuation	Tax Rate	Tax Levy
2008/09	903,521,761	1.6604	15,002,075	1,018,740,280	-	-
2009/10	986,677,834	1.6075	15,860,846	1,060,241,909	-	-
2010/11	1,042,041,186	1.5984	16,655,987	1,111,756,015	-	-
2011/12	1,049,827,355	1.6657	17,486,975	1,092,081,033	-	-
2012/13	1,038,327,080	1.7329	17,993,171	1,060,199,126	-	-
2013/14	1,006,475,403	1.8508	18,627,847	1,011,138,917	-	-
2014/15	955,783,522	2.0329	19,430,123	959,542,199	-	-
2015/16	920,583,366	2.1756	20,028,212	924,708,480	-	-
2016/17	909,774,049	2.2860	20,797,435	916,090,192	-	-
2017/18	913,002,927	2.3735	21,670,124	924,154,611	-	-

Source: Cochise County Assessor's/Treasurer's Offices, District records, and Arizona Dept of Revenue

Note (1): Cochise County Community College District does not currently have any secondary taxes levied. As of tax year 2015 secondary assessed values are no longer calculated for local taxation.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
PROPERTY TAX RATES, DIRECT and OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years (Per \$100 of Assessed Value)
Unaudited**

Fiscal Year		Cochise College	Cochise County	Cities/Towns and Special Districts		School Districts	
				From	To	From	To
2008/09	Primary	1.6604	2.6759	0.1258	2.2212	1.2381	12.1619
	Secondary	-	0.4048	0.0000	5.2156	0.0000	2.2953
2009/10	Primary	1.6075	2.6425	0.1139	2.1446	0.9613	12.1334
	Secondary	-	0.4048	0.0000	3.1570	0.0000	1.7989
2010/11	Primary	1.5984	2.6276	0.0000	2.0817	0.0000	11.1018
	Secondary	-	0.4048	0.0000	2.6551	0.0000	2.0982
2011/12	Primary	1.6657	2.6276	0.0000	2.0363	0.0000	11.1018
	Secondary	-	0.4048	0.0000	2.9500	0.0000	1.7461
2012/13	Primary	1.7329	2.6276	0.0000	2.1577	0.0000	11.1018
	Secondary	-	0.4048	0.0000	8.3577	0.0000	1.9239
2013/14	Primary	1.8508	2.6276	0.0000	2.2019	0.0000	11.1018
	Secondary	-	0.4048	0.0000	4.0900	0.0000	2.7933
2014/15	Primary	2.0329	2.6276	0.0000	2.3120	0.0000	11.1018
	Secondary	-	0.4048	0.0000	4.6742	0.0000	2.3184
2015/16	Primary	2.1756	2.6276	0.0000	2.4845	0.0000	11.1018
	Secondary	-	0.4048	0.0000	7.5466	0.0000	2.4150
2016/17	Primary	2.2860	2.6276	0.1136	2.5873	2.0793	11.1018
	Secondary	-	0.4048	0.0000	7.5466	0.0000	3.0979
2017/18	Primary	2.3735	2.6276	0.1136	2.7656	2.0234	11.1018
	Secondary	-	0.4048	0.0000	3.2500	0.0000	3.2026

Source: Cochise County Treasurer's Office website:
<https://www.cochise.az.gov/treasurer/property-tax-rates>

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
PRINCIPAL TAXPAYERS
Fiscal Year 2018 and Nine Years Ago
Unaudited**

Taxpayer	2018			2009		
	2018 Primary Assessed Valuation	Rank	Percent of Cochise County's 2018 Primary Assessed Valuation	2009 Primary Assessed Valuation	Rank	Percent of Cochise County's 2009 Primary Assessed Valuation
Arizona Electric Power Coop Inc	\$ 29,640,977	1	3.19%	\$ 29,297,570	1	3.24%
Sulphur Springs Valley Electric Co-Op Inc	20,182,079	2	2.17%	26,119,638	2	2.89%
Kinder Morgan-El Paso Natural Gas Company	17,128,748	3	1.66%	17,907,299	3	1.98%
Canyon Vista Medical Center (formerly Sierra Vista Regional Health Center Inc.)	11,499,255	4	1.24%			
Arizona Public Service Company	10,869,622	6	1.17%	8,980,868	6	0.99%
Southwest Gas Corporation	9,968,460	5	1.07%	9,173,912	5	1.02%
Union Pacific Railroad	9,665,470	7	0.87%			
Red Horse Wind 2 Holdings	7,416,540	8	0.80%			
Wal-Mart Stores Inc	6,081,207	9	0.66%	6,629,761	8	0.73%
Southwest Transmission	5,144,703	10	0.55%			

Source: Cochise County Assessor's Office and Arizona Department of Revenue

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
PROPERTY TAX LEVIES and COLLECTIONS
Last Ten Fiscal Years
Unaudited**

Fiscal Year	Total Tax Levy	Current Tax Collections (1)	Percent of Current Tax Collections to Total Tax Levy	Collections in Subsequent Years (1)	Total Tax Collections (1)	Percent of Total Tax Collections to Total Tax Levy
2008/09	15,002,075	14,286,998	95.23%	677,989	14,964,987	99.75%
2009/10	15,860,846	15,020,601	94.70%	792,227	15,812,828	99.70%
2010/11	16,655,987	15,662,682	94.04%	861,261	16,523,943	99.21%
2011/12	17,486,975	16,563,455	94.72%	742,802	17,306,257	98.97%
2012/13	17,993,171	16,971,410	94.32%	842,308	17,813,718	99.00%
2013/14	18,627,847	17,441,345	93.63%	932,575	18,373,920	98.64%
2014/15	19,430,123	18,348,654	94.43%	935,819	19,284,473	99.25%
2015/16	20,028,212	19,034,162	95.04%	742,464	19,776,626	98.74%
2016/17	20,797,435	19,764,347	95.03%	532,872	20,297,219	97.59%
2017/18	21,670,124	20,947,422	96.66%	546,586	21,494,008	99.19%

Source: Cochise County Assessors/Treasurer's Office and District records.

Note (1): All tax collections are recorded on a cash basis.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
HISTORIC ENROLLMENT AND TUITION AND FEES
Last Ten Fiscal Years
Unaudited**

Fiscal Year	Annual Unduplicated Headcount	Annual Audited FTSE (1)	Annual Tuition and Fees (2)		
			Cost	Increase	
			Dollars	Dollars	Percent
2008/09	15,137	7,671	1,540	70	4.76%
2009/10	14,982	8,586	1,630	90	5.84%
2010/11	16,520	9,788	1,690	60	3.68%
2011/12	15,504	9,468	1,970	280	16.57%
2012/13	13,783	7,982	2,100	130	6.60%
2013/14	13,503	7,474	2,190	90	4.29%
2014/15	12,662	6,557	2,250	60	2.74%
2015/16	11,491	6,514	2,310	60	2.67%
2016/17	11,907	6,651	2,370	60	2.60%
2017/18	10,925	6,325	2,460	90	3.80%

Source: Arizona County Community College Districts and Colleges of Qualifying Indian Tribes Full-Time Equivalent Student Enrollment Report and District records.

Note (1): Full Time Student Equivalent (30 Credit Hours).

Note (2): Tuition based on in-state rate for one year of full-time equivalent credit. For years 2006/07 through 2011/12, Tuition based on in-state rate for one year of full-time equivalent credit plus the Registration and Technology fees for two semesters.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF RATIOS OF OUTSTANDING DEBT
Last Ten Fiscal Years
Unaudited**

	For the Fiscal Year Ended June 30				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Other Debt:					
Revenue Bonds	\$ 7,070,000	\$ 7,565,000	\$ 7,690,000	\$ 9,975,000	\$ 10,090,000
Revenue Refunding Bonds	14,675,000	14,675,000	14,675,000	-	-
Certificates of participation	-	-	-	-	-
Pledged Revenue Obligations	1,055,000	2,070,000	3,045,000	10,100,000	11,000,000
Premiums	3,080,697	3,403,650	3,726,601	310,212	341,984
Total outstanding debt	\$ 25,880,697	\$ 27,713,650	\$ 29,136,601	\$ 20,385,212	\$ 21,431,984

Per capita *	\$ 198.04	\$ 215.87	\$ 231.67	\$ 157.89	\$ 165.33
Per student	\$ 2,368.94	\$ 2,327.51	\$ 2,535.60	\$ 1,609.95	\$ 1,587.20
Per FTSE	\$ 4,091.81	\$ 4,166.84	\$ 4,472.92	\$ 3,108.92	\$ 2,867.54

	For the Fiscal Year Ended June 30				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Other Debt:					
Revenue Bonds	\$ 10,195,000	\$ 10,300,000	\$ 10,405,000	\$ 10,505,000	\$ 10,595,000
Revenue Refunding Bonds	-	-	-	-	-
Certificates of participation	-	-	-	-	\$ -
Pledged Revenue Obligations	11,870,000	12,705,000	13,505,000	14,270,000	15,000,000
Premiums	373,575	405,529	437,302	469,074	500,847
Total outstanding debt	\$ 22,438,575	\$ 23,410,529	\$ 24,347,302	\$ 25,244,074	\$ 26,095,847

Per capita	\$ 171.41	\$ 179.05	\$ 186.52	\$ 192.06	\$ 200.28
Per student	\$ 1,627.99	\$ 1,509.97	\$ 1,473.81	\$ 1,653.65	\$ 1,690.89
Per FTSE	\$ 2,811.15	\$ 2,472.59	\$ 2,487.46	\$ 2,885.51	\$ 3,336.59

Source: Arizona Department of Economic Security, Cochise College Center for Economic Research and District Records.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
COMPUTATION of LEGAL DEBT MARGIN
Last Ten Fiscal Years
Unaudited**

	For the Fiscal Year Ended June 30				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Debt Limit	\$ 138,623,192	\$ 137,413,529	\$ 138,706,272	\$ 143,931,330	\$ 151,670,838
Total net debt applicable to the limit	-	-	-	-	-
Legal debt margin					
	\$ 138,623,192	\$ 137,413,529	\$ 138,706,272	\$ 143,931,330	\$ 151,670,838
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

	For the Fiscal Year Ended June 30				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Debt Limit	\$ 159,029,869	\$ 163,812,155	\$ 166,763,402	\$ 159,036,286	\$ 152,811,042
Total net debt applicable to the limit	-	-	-	-	-
Legal debt margin					
	\$ 159,029,869	\$ 163,812,155	\$ 166,763,402	\$ 159,036,286	\$ 152,811,042
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

Legal Debt Margin Calculation for Fiscal Year 2018

Secondary assessed value of real and personal property (1) \$ 924,154,611

Debt limit = 15% of secondary assessed value 138,623,192

Amount of debt applicable to debt limit:

General obligation bonded debt _____ -

Legal debt margin, June 30, 2018 \$ 138,623,192

Source: Cochise County Assessor's Office, District records, and Arizona Dept of Revenue.

Note (1): Tax year 2017.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
DEBT SERVICE COVERAGE
Last Ten Fiscal Years
Unaudited**

Fiscal Year	Pledged Revenues (1)	Certificates of Participation Debt Service Requirements (2)			Percentage of Debt Service Requirements To Pledged Revenues
		Principal	Interest	Total	
2008/09	6,119,920	290,000	-	290,000	4.74%

Fiscal Year	Pledged Revenues (1)	Revenue Bonds and Pledged Revenue Obligations Debt Service Requirements (3)			Percentage of Debt Service Requirements To Pledged Revenues
		Principal	Interest	Total	
2008/09	\$ 6,119,920	\$ -	\$ 1,199,131	\$ 1,199,131	19.59%
2009/10	6,275,678	820,000	1,161,306	1,981,306	31.57%
2010/11	7,320,429	865,000	1,121,469	1,986,469	27.14%
2011/12	7,387,604	905,000	1,085,531	1,990,531	26.94%
2012/13	5,591,365	940,000	1,048,194	1,988,194	35.56%
2013/14	6,733,501	975,000	1,009,194	1,984,194	29.47%
2014/15	7,195,463	1,015,000	968,594	1,983,594	27.57%
2015/16	7,001,941	1,055,000	892,535	1,947,535	27.81%
2016/17	7,117,661	1,100,000	1,123,331	2,223,331	31.24%
2017/18	7,571,213	1,510,000	1,070,188	2,580,188	34.08%

Source: Annual reports on audited financial statements and District records.

Note (1): Pledged revenues include tuition and fees, bookstore revenues, food service sales, dormitory rentals, investment and other income.

Note (2): Certificates of Participation were first issued December 16, 1993, with the first interest payment due on July 1, 1994.

Note (3): Revenue Bonds and Pledged Revenue Obligations were first issued July 2, 2008, with the first interest payment due on July 1, 2009.

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
RATIO of ANNUAL DEBT SERVICE EXPENSES to OPERATING EXPENSES
Last Ten Fiscal Years
Unaudited

Fiscal Year	Principal	Interest	Total Debt Service	Total Operating Expenses	Percentage of Debt Service to Operating Expenses
2008/09	290,000	1,199,131	1,489,131	40,709,523	3.66%
2009/10	820,000	1,161,306	1,981,306	42,394,765	4.67%
2010/11	865,000	1,121,469	1,986,469	45,050,465	4.41%
2011/12	905,000	1,085,531	1,990,531	44,683,990	4.45%
2012/13	940,000	1,048,194	1,988,194	42,634,760	4.66%
2013/14	975,000	1,009,194	1,984,194	43,961,967	4.51%
2014/15	1,015,000	968,594	1,983,594	45,558,602	4.35%
2015/16	1,055,000	892,535	1,947,535	46,097,978	4.22%
2016/17	1,100,000	1,123,331	2,223,331	47,766,302	4.65%
2017/18	1,510,000	1,070,188	2,580,188	46,538,055	5.54%

Source: Annual reports on audited financial statements and District records.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years
Unaudited**

Fiscal Year	County Population	County Personal Income (In Thousands)	County Income Per Capita	County Unemployment Rate June
2009	130,296	\$ 4,470,308	\$ 34,309	7.9%
2010	131,436	\$ 4,688,309	\$ 35,670	8.8%
2011	130,537	\$ 4,763,499	\$ 36,492	8.8%
2012	130,752	\$ 4,837,759	\$ 37,000	8.2%
2013	130,906	\$ 4,740,219	\$ 36,211	8.4%
2014	129,628	\$ 4,679,941	\$ 36,103	8.3%
2015	129,112	\$ 4,821,097	\$ 37,340	7.1%
2016	125,770	\$ 4,900,244	\$ 38,962	6.1%
2017	128,383	\$ 4,902,154	\$ 38,184	5.5%
2018	N/A	\$ N/A	\$ -	5.2%

Sources: U. S. Census Bureau, U.S. Bureau of Economic Analysis, Arizona Office of Economic Opportunity, Cochise College Center for Economic Research

Notes: N/A= Data not available. Population estimates are from U.S. Census Bureau midyear estimates as of November 2018. Unemployment rate estimates are seasonally adjusted and prepared by the Arizona Office of Economic Opportunity.

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
PRINCIPAL EMPLOYERS for COCHISE COUNTY
Current Year and Nine Years Ago
Unaudited**

Principal Industries	2018			2009		
	Employees	%	Rank	Employees	%	Rank
Goods Producing Industries						
Manufacturing	600	2%	9	600	2%	10
Natural Resources and Construction	1,500	5%	7	1,600	4%	7
Service Providing Industries						
Private Service Providing						
Trade, Transportation and Utilities	5,800	18%	2	6,300	17%	2
Information	400	1%	11	600	2%	10
Financial Activities	1,200	4%	8	1,000	3%	8
Professional and Business Services	3,500	11%	5	5,800	15%	3
Education and Health Services	4,700	14%	4	4,400	12%	5
Leisure and Hospitality	3,500	11%	5	3,900	10%	6
Other Services (except Public Administration)	800	2%	10	900	2%	9
Government						
Federal	4,900	15%	3	5,200	14%	4
State and Local	6,200	19%	1	7,200	19%	1

Source: <https://laborstats.az.gov/ces-custom-data-search>

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
STUDENT ENROLLMENT/DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years
Unaudited**

Fall Semester Fiscal Year	Attendance *		Gender *		Completions **	
	Full-Time	Part-Time	Male	Female	Degrees Awarded	Certificates Awarded
2008/09	25.4%	74.6%	41.7%	58.3%	995	952
2009/10	26.5%	73.5%	41.2%	58.8%	1065	691
2010/11	32.4%	67.6%	44.7%	55.3%	1189	1467
2011/12	33.2%	66.8%	44.9%	55.1%	1404	1819
2012/13	32.8%	67.2%	45.5%	54.5%	1775	1774
2013/14	36.5%	63.5%	46.7%	53.3%	1394	849
2014/15	39.8%	60.2%	46.0%	54.0%	1441	691
2015/16	39.6%	60.4%	47.4%	52.6%	1356	600
2016/17	39.3%	60.7%	46.5%	53.5%	1394	534
2017/18	38.8%	61.2%	44.3%	55.7%	1629	559

Fall Semester Fiscal Year	Age *		Residency *			
	Median	Mean	Resident	Resident Unorganized County	Out of State	Foreign
2008/09	23	28	84.7%	8.7%	4.1%	1.8%
2009/10	23	28	85.0%	10.4%	3.6%	1.1%
2010/11	24	28	81.5%	11.3%	6.2%	1.0%
2011/12	24	28	81.8%	10.7%	6.7%	0.9%
2012/13	24	28	80.8%	9.3%	9.2%	0.7%
2013/14	23	28	81.3%	9.1%	8.2%	1.4%
2014/15	23	28	77.3%	11.6%	9.2%	2.0%
2015/16	23	28	76.1%	12.0%	9.9%	1.7%
2016/17	23	28	75.1%	11.6%	12.1%	1.3%
2017/18	23	28	93.0%	4.7%	10.3%	2.1%

Fall Semester Fiscal Year	Ethnic Background *					
	American Indian	Asian American	Hispanic	African American	White	Other/ Unknown
2008/09	0.6%	3.1%	35.2%	4.6%	49.8%	6.8%
2009/10	0.9%	2.6%	40.2%	4.4%	45.5%	6.4%
2010/11	0.8%	2.3%	39.7%	5.5%	45.9%	5.8%
2011/12	0.7%	2.0%	39.9%	5.2%	46.1%	6.0%
2012/13	0.9%	1.9%	40.1%	5.5%	45.5%	6.1%
2013/14	0.7%	1.7%	41.9%	5.1%	43.7%	6.9%
2014/15	0.7%	1.3%	44.1%	4.5%	42.9%	6.6%
2015/16	0.7%	1.8%	45.7%	5.2%	40.0%	6.5%
2016/17	0.7%	1.8%	46.4%	4.6%	39.7%	6.8%
2017/18	0.7%	2.1%	43.5%	5.2%	41.3%	7.2%

Sources: * IPEDS Fall Enrollment 2017-18, total student headcount regardless of IPEDS inclusion
** IPEDS Completions 2017-18

**COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
EMPLOYEE STATISTICS
(Headcount)
Last Ten Fiscal Years
Unaudited**

Nov. 1 Fiscal Year Snapshot	Faculty *		Admin & Support Staff **	Total Employees	Students per faculty member †	Students per staff member †
	Full-time	Part-time				
2008/09	100	253	489	842	43	31
2009/10	108	292	515	915	37	29
2010/11	106	313	524	943	39	32
2011/12	103	296	503	902	39	31
2012/13	98	264	523	885	38	26
2013/14	98	261	481	840	38	28
2014/15	101	302	486	889	31	26
2015/16	102	311	439	852	28	26
2016/17	99	223	347	669	13	12
2017/18	98	198	324	620	13	12

Sources: *IPEDS Human Resources 2017-18 (employment on Nov. 1st)*
 * *Part C - Summary of Full-time Staff*
 ** *Part F - Summary of Part-time Staff*
 *** *Total student headcount regardless of IPEDS inclusion from IPEDS Fall Enrollment 2017-18;
 Not associated with IPEDS student to faculty ratio.*

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF CAPITAL ASSET INFORMATION
 Last Ten Fiscal Years
 Unaudited

Location	Fiscal Year									
	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09
Douglas Campus										
Total Square Footage	291,261	291,261	295,069	295,069	295,069	295,069	295,069	295,069	295,069	235,177
Total Acreage	518.3	518.3	518.3	518.3	518.3	518.3	518.3	518.3	518.3	518.3
Sierra Vista Campus										
Total Square Footage	205,273	205,273	188,867	188,867	188,867	188,867	188,867	188,867	188,867	159,613
Total Acreage	80.1	80.1	80.1	80.1	76.6	76.6	76.6	76.6	73.6	73.6
Benson Center										
Total Square Footage	12,733	12,733	12,733	12,733	12,733	12,733	12,733	12,733	12,733	12,733
Total Acreage	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0
Willcox Center (1)										
Total Square Footage	7,727	7,727	9,340	9,340	9,340	9,340	9,340	9,340	9,340	7,200
Downtown Center										
Total Square Footage	100,792	100,792	100,792	117,151						
Total Acreage	7.7	7.7	7.7	7.7						
Total District										
Total Square Footage	617,786	617,786	606,801	623,160	506,009	506,009	506,009	506,009	506,009	414,723
Total Acreage	619.1	619.1	619.1	619.2	607.9	607.9	607.9	607.9	604.9	604.9

Source: District records.

Note (1): The Willcox Center is located on land leased from Willcox Unified School District.