MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT

SINGLE AUDIT REPORTING PACKAGE

YEAR ENDED JUNE 30, 2009

MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2009

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT 1

MANAGEMENT'S DISCUSSION AND ANALYSIS 3

STATEMENT OF NET ASSETS – PRIMARY GOVERNMENT 12

STATEMENT OF FINANCIAL POSITION – COMPONENT UNIT 13

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS – PRIMARY GOVERNMENT 14

STATEMENT OF ACTIVITIES – COMPONENT UNIT 15

STATEMENT OF CASH FLOWS – PRIMARY GOVERNMENT 16

NOTES TO FINANCIAL STATEMENTS 18

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 37

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 38

SINGLE AUDIT SECTION

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* 39

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 41

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 43

LarsonAllen LLP
CPAs, Consultants & Advisors
www.larsonallen.com

INDEPENDENT AUDITORS' REPORT

The Auditor General of the State of Arizona
and Governing Board of
Mohave County Community College District
Kingman, Arizona

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Mohave County Community College District (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Mohave County Community College District as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Auditor General of the State of Arizona
and Governing Board of
Mohave County Community College District

The accompanying *Management's Discussion and Analysis*, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

LarsonAllen LLP

LarsonAllen LLP

Mesa, Arizona
February 16, 2010

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2009. Please read it in conjunction with the District's financial statements, which immediately follow.

Basic Financial Statements

Beginning with fiscal year 2002, the District has presented annual financial statements in accordance with then-newly effective pronouncements issued by the Governmental Accounting Standards Board (GASB), the authoritative body for establishing generally accepted accounting principles (GAAP) for state and local governments, including public institutions of higher education. These pronouncements permit public colleges and universities to use the guidance for special-purpose governments engaged only in business-type activities, in that the presentation format has shifted from a columnar fund group format to a consolidated, single-column, entity-wide format, similar to the type of financial statements one might encounter from a typical business enterprise or a not-for-profit organization. During the year ended June 30, 2004, the District implemented the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which requires reporting as a component unit those organizations that raise and hold economic resources for the direct benefit of the District. Accordingly, the financial statements of the Mohave Community College Foundation, Inc. are discretely presented. The District's basic financial statements consist of the following:

The *Statement of Net Assets* reflects the District's financial position at June 30, 2009. It shows the various assets owned or controlled, related liabilities and other obligations, and the various categories of net assets. Net assets is an accounting concept defined as total assets less total liabilities, and as such, represents institutional equity or ownership in the District's total assets.

The *Statement of Revenues, Expenses, and Changes in Net Assets* reflects the results of operations and other changes for the year ended June 30, 2009. It shows the various revenues and expenses, both operating and nonoperating, reconciling the beginning net assets amount to the ending net assets amount, which is shown on the *Statement of Net Assets* described above.

The *Statement of Cash Flows* reflects the inflows and outflows of cash and cash equivalents for the year ended June 30, 2009. It shows the various cash activities by type, reconciling the beginning cash and cash equivalents amount to the ending cash and cash equivalents amount, which is shown on the *Statement of Net Assets* described above. In addition, this statement reconciles cash flows from operating activities to the operating loss reported on the *Statement of Revenues, Expenses, and Changes in Net Assets* described above.

Although the primary focus of this document is on the results of activity for fiscal year 2009, comparative data is presented for the previous fiscal year 2008. This Management's Discussion and Analysis (MD&A) uses the prior fiscal year as a reference point in illustrating issues and trends for determining whether the institution's financial health may have improved or deteriorated.

The condensed financial information below highlights the main categories of the *Statement of Net Assets.* Assets and liabilities are distinguished as to their current or noncurrent nature. Current liabilities are typically those obligations intended for liquidation or payment within the next fiscal year, while current assets are those resources that are available to use in meeting the on-going operating needs of the District, including its current liabilities. Net assets are divided into three categories reflecting the broad characteristics of institutional equity in the assets of the organization. In addition to its capital assets, the District holds resources that have been restricted by external parties for specific programs, projects and purposes. Remaining net assets carry no external restrictions, but are dedicated toward carrying out the District's primary mission and necessary support services. Over time, increases or decreases in net assets may serve as a useful indicator of whether the District's financial position is improving or deteriorating.

Condensed Financial Information

Condensed Statement of Net Assets as of June 30:

	2009	2008
Assets:		
Current assets	$ 10,462,125	$ 9,153,844
Noncurrent assets, other than capital assets	124,483	173,645
Capital assets, net	16,376,073	17,258,132
Total assets	26,962,681	26,585,621
Liabilities:		
Long-term liabilities	12,281,713	12,907,675
Other liabilities	822,715	1,853,278
Total liabilities	13,104,428	14,760,953
Net assets:		
Invested in capital assets, net of related debt	4,641,128	4,981,341
Restricted net assets	86,844	313,737
Unrestricted net assets	9,130,281	6,529,590
Total net assets	$ 13,858,253	$ 11,824,668

The District's fiscal year 2009 financial position showed substantial growth, 17.2 percent, in net assets over fiscal year 2008. This was primarily due to cost savings measures, higher property tax revenues and increased net tuition and fees income.

The condensed financial information below highlights the main categories of the *Statement of Revenues, Expenses, and Changes in Net Assets.* Tuition and fees – net of scholarship allowances, in the amount of $4,510,286 are included in operating revenues. In compliance with pronouncements issued by GASB, scholarship allowances are reported as deductions from tuition and fees revenues instead of as scholarship expense. The construction and acquisition of capital assets, although budgeted and recorded as an expense in the accounting system, is not reported as an expense in these statements. Such transactions are instead capitalized and reported as assets – with the systematic allocation of such costs (depreciation) expensed over the useful lives of the assets constructed or acquired. The District shows an operating loss reflecting that three of the largest revenue sources, property taxes, government grants and state appropriations, are considered nonoperating revenues. For a description of the differences between operating and nonoperating, please refer to the Summary of Significant Accounting Policies (Note 1), which directly follows the presentation of the financial statements.

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

	2009	2008
Operating revenues	$ 5,294,808	$ 4,290,418
Operating expenses:		
Educational and general	30,908,285	28,114,903
Auxiliary enterprises	442,944	202,412
Depreciation	1,417,859	1,265,072
Total operating expenses	32,769,088	29,582,387
Operating loss	(27,474,280)	(25,291,969)
Nonoperating revenues	30,092,299	26,888,151
Nonoperating expenses	(584,434)	(608,948)
Income before other revenues, expenses, gains and losses	2,033,585	987,234
Other revenues, expenses, gains or losses: Contributions	-	598,038
Increase in net assets	2,033,585	1,585,272
Net assets, beginning of year	11,824,668	10,239,396
Net assets, end of year	$ 13,858,253	$ 11,824,668

Operating revenues, which increased 23.4 percent, were impacted most by a 36.8 percent increase in net tuition and fees revenue. In addition to an increase in full-time equivalent students (11.9%), tuition charges increased ($5/credit hour in-state, $7.50 WUE, and $15 out-of-state) in accordance with a tuition restructuring schedule (Mohave Community College participates in the Western Undergraduate Exchange Program (WUE), a program of the Western Interstate Commission for Higher Education (WICHE). Residents of eligible states (currently Alaska, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington and Wyoming) will be charged significantly reduced WUE tuition).

Private donations, which are processed through the Mohave Community College Foundation, Inc. with the Foundation forwarding donations to the District when appropriate, decreased 42.6 percent or $244,192. Food service income remained flat, growing less than one percent to $37,971. Other sales and services decreased 16.8 percent or $25,865 as facility rental and dental clinic revenues declined along with economic conditions.

Operating expenses rose 10.8 percent due to increases in several major categories. Scholarship expenses increased $612,363 as the difficult economic times increased both enrollment and the financial needs of each student. Instruction increased $676,885 due to salary increases (part of an institution wide increase) and several new instructor positions. Student Services rose $419,344 primarily due to salary increases. Institutional support expenses grew $767,787 through salaries, an increase in student receivable write-offs and improved technology equipment and services.

Though each of the above functional areas saw significant growth, expenses remained well below established budget levels. This was the primary driver, along with improved tuition and fees revenue, for the increase in net assets for the District. The under budget spending was due to college-wide cost-savings measures adopted early in the fiscal year as a pro-active response to an anticipated reduction in state funding. The state budget crisis resulted in a mid-year reduction in state appropriations including the complete removal of $591,200 in capital outlay funding received the prior year. The reductions are expected to continue and potentially increase in future fiscal years. Savings measures enacted in 2008-09 are an early response to such funding deficits.

Nonoperating revenues increased due to a strong increase in property tax revenue of $862,239 due to established Truth-in-Taxation law which provides the District with authority to levy tax at a rate that will increase the levy limit by 2% annually. In addition to that increase the tax rate is applied to any new construction in the county during the year. A substantial increase of $2,962,365 in government grants and contracts was the result of more Pell grants being awarded and a significant grant received from the Arizona Office of Economic Recovery through the American Recovery and Reinvestment Act of 2009. Nonoperating expenses, driven by interest on debt, decreased 4.1 percent as further discussed under Long-Term Debt in the Financial Highlights and Analysis section.

State appropriations decreased over the previous fiscal year as the State budget crisis affected disbursements for the 2008-09 fiscal year. Appropriations were reduced 10.7% and capital appropriations were reduced 100% over the previous year. In an effort to cover this funding shortfall the State of Arizona passed along federal stimulus funds in late 2008-09. The federal funds were applied for and awarded but not yet disbursed as of June 30, 2009. The funds, in the amount of $874,960, were recognized as non-operating government grants and contracts with an offsetting government grant receivable. The remaining $2,087,405 increase in government grants and contracts is directly related to the substantially increased enrollment and the increased financial needs of students in a struggling economy.

The following schedule presents a summary and comparison of revenues for the fiscal years ended June 30, 2009 and June 30, 2008:

Revenues by Source

	Fiscal Year 2009		Fiscal Year 2008		Increase / (Decrease)	
Operating revenues	Amount	% of Total	Amount	% of Total	Amount	% Change
Tuition and fees (net of scholarship allowances)	$ 4,510,286	12.7%	$ 3,296,204	10.4%	$ 1,214,082	36.8%
Private grants and contracts	329,024	0.9%	573,216	1.8%	(244,192)	-42.6%
Bookstore income	246,254	0.7%	202,379	0.6%	43,875	21.7%
Other operating revenues	209,244	0.6%	218,619	0.7%	(9,375)	-4.3%
Total operating revenues	5,294,808	14.9%	4,290,418	13.5%	1,004,390	23.4%
Nonoperating revenues						
Government grants	9,512,174	26.9%	6,549,809	20.6%	2,962,365	45.2%
Property taxes	16,235,016	45.9%	15,372,777	48.4%	862,239	5.6%
State appropriations	3,748,881	10.6%	4,196,900	13.2%	(448,019)	-10.7%
Other	596,228	1.7%	768,665	2.4%	(172,437)	-22.4%
Total nonoperating revenues	30,092,299	85.1%	26,888,151	84.6%	3,204,148	11.9%
Capital appropriations	-	0.0%	591,200	1.9%	(591,200)	-100.0%
Capital grants and gifts	-	0.0%	6,838	0.0%	(6,838)	-100.0%
Total revenues	$ 35,387,107	100.0%	$ 31,776,607	100.0%	$ 3,610,500	11.4%

Please refer to the Financial Highlights and Analysis section for a discussion of major changes in revenue items.

The following schedule presents a summary and comparison of expenses for the fiscal years ended June 30, 2009 and June 30, 2008:

Expenses by Function

	Fiscal Year 2009		Fiscal Year 2008		Increase / (Decrease)	
Operating expenses	Amount	% of Total	Amount	% of Total	Amount	% Change
Education and general:						
Instruction	$ 8,569,285	25.7%	$ 7,892,400	26.1%	$ 676,885	8.6%
Academic support	3,696,088	11.1%	3,591,507	11.9%	104,581	2.9%
Student services	3,844,024	11.5%	3,424,680	11.3%	419,344	12.2%
Institutional support	7,981,597	23.9%	7,213,810	23.9%	767,787	10.6%
Operation and maintenance of plant	2,684,752	8.0%	2,476,724	8.2%	208,028	8.4%
Scholarships	4,014,019	12.0%	3,401,656	11.3%	612,363	18.0%
Other	118,520	0.4%	114,126	0.4%	4,394	3.9%
Auxiliary operations	442,944	1.3%	202,412	0.7%	240,532	118.8%
Depreciation	1,417,859	4.3%	1,265,072	4.2%	152,787	12.1%
Total operating expenses	32,769,088	98.2%	29,582,387	98.0%	3,186,701	10.8%
Nonoperating expenses						
Interest expense on debt	583,862	1.8%	608,948	2.0%	(25,086)	-4.1%
Loss on disposal of capital assets	572	0.0%	-	0.0%	-	0.0%
Total nonoperating expenses	584,434	1.8%	608,948	2.0%	(25,086)	-4.1%
Total expenses	$ 33,353,522	100.0%	$ 30,191,335	100.0%	$ 3,161,615	10.5%

Please refer to the Financial Highlights and Analysis section for a discussion of major changes within the various functions.

Financial Highlights and Analysis

The District's financial position at June 30, 2009 was stronger than at June 30, 2008, as increased taxes, gross tuition revenue and expenses below budget had positive results on net assets. A strong increase in property tax revenue was due to established Truth-in-Taxation law which provides the District with authority to levy tax at a rate that will increase the levy limit by 2% annually. In addition to that increase the tax rate is applied to any new construction in the county during the year.

Investment income for the 2008-2009 fiscal year decreased 63.1 percent or $132,219 as the result of a major shifting in investing strategy. In September 2008 events on Wall Street led administration and the Governing Board to move District funds into the safest possible investments. After a period of transition, funds were invested into Certificates of Deposit through the CDARS program. This program enabled the entirety of District funds to be fully FDIC insured. The transition period and lower interest rates explain the sharp decline in investment income.

Capital assets not being depreciated (Construction in Progress) increased $46,376. This was due to two ongoing projects designed to renovate existing facilities in order to create additional classrooms. A third project in progress will enhance an existing space to accommodate food service efforts at one of the campuses. Capital assets being depreciated, net of accumulated depreciation, decreased $928,435. This was due to a significant drop in capital spending over the prior year. Spending levels were well below the annual depreciation expense resulting in a net decrease in assets being depreciated. Additionally, the District disposed of $108,453 in capital equipment that no longer provided appropriate service or technology.

Current liabilities decreased $867,692 or 29.6 percent primarily as a result of a decrease in accounts payable due to the timing of payments. Deferred revenues decreased by $587,200 due to timing of when students are paying their summer tuition. Long-term debt due within one year increased $612,071 as payments on debt issuance will rise in 2009-2010. Long-term liabilities of the District decreased $1,180,763 (9.7%) during the fiscal year ended June 30, 2009. $614,896 of this decrease was due to amounts paid to reduce long-term debt principal--$465,000 on pledged revenue obligations and $149,896 on capital leases.

Net assets increased $2,033,585**,** reflecting both the increase in tuition and fees revenue and cost saving measures enacted by administration. Cash holdings, however, increased just $60,721. This was due to an increase in several receivables at fiscal year end. Student receivables increased due to students paying slower which is reflective of the economy. Prepaid expenses at June 30, 2009 were $178,001 higher than 2008 and government grants receivable grew by $477,090 or 89.5 percent. The government grants receivable increase was due to federal stimulus dollars apportioned to the District but not yet received. The federal funds, designed to reduce the impact of reduced state funding, amounted to $874,960.

Operating revenues increased by $1,004,390 or 23.4 percent from the prior fiscal year. The main component of this increase was an $1,214,082 or 36.8 percent increase in tuition and fees net of scholarship allowances. Food service income remained flat with 0.9 percent growth while bookstore revenue increased 21.7 percent, or $43,875.

Fiscal Year	FTSE
2008-09	3518
2007-08	3143
2006-07	2866
2005-06	2815
2004-05	2845
2003-04	2338

Total expenses increased 10.5 percent and operating expenses increased 10.8 percent with instruction comprising 21.2 percent of the $3,186,701 increase in operating expenses. Instruction expenses grew primarily due a 6.5 percent pay increase to faculty along with five new faculty positions. Additional positions were added for lab instructors and assistants along with an increase in associate faculty. Instructional expenses, though increasing, were significantly under budget as cost saving measures were enacted college-wide. A transition period to move from two academic chairs at each campus to one resulted in a substantial amount of savings during 2008-2009. Institutional support costs increased $767,787, a product of salary increases across the District and improved and expanded technology services. Institutional expenses were also kept below budget on account of economic conditions and state funding concerns.

Academic support costs increased $104,581 and Student service costs increased by $419,344 due mainly to pay increases and Student services costs also increased due to an increase in enrollment.

Scholarships increased $612,363, or 18.0 percent, due to higher enrollment and efforts to make as much aid as possible available to students. Auxiliary enterprises expenses increased 118.8 percent, or $240,532. This was due to non-credit courses, including leisure studies and continuing education being moved to the auxiliary function. Interest expense on debt decreased 4.1 percent or $25,086 from the prior year.

Long-Term Debt

At June 30, 2009, the District had $11,551,195 of long-term debt outstanding, including revenue bonds of $3,345,000; pledged revenue obligations of $7,945,000, and three capital leases of $261,195. During fiscal year 2009, principal reductions on pledged revenue obligations and capital leases totaled $465,000 and $149,896, respectively. Additional information on the District's long-term debt can be found in Note 4 to the basic financial statements.

Current Economic Conditions

During fiscal year 2009, economic conditions in Mohave County continued to slow. Unemployment levels have contributed to strong increases in enrollment and financial aid disbursements. The State of Arizona has been forced to deal with substantial budget deficits which are expected to continue years into the future. State appropriations were cut in an effort to reduce state spending during the fiscal year. The District fully expects additional cuts in coming years. Federal stimulus dollars were received by the State and committed to the District but not yet received as of June 30, 2009. Federal stimulus money is expected again during 2009-2010 but funding at both the Federal and State level is questionable beyond this timeframe.

The District's tuition plan increased fiscal year 08-09 tuition to $59 per credit hour and increased fiscal year 09-10 tuition to $64 per credit hour. Various program and lab fees were also increased to better match expenses with revenues.

With capital appropriations from the state completely reduced, the District was forced to accommodate substantial enrollment increases in creative ways. Several renovation projects were in progress at fiscal year end to convert existing space into classrooms and instructional areas. Additionally, the MCC Foundation, working with a local donor, will begin a project to construct a new nursing facility in the coming fiscal year.

Requests for Information

This discussion and analysis is designed to provide a general overview of the Mohave County Community College District's financial position for all those with an interest in such matters. Questions concerning any of the information provided in the basic financial statements or requests for additional financial information should be addressed to the Internal Audit Office, Mohave Community College, 1971 Jagerson Ave., Kingman, AZ 86409-1238.

MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET ASSETS – PRIMARY GOVERNMENT
JUNE 30, 2009

	Business-Type Activities
Assets	
Current assets:	
Cash and cash equivalents	$ 7,269,111
Receivables	
Accounts	46,075
Property taxes (net of allowances of $294,026)	1,054,792
Government grants and contracts	1,010,351
Student	616,368
Interest	16,381
Other	5,699
Inventories	13,463
Prepaid items	429,885
Total current assets	10,462,125
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	124,483
Capital assets, not being depreciated	684,474
Capital assets, being depreciated, net	15,691,599
Total noncurrent assets	16,500,556
Total assets	26,962,681
Liabilities	
Current liabilities:	
Accounts payable	229,877
Accrued payroll and employee benefits	208,294
Interest payable	183,749
Deferred revenues	85,744
Deposits held in custody for others	115,051
Current portion of compensated absences payable	11,172
Current portion of deferred contract payments	2,338
Current portion of long-term debt	1,225,975
Total current liabilities	2,062,200
Noncurrent liabilities:	
Compensated absences payable	714,670
Deferred contract payments	2,338
Long-term debt	10,325,220
Total noncurrent liabilities	11,042,228
Total liabilities	13,104,428
Net Assets	
Invested in capital assets, net of related debt	4,641,128
Restricted:	
Expendable:	
Grants and contracts	57,715
Capital projects	29,129
Unrestricted	9,130,281
Total net assets	$ 13,858,253

See accompanying Notes to Financial Statements.

MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF FINANCIAL POSITION – COMPONENT UNIT
JUNE 30, 2009

	Mohave Community College Foundation, Inc.
Assets	
Cash and cash equivalents	$ 196,499
Investments	3,425,086
Capital assets, net	34,536
Restricted cash and cash equivalents	18,210
Total assets	3,674,331
Liabilities	
Accounts payable	1,474
Current portion of charitable annuities payable	21,046
Charitable annuities payable, net of current portion	30,127
Total liabilities	52,647
Net Assets	
Unrestricted	2,600,778
Temporarily restricted	130,175
Permanently restricted	890,731
Total net assets	$ 3,621,684

See accompanying Notes to Financial Statements.

MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS – PRIMARY GOVERNMENT
YEAR ENDED JUNE 30, 2009

	Business-Type Activities
Operating revenues:	
Tuition and fees (net of scholarship allowances of $5,098,787)	$ 4,510,286
Private contracts	329,024
Bookstore income	246,254
Food service income	37,971
Other sales and services	127,807
Other	43,466
Total operating revenues	5,294,808
Operating expenses:	
Educational and general:	
Instruction	8,569,285
Public service	118,520
Academic support	3,696,088
Student services	3,844,024
Institutional support	7,981,597
Operation and maintenance of plant	2,684,752
Scholarships	4,014,019
Auxiliary enterprises	442,944
Depreciation	1,417,859
Total operating expenses	32,769,088
Operating loss	(27,474,280)
Nonoperating revenues (expenses):	
Government Grants	9,512,174
Property taxes	16,235,016
State appropriations	3,748,881
Share of state sales taxes	518,805
Investment income, net of investment expense	77,423
Interest expense on debt	(583,862)
Loss on disposal of capital assets	(572)
Total nonoperating revenues (expenses)	29,507,865
Increase in net assets	2,033,585
Total net assets, July 1, 2008	11,824,668
Total net assets, June 30, 2009	$ 13,858,253

See accompanying Notes to Financial Statements.

MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF ACTIVITIES – COMPONENT UNIT
YEAR ENDED JUNE 30, 2009

Mohave Community College Foundation, Inc.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support:				
Contributions and dues	$ 29,158	$ 487,190	-	$ 516,348
Interest/dividend income	16,017	101,353	-	117,370
Investment return	127,427	(343,801)	-	(216,374)
Special events	15,662	-	-	15,662
Donations-in-kind	1,295,258	-	-	1,295,258
Net assets released from restrictions:				
Satisfaction of program restrictions	377,924	(377,924)	-	-
Total revenues, gains, and other support	1,861,446	(133,182)	-	1,728,264
Expenses and losses:				
Accounting	15,306	-	-	15,306
Advertising	3,663	-	-	3,663
Auto/travel	4,313	-	-	4,313
Fund-raising	12,619	-	-	12,619
Lobbying	25,000	-	-	25,000
Printing supplies and other	72,659	-	-	72,659
Wages & benefits	54,876	-	-	54,876
Payments to/from College	575,626	-	-	575,626
Distributions to beneficiaries of life income and life estates	22,026	-	-	22,026
Depreciation	3,260	-	-	3,260
Total expenses	789,348	-	-	789,348
Change in net assets	1,072,098	(133,182)	-	938,916
Net assets at beginning of period	1,528,680	278,357	875,731	2,682,768
Prior period adjustments	-	(15,000)	15,000	-
Net assets at end of period	$ 2,600,778	$ 130,175	$ 890,731	$3,621,684

See accompanying Notes to Financial Statements.

MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS – PRIMARY GOVERNMENT
YEAR ENDED JUNE 30, 2009

	Business-Type Activities
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
Cash flows from operating activities	
Tuition and fees	$ 3,831,687
Contracts	428,161
Bookstore receipts	246,254
Food service receipts	37,971
Other receipts	236,973
Cash payments to employees for services	(18,744,113)
Cash payments to suppliers for goods/services	(9,555,853)
Payments for scholarships	(4,014,019)
Net cash provided by (used for) operating activities	(27,532,939)
Cash flows from non-capital financing activities	
Contracts	9,035,084
Property taxes	16,020,445
State appropriations	3,748,881
Share of state sales tax	518,805
Deposits held in custody for others received	377,792
Deposits held in custody for others disbursed	(424,268)
Net cash provided by (used for) non-capital financing activities	29,276,739
Cash flows from capital and related financing activities	
Acquisition of capital assets	(540,927)
Principal paid on capital leases	(149,896)
Interest paid on capital leases and bonds payable	(593,033)
Principal paid on bonds payable	(465,000)
Proceeds from sale of capital assets	4,555
Net cash provided by (used for) capital and related financing activities	(1,744,301)
Cash flows from investing activities	
Interest	61,222
Net cash provided by investing activities	61,222
Net increase in cash and cash equivalents	60,721
Cash and cash equivalents at beginning of year	7,332,873
Cash and cash equivalents at end of year	$ 7,393,594

(Continued)

See accompanying Notes to Financial Statements.

MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS – PRIMARY GOVERNMENT (CONTINUED)
YEAR ENDED JUNE 30, 2009

RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES	Business-Type Activities
Operating loss	$ (27,474,280)
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation	1,417,859
Changes in assets and liabilities	
Decrease (increase) in student receivable	(1,616,261)
Decrease (increase) in accounts receivable	62,422
Decrease (increase) in donors receivable	99,137
Decrease (increase) in other receivable	3,278
Decrease (increase) in prepaid items	(178,001)
Decrease (increase) in inventories	5,957
Increase (decrease) in deferred contracts	(18,914)
Increase (decrease) in accounts payable	(619,333)
Increase (decrease) in deferred revenue	937,662
Increase (decrease) in accrued payroll	(160,313)
Increase (decrease) in compensated absences payable	7,848
Net cash used for operating activities	$ (27,532,939)

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

For the year ended June 30, 2009, the District implemented the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. GASB Statement No. 49 establishes standards for accounting and financial reporting, including note disclosure requirements for pollution remediation obligations. The implementation of GASB Statement of No. 49 had no effect on the District's financial statements.

A. Reporting Entity

The District is a special-purpose government that is governed by a separately elected governing body. It is legally separate and fiscally independent of other state and local governments. The accompanying financial statements present the activities of the District (the primary government) and its discretely presented component unit, the Mohave Community 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 programs. Although the District does not control the timing or amount of receipts from the Foundation, the Foundation's restricted resources can only be used by, or for the benefit of, the District or its constituents. Consequently, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements.

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

During the year ended June 30, 2009, the Foundation distributed $575,626 to the District for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Foundation Office, 1971 Jagerson Avenue, Kingman Arizona, 86409-1238.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation and Accounting

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

A statement of net assets provides information about the assets, liabilities, and net assets of the District at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified according to external donor restrictions or availability of assets to satisfy District obligations. Invested in capital assets, net of related debt represents the value of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the assets. Expendable restricted net assets represent grants, contracts, gifts, and other resources that have been externally restricted for specific purposes. Unrestricted net assets include all other net assets, including those that have been designated by management to be used for other than general operating purposes.

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation and Accounting (Continued)

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

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, and highly liquid investments. All investments are stated at fair value.

D. Inventories

Inventory is stated at cost using the weighted-average method.

E. Capital Assets

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	$ 1	Not Applicable	
Buildings and improvements	5,000	Straight line	20-40 years
Improvements other than buildings	5,000	Straight line	15 years
Equipment	5,000	Straight line	5 years
Library books	1	Straight line	10 years
Software systems	5,000	Straight line	15 years

F. Investment Earnings

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Compensated Absences

Compensated absences consist of Paid Time Off (PTO) based on services already rendered and a calculated amount of sick leave earned by employees prior to July 1, 2005.

Sick leave benefits provide for ordinary sick pay and were cumulative through June 30, 2005. These benefits carried forward into fiscal year 2009 in a Sick Leave Reserve (SLR) account to be used only for sick leave prior to using PTO for sick leave. Sick leave does not vest with an employee until the employee has been employed by the District for 15 years. The maximum number of sick leave hours an employee could accrue was 600 hours, for a maximum payout of $3,000. Only vested sick leave amounts are accrued as a liability in the financial statements.

PTO provides time off to cover vacation, sick leave if an employee has no Sick Leave Reserve and personal/emergency leave. All regular, full-time, benefits-eligible, non-temporary employees, including resident faculty scheduled to work less than twelve months annually, are eligible to accrue PTO leave credit. Maximum hours accruable for an entire fiscal year are 288 hours for administrators and 160 hours for resident faculty. Professional and support staff earn hours based on years of completed service as follows: 0 – 4 years accrue 192 hours, 5 – 9 years accrue 232 hours, 10 – 14 years accrue 272 hours and 15+ years accrue 312 hours. At any point in time, the total cumulative balance is limited to one and one-half times the annual accrual hours.

Upon termination the accrued PTO is payable based on consecutive years of service as follows: employees with 90 days – 2 years of completed service are compensated at 25 percent of the accrued amount, employees with 3 – 5 years of completed service receive 50 percent of the accrued amount, employees with 6 – 8 years of completed service are paid 75 percent of the accrued amount, and employees with 9+ years of completed service receive 100 percent of the accrued amount. These amounts are accrued as a liability in the financial statements.

H. Scholarship Allowances

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

NOTE 2 DEPOSITS AND INVESTMENTS

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

Deposits - At June 30, 2009, the total cash on hand was $1,851, the carrying amount of the District's deposits was $7,314,990 and the bank balance was $7,540,155. At June 30, 2009 $460 of the District's bank balance was uninsured and uncollateralized. The District does not have a policy with respect to custodial credit risk for deposits.

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

	Fair Value
County Treasurer's investment pool	$ 76,753

No oversight is provided for the County Treasurer's investment pool, and that pool's structure does not provide for shares.

Credit risk - The District does not have a formal policy with respect to credit risk. As of June 30, 2009, credit risk for the District's investments was as follows:

Investment Type	Rating	Rating Agency	Amount
County Treasurer's investment pool	Unrated	Not applicable	$ 76,753

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

Interest rate risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's policy limits the District's investment portfolio to maturities of less than one year. At June 30, 2009, the District had the following investments in debt securities:

Investment Type	Investment Maturities - Less than 1 year
County Treasurer's investment pool	$ 76,753

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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

Cash, deposits, and investments:		Statement of Net Assets:		
Cash on hand	$ 1,851	Cash and cash equivalents	$ 7,269,111
Carrying amount of deposits	7,314,990	Restricted assets:	
Reported amount of investments	76,753	Cash and cash equivalents	124,483
Total	$ 7,393,594	Total:	$ 7,393,594

NOTE 3 CAPITAL ASSETS

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

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets not being depreciated:				
Land	$ 638,098	$ -	$ -	$ 638,098
Construction in Progress	-	46,376	-	46,376
Total capital assets not being depreciated	638,098	46,376	-	684,474
Capital assets being depreciated:				
Buildings and improvements	22,941,873	29,812	-	22,971,685
Improvements other than buildings	2,922,452	-	-	2,922,452
Equipment	2,267,855	316,548	108,453	2,475,950
Library books	1,677,817	37,092	-	1,714,909
Software systems	932,908	111,099	-	1,044,007
Total capital assets being depreciated	30,742,905	494,551	108,453	31,129,003
Less accumulated depreciation for:				
Buildings and improvements	9,492,349	688,093	-	10,180,442
Improvements other than buildings	1,677,929	191,668	-	1,869,597
Equipment	1,581,898	307,814	103,326	1,786,386
Library books	1,328,724	168,090	-	1,496,814
Software systems	41,971	62,194	-	104,165
Total accumulated depreciation	14,122,871	1,417,859	103,326	15,437,404
Total capital assets being depreciated, net	16,620,034	(923,308)	5,127	15,691,599
Capital assets, net	$ 17,258,132	$ (876,932)	$ 5,127	$ 16,376,073

The District was performing various renovation projects at year-end using District personnel. The estimated cost to complete was $79,923.

NOTE 4 LONG-TERM LIABILITIES

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

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due within one year
Compensated absences payable	$ 717,994	$ 181,941	$ 174,093	$ 725,842	$ 11,172
Deferred contract payments	$ 23,590	$ -	$ 18,914	$ 4,676	$ 2,338
Bonds payable:					
Pledged revenue obligations	$ 8,365,000	$ -	$ 420,000	$ 7,945,000	$ 1,070,000
Revenue refunding bonds	3,390,000	-	45,000	3,345,000	5,000
Capital leases payable	411,091	-	149,896	261,195	150,975
Total long-term debt	$ 12,166,091	$ -	$ 614,896	$ 11,551,195	$ 1,225,975

See Note 8 for explanation of deferred contract payments at June 30, 2009.

Pledged revenue obligations – The District's pledged revenue obligations debt consists of obligations issued under the terms of agreements with the trustee and are generally callable. The obligations are payable solely from lease payments pursuant to lease purchase agreements and mature in 1 to 12 years. The lease payments are equal to the principal and interest requirements with respect to the obligations and are payable from and secured by the District's tuition, fees, rentals, and other charges paid by students, faculty, and others. The proceeds from the Series 2000 Pledged Revenue Obligations, issued in the amount of $4,350,000, were used to construct new classrooms and revenue-producing facilities and for repairs, improvements, and renovations to existing buildings. The total principal and interest remaining to be paid on the bonds is $5,225,325. Principal and interest paid for the current year and total pledged revenues were $239,250 and $4,884,347, respectively. The proceeds from the Series 2001 Refunding Pledged Revenue Obligations, issued in the amount of $4,630,000, were used to advance refund older, higher rate certificates of participation. The total principal and interest remaining to be paid on the bonds is $2,960,005. Principal and interest paid for the current year and total pledged revenues were $493,195 and $4,884,347, respectively. Proceeds of the Series 2005 Pledged Revenue Obligations, issued during fiscal year 2005-2006 in the amount of $1,325,000, were used to: (i) design, construct, furnish and equip a classroom building, (ii) pay the premium of $22,174 for a municipal bond insurance policy for the Series 2005 Obligations and (iii) pay all legal, financial and other costs of $83,194 relating to the execution and delivery of the Series 2005 Obligations. The total principal and interest remaining to be paid on the bonds is $1,402,380. Principal and interest paid for the current year and total pledged revenues were $114,376 and $4,884,347, respectively. Annual principal and interest payments on the bonds are expected to require less than 50 percent of revenues.

NOTE 4 LONG TERM LIABILITIES (CONTINUED)

Pledged revenue obligations outstanding at June 30, 2009 were as follows:

Description	Original Amount	Interest rates	Maturities	Outstanding Principal
Series 2000	$ 4,350,000	5.50%	3/1/10-15	$ 4,350,000
Series 2001	$ 4,630,000	3.75-5.25%	3/1/08-15	$ 2,480,000
Series 2005	$ 1,325,000	3.5-4.125%	9/1/07-20	$ 1,115,000
			Total	$ 7,945,000

Pledged revenue obligations debt service requirements to maturity are as follows:

Year ending June 30,	Principal	Interest
2010	$ 1,070,000	$ 409,409
2011	1,125,000	356,169
2012	1,180,000	299,884
2013	1,245,000	235,411
2014	1,325,000	167,395
2015-19	1,775,000	165,058
2020-21	225,000	9,384
Total	$ 7,945,000	$ 1,642,710

Revenue refunding bonds – The District's revenue refunding bonds consist of Series 2006 bonds that are generally callable with interest payable semiannually. The bond proceeds were used to refund the Series 2000 Revenue Bonds. The revenue refunding bonds are repaid from tuition, fees, rentals and other charges paid by students, faculty, and others. The total principal and interest remaining to be paid on the bonds is $4,615,038. Principal and interest paid for the current year and total pledged revenues were $187,325 and $4,884,347, respectively.

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

Description	Original Amount	Interest rates	Maturities	Outstanding Principal
Series 2006	$ 3,490,000	4.0-4.25%	3/1/08-20	$ 3,345,000

Revenue refunding bonds debt service requirements to maturity are as follows:

Year ending June 30,	Principal	Interest
2010	$ 5,000	$ 140,525
2011	5,000	140,325
2012	5,000	140,125
2013	10,000	139,925
2014	10,000	139,525
2015-19	2,595,000	539,225
2020	715,000	30,388
Total	$ 3,345,000	$ 1,270,038

NOTE 4 LONG TERM LIABILITIES (CONTINUED)

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 revenue bonds. Accordingly, the trust accounts assets and the liability for these defeased revenue bonds are not included in the District's financial statements. At June 30, 2009, the following outstanding revenue bonds were considered defeased:

Description	Amount
Revenue bonds	$ 3,135,000

Capital leases – The District has acquired equipment under the provisions of various long-term agreements classified as capital leases for accounting purposes because the agreements provide for a bargain purchase option or a transfer of ownership by the end of the lease term. The assets acquired under capital leases are as follows:

Equipment	$ 840,376
Less: Accumulated Depreciation	65,435
Carrying value	$ 774,941

The following schedule details debt service requirements to maturity for the District's capital leases payable at June 30, 2009:

Year ending June 30	
2010	$ 161,782
2011	113,126
Total minimum lease payments	274,908
Less amount representing interest	13,713
Present value of net minimum lease payments	$ 261,195

NOTE 5 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates with eight other community college districts and more than 200 Arizona school districts in the Arizona School Risk Retention Trust, Inc., a public entity risk pool. The Trust insures the District against liabilities arising from general liability, professional liability, property, and commercial crime risks. The Trust's operating agreement includes a provision for member assessment in the event that total claims paid by the Trust exceed the contributions and reserves in any one year. The assessment is limited to the contribution amount paid by the District during the year in which the assessment is applied. The Trust has never had such an assessment. The District also carries commercial insurance for other risks of loss, including workers' compensation and accidental death and dismemberment for students. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

The District is one of five members of the Mohave Schools Insurance Consortium, which provides life insurance and medical, dental and vision benefits to eligible employees of Consortium members. An independent administrator provides the Consortium with claims and recordkeeping services. The District is responsible for paying the premiums for eligible employees, but requires employees to pay premiums for spousal and dependent coverage. The District would be assessed an additional contribution should the Consortium become insolvent. This additional contribution shall not exceed the amount of the District's annual premium. Should the District withdraw from the Consortium, the District would then be responsible for its proportional share of claims and would forfeit all rights to the return of any surplus, unearned contributions, or other legally permitted distributions from the Consortium. Whether the District withdraws or the Consortium becomes insolvent, the District remains liable for assessments for liabilities of the Consortium incurred during the District's period of membership in the Consortium. There have been no additional contributions beyond the required premiums in any of the past 3 fiscal years.

NOTE 6 OPERATING LEASES

The District leases equipment under the provisions of various long-term lease agreements classified as operating leases for accounting purposes. Rental expenses under the terms of the operating leases were $210,374 for the year ended June 30, 2009. The operating leases have remaining noncancelable terms of from one to two and one-half years. The future minimum payments required under the operating leases at June 30, 2009, were as follows:

Year ending June 30,	
2010	$ 167,023
2011	137,139
2012	69,957
Total	$ 374,119

NOTE 7 PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan descriptions - The District contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health care plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System. The Arizona State Retirement System (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by state statute. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

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

Funding policy - The Arizona State Legislature establishes and may amend active plan members' and the District's contribution rates. For the year ended June 30, 2009, active plan members were required by statute to contribute at the actuarially determined rate of 9.45 percent (8.95 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll and the District was required by statute to contribute at the actuarially determined rate of 9.45 percent (7.99 percent for retirement, 0.96 percent for health insurance premium, and 0.5 percent for long-term disability) of the members' annual covered payroll.

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

	Retirement Fund	Health Benefit Supplement Fund	Long-term Disability Fund
Years ended June 30,			
2009	$ 935,036	$ 121,602	$ 59,030
2008	923,465	120,452	57,358
2007	767,776	100,145	47,688

NOTE 8 SIGNIFICANT COMMITMENTS

In January, 2003 the District entered into a 7-year commitment with a comprehensive consulting services company specializing in higher education for the operation and management of information technology at the District. The contract terms consist of an initial 3-year term plus a 4-year extension. The District can cancel the contract at any time, but upon cancellation, the District will be required to pay termination fees of $100,000, the balance of deferred contract payments, and agreed-upon transition costs. Total contract payments at the contract's inception were $9,869,242 adjusted annually based on changes in the Consumer Price Index-All Urban Consumers (CPI-U). Annual payments under this agreement based on the CPI-U at June 30, 2009 is $852,003 to be paid through the year ending June 30, 2010.

The amounts listed above will be expensed in future years when the services are performed. Of the amount of $1,752,987 paid during the fiscal year, $1,734,073 was recorded as an expense in the current year for services performed during the year ended June 30, 2009 and $18,914 was applied to reduce the liability for deferred contract payments at June 30, 2009.

NOTE 9 OPERATING EXPENSES

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

Personal services	$ 18,591,648
Contract services	4,245,764
Supplies and other services	2,442,046
Communications and utilities	1,098,602
Scholarships	4,014,019
Depreciation	1,417,859
Other	959,150
Total	$ 32,769,088

NOTE 10 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES

The District's discretely presented component unit is comprised of the Mohave Community College Foundation, Inc. (Foundation).

A. Nature of Activities and Summary of Significant Accounting Policies

General - Mohave Community College Foundation, Inc. (Foundation) was organized in 1977 as a nonprofit educational organization whose primary purpose is to support education through the Mohave County Community College District. The Foundation is an exempt organization for federal income tax purposes under Section 501(c)(3) of the Internal Revenue Code.

Method of Accounting - The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Description of Programs - The Foundation supports education by using the contributions it receives to provide scholarships, capital improvements, and other services for the benefit of Mohave County Community College's students, faculty, staff, administration, and community.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. As restrictions are met, these revenues become unrestricted and are then allowed to be expended.

Contributed Services - The Foundation does not normally recognize in the financial statements any support, revenue or expense, from services contributed by volunteers.

Fund-raising – The Foundation conducts various fund-raising events throughout the year. Total fund-raising revenues received and expenses incurred for the year ended June 30, 2009 were $15,662 and $12,619, respectively.

Use of 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.

B. Cash and Cash Equivalents

The Foundation's cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

At June 30, 2009, the carrying amount of the Foundation's deposits was $214,596 and the bank balance was $213,854 which was covered 100% by federal depository insurance.

At June 30, 2009, $18,210 of cash and cash equivalents were temporarily restricted.

NOTE 10 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

C. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values as of June 30, 2009 in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investments in unimproved real estate are valued at fair market value at the time of donation.

Investments are recorded at fair market value and consist of various securities - including stocks, bonds, and mutual funds - unimproved real estate, notes receivable and investment in a partnership, as follows at June 30, 2009:

Securities	$ 2,179,886
Notes receivable	446
Unimproved real estate	1,244,754
Total	$ 3,425,086

Investment income is summarized as follows at June 30, 2009:

	Investments
Realized loss on sale of undeveloped land	$ (1,798)
Net return on investment securities	(214,576)
Investment return on capital	(216,374)
Interest/dividend income	117,370
Overall investment income/(loss)	$ (99,004)

D. Endowments

The MCC Foundation manages 18 individual scholarship endowment funds containing donor prescribed descriptions of students eligible to receive scholarships, five funds designated by the Board of Directors to function as endowments, and two charitable remainder trusts. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 10 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

D. Endowments (Continued)

Interpretation of Relevant Law

The Board of Directors of the MCC Foundation has interpreted the Arizona Management of Charitable Funds Act, Arizona's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the MCC 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 organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the MCC 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 organization and the donor-restricted endowment funds
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 organization
7. The investment policies of the organization

Endowment net asset composition by type of fund as of June 30, 2009 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	$ 84,186	$ 40,904	$ 890,731	$ 1,015,821
Board-Designated Endowment Funds	1,134,468	-	-	1,134,468
Total Funds	$ 1,218,654	$ 40,904	$ 890,731	$ 2,150,289

NOTE 10 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

D. Endowments (Continued)

Changes in endowment net assets for the year ended June 30, 2009 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	$ 1,601,450	$ 57,413	$ 936,567	$ 2,595,430
Investment Return:				
Investment Income	78,537	4,914	1,101	84,552
Net Depreciation (Realized and Unrealized)	(166,745)	(15,623)	(2,265)	(184,633)
Total Investment Return	(88,208)	(10,709)	(1,164)	(100,081)
Contributions	293	-	-	293
Appropriation of Endowment Assets for Expenditure	(294,881)	(5,800)	(44,672)	(345,353)
Endowment Net Assets, End of Year	$ 1,218,654	$ 40,904	$ 890,731	$ 2,150,289

Descriptions of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only) at June 30, 2009 is as follows:

Permanent Restricted Net Assets:	
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 890,731
Temporarily Restricted Net Assets:	
The portion of perpetual endowment funds subject to a time restriction under UPMIFA with purpose restrictions	$ 40,904

Funds with Deficiencies

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 UPMIFA requires the MCC Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $43,928 as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred during the first three quarters of the fiscal year.

NOTE 10 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

D. Endowments (Continued)

Return Objectives and Risk Parameters
The MCC 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. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board designated funds. Under this investment policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The MCC Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 9 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, the MCC 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 for a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy
The MCC Foundation has a policy of appropriating the levels of distribution each year as specified in virtually all of its scholarship endowments. As new endowments are secured in which the distribution amounts are not specified, the Foundation will distribute its capital appreciation and current yield gains using a rolling five year average to create a stabilized annual distribution percentage. This is consistent with the organization'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.

E. Capital Assets

Donated capital assets are recorded at their estimated fair market values at the date of donation. Maintenance, repairs and renewals, which neither materially add to the value of property nor appreciably prolong life, are charged to expense as incurred. Major renewals and betterments are capitalized. Gains and losses on dispositions of property and equipment are included in revenue in the year of disposition.

NOTE 10 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

E. Capital Assets (Continued)

Depreciation of physical properties is calculated on the straight-line method over the following estimated useful lives:

Vehicles	5 Years

Changes in capital assets for fiscal year 2009 are as follows:

	Balance 06/30/08	Additions	Deletions	Balance 06/30/09
Vehicles	$ 31,010	$ 24,999	$ 27,208	$ 28,801
Art collection	9,126	250	-	9,376
Total	40,136	25,249	27,208	38,177
Less: Accumulated depreciation	(24,867)	(3,260)	(24,486)	(3,641)
Net book value of capital assets	$ 15,269	$ 21,989	$ 2,722	$ 34,536

F. Split Interest Agreements – Charitable Trusts

The Foundation has entered into charitable gift annuity agreements wherein donors (the Annuitants) conveyed to the Foundation, assets in exchange for annual payments to the annuitants during their lifetimes, or for a term of years. The liability is calculated at the date of donation by calculating the present value of the annual payments over the expected remaining life of the annuitants or term of years, whichever is greater. Contributions revenue, which is the fair market value of the contribution less its corresponding liability, is included in the statement of activities in the year of contribution. Assets under split-interest agreements included in the statement of net assets total $56,258.

The following table shows the aggregate annual maturities:

Year Ending June 30,	
2010	$ 21,046
2011	21,046
2012	9,081
	$ 51,173

The Foundation also has a remainder interest in various trusts that are required, upon the fulfillment of the trust terms, to transfer a portion of all of the trust assets to the Foundation. The market value of the Foundation's interest at June 30, 2009 is unknown because the trust value is not required to be reported to the Foundation.

NOTE 10 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

G. Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of the unspent portion of various restricted donations and the amounts held in investments under charitable annuity trust arrangements net of charitable annuities payable, as shown below.

Charitable Remainder Trusts	$ 5,085
Scholarships	125,090
Total Temporarily Restricted Net Assets	$ 130,175

H. Permanently Restricted Net Assets

Permanently restricted net assets are comprised of the following contributions:

Arnold Scholars Fund	$ 70,000
Arizona Board of Realtors Fund	11,910
Brazie Memorial Fund	27,558
Clark Nurses Fund	10,734
Don Hunt Fund	50,053
Ed Redman Fund	45,000
Ford-Davis Fund	19,000
Grace Neal Fund	227,751
ING Scholarship Fund	10,000
Jayne Williams Fund	229,873
Johnson Memorial Fund	24,012
Kingman Airport Authority Fund	15,000
Mary Bruce Bushman Memorial Fund	42,760
Mohave Electric Co-op Fund	30,000
Newcomer Fund	20,080
Stella Redman Fund	45,000
Veterans Forties Fund	12,000
Total permanently restricted net assets	$ 890,731

I. Prior Period Adjustment

The June 30, 2008 financial statements included the Kingman Airport Authority Endowment Fund in temporarily restricted net assets. Per review of the fund documents this balance should be recorded as permanently restricted. Thus, a prior period adjustment was recorded to transfer the balance from temporarily restricted net assets to permanently restricted net assets.

MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Catalog Number	Pass-Through Entity Identifying Number	Expenditures
Student Financial Aid Cluster			
Department of Education:			
Federal Pell Grant Program	84.063		$ 7,486,653
Supplemental Educational Opportunity Grant Program	84.007		61,333
Federal Workstudy Program	84.033		98,505
Academic Competitiveness Grant Program	84.375		29,100
Federal Family Education Loans (FFEL)	84.032		12,021,879
Total Student Financial Aid Cluster			19,697,470
Other Programs			
Department of Education			
Title III			
Improving Student Success: High Risk, Low Income, First Generation Students	84.031		146,794
Total Title III Programs			146,794
Pass-Through Programs From:			
State of Arizona Department of Education			
Adult Education - State Grant Program	84.002	09FAEABE-970556-02A	125,109
Adult Education - State Grant Program	84.002	09FAECIV-970556-04A	8,096
			133,205
Vocational Education - Basic Grants to States (7/1/08 - 9/30/08)	84.048	08FCTDBG-870556-03A	117,081
Vocational Education - Basic Grants to States (7/1/08 - 6/30/09)	84.048	09FCTDBG-970556-01A	226,138
			343,219
Arizona Commission for Postsecondary Education			
Leveraging Educational Assistance Partnership	84.069	11864	8,450
Arizona College Access Aid Program	84.378	11864	17,250
Arizona Governor's Office of Economic Recovery			
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	GOER-FY2010-1006	874,960
Total Pass-Through Programs			1,377,084
Total Department of Education			21,221,348
Small Business Administration			
Pass-Through Programs From:			
Maricopa County Community College District			
Small Business Development Center (7/1/08 - 12/31/08)	59.037	8-603001-Z-0003-16	30,503
Small Business Development Center (1/1/08 - 6/30/09)	59.037	8-603001-Z-0003-17	26,749
Total Small Business Administration			57,252
Total Federal Financial Assistance			$ 21,278,600

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

MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT
SUPPLEMENTARY INFORMATION
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

NOTE 1 BASIS OF PRESENTATION

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

The Schedule is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States Local Governments, and Non-Profit Organizations*.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Auditor General of the State of Arizona
and Governing Board of
Mohave County Community College District
Kingman, Arizona

We have audited the financial statements of the business-type activities and discretely presented component unit of Mohave County Community College District (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 16, 2010. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Mohave Community College Foundation, Inc. (the Foundation), the discretely presented component unit, as described in our report on the District's financial statements. The financial statements of the Foundation were not audited by other auditors in accordance with *Government Auditing Standards.* This report does not include the results of the other auditors' testing of internal control over financial reporting that are reported on separately by those auditors.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

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

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

COMPLIANCE AND OTHER MATTERS

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

We noted certain other matters that we reported to management of Mohave County Community College District in a separate letter dated February 16, 2010.

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

LarsonAllen LLP

LarsonAllen LLP

Mesa, Arizona
February 16, 2010

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

Auditor General of the State of Arizona
and Governing Board of
Mohave County Community College District
Kingman, Arizona

COMPLIANCE

We have audited the compliance of Mohave County Community College District (the District) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Mohave County Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 09-1 through 09-9.

Auditor General of the State of Arizona
and Governing Board of
Mohave County Community College District

INTERNAL CONTROL OVER COMPLIANCE

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 09-1 through 09-9 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in the internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item 09-1 to be a material weakness.

Mohave County Community College District's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Mohave County Community College District's responses and, accordingly, we express no opinion on them.
This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Governing Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LarsonAllen LLP

LarsonAllen LLP

Mesa, Arizona
February 16, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Mohave County Community College District.

2. No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements of Mohave County Community College District.

3. No instances of material noncompliance were identified during the audit of the financial statements of Mohave County Community College District.

4. Nine significant deficiencies were identified during the audit of the major federal award programs of Mohave County Community College District, one of which was determined to be a material weakness.

5. The auditors' report on compliance for the major federal award programs for Mohave County Community College District expresses an unqualified opinion.

6. Audit findings relative to the major federal award programs for Mohave County Community College District are reported in Part C of this schedule.

7. The programs tested as major programs include:

Program	CFDA Number
Student Financial Aid Cluster	Various
Passed through the Arizona Department of Education Vocational Education - Basic Grants to States	84.048
Passed through the Arizona Governor's Office State Fiscal Stabilization Fund - Education State Grants, Recovery Funds	84.394

8. The threshold for distinguishing type A and B programs was $300,000.

9. Mohave County Community College District was not determined to be a low-risk auditee.

B. FINANCIAL STATEMENT FINDINGS

Current Year:

None reported

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

Current Year Findings:

09-1:

CFDA Number, Title and Award Number:
Student Financial Aid Cluster

Grantor:
U.S. Department of Education

Award Period:
July 1, 2008 to June 30, 2009

Condition:
During our testing, we noted that two out of the 10 students tested did not have a refund calculation performed. The College will need to return an additional $409 of Pell grants and $373 of Stafford unsubsidized loans.

Two out of 10 students tested had refund calculations performed but did not exclude the correct number of scheduled breaks of five or more consecutive days. This means the College will need to return an additional $9 of Stafford subsidized loans to the Department of Education.

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

Questioned Costs:
The cost in question is $409 of grants and $382 of Stafford loans which needs to be returned to the Department of Education.

Possible Asserted Effect:
Refund calculations were not accurately calculated.

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

Management Response:
The Return to Title IV Funds (R2T4) calculations were completed by the college and provided to the auditors immediately upon notification that they had not been done (August 2009). Funds were returned to the Pell Grant program in the amount of $409 and to the lender for the Stafford Loan in the amount of $373 by the college. No repayments were owed by the students.

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

09-1 (Continued):

Management Response (Continued):
The college recognizes that both R2T4 calculations were completed late. A thorough investigation was conducted and it was determined that a new system for collecting unofficial withdrawal dates was needed. The technology department has developed a report that captures this data and it is currently in use. The college believes this report will solve the problem of unreported unofficial withdrawals. In addition, financial aid personnel now sign all official withdrawal forms if the student has received Title IV funds. A copy of the official withdrawal form is sent to the financial aid director who then determines if an R2T4 is required. The responsible person is Bill Osborn, Financial Aid Director.

09-2:

CFDA Number, Title and Award Number:
Student Financial Aid Cluster

Grantor:
U.S. Department of Education

Award Period:
July 1, 2008 to June 30, 2009

Condition:
During our testing, we noted that the College was not reporting student enrollment data to the National Student Loan Data System (NSLDS).

Criteria:
All schools participating in the FSA programs must have some arrangements to report student enrollment data to the National Student Loan Data System (NSLDS)

Questioned Costs:
None

Possible Asserted Effect:
Student enrollment information is not being reported to National Student Loan Data System (NSLDS). This information is used to determine if the student is still considered in school, must be moved into repayment, or is eligible for an in-school deferment.

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

09-2 (Continued):

Recommendation:
We recommend the College implement procedures to assure all enrollment information is being reported to National Student Loan Data System (NSLDS) in a timely manner.

Management Response:
The college acknowledges a delay in sending a report to NSLDS for the July 15, 2009 reporting period, it was subsequently completed in September 2009. All other reporting dates were met. A staff member, who was in charge of moving the college reporting to the Clearinghouse, unexpectedly left the college and assumptions were made that the file had been sent when in fact it had not. The college understands that it is administratively responsible for ensuring the NSLDS report is completed on time and has implemented a system of checks and balances to ensure reporting is done on time.

During academic year 2009-10 the college has continued to report to NSLDS but is in the testing phase to move reporting to the Clearinghouse. NSLDS reporting is now completed manually. Clearinghouse enrollment reporting is a Jenzabar supported task which will make the reporting process more efficient and timely. The college anticipates approval for Clearinghouse participation no later than fall semester 2010. The responsible person is Bill Osborn, Financial Aid Director.

09-3:

CFDA Number, Title and Award Number:
84.032 - Federal Family Education Loans (FFEL)

Grantor:
U.S. Department of Education

Award Period:
July 1, 2008 to June 30, 2009

Condition:
During student file testing, we noted that three students of the 40 tested were first time borrowers and were disbursed Stafford loans before 30 calendar days after the student's program of study began.

Criteria:
Stafford loans for first time borrowers may not be disbursed until 30 calendar days after the student's program of study begins.

Questioned Costs:
None

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

09-3 (Continued):

Possible Asserted Effect:
Stafford loan disbursements to first time borrowers were disbursed to the student prior to 30 calendar days after the student's program of study began.

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

Management Response:
The college acknowledges that in the case of these three students the Stafford Loans were disbursed prior to the 30 day delay for first time student/first time borrowers. Prior to the semester in question the college had not been required to disburse Stafford Loans 30 days into the semester.

The college had a single loan officer who was responsible for loan certification. That loan officer left the college and a new officer was hired and trained in April 2009. The loan officer is well aware of the late disbursement requirements and although the computer software PowerFAIDS has presented some difficulties in managing late disbursements, procedures have been implemented to adhere to this requirement. In addition, one part time and one full time technician have been hired in July 2009 to assist the loan officer. The college is also now in the Direct Loan Program which allows for more control over the disbursement of loan funds. The responsible person is Bill Osborn, Financial Aid Director.

It is anticipated that these changes will result in improved monitoring of late disbursement requirements.

09-4:

CFDA Number, Title and Award Number:
84.032 - Federal Family Education Loans (FFEL)

Grantor:
U.S. Department of Education

Award Period:
July 1, 2008 to June 30, 2009

Condition:
During our testing, we identified one student who received a Stafford subsidized loan overpayment. The College did not take into consideration in the need determination calculation any grants and scholarships that are not Title IV aid, thus resulting in a $1,246 overpayment.

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

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

09-4 (Continued):

Questioned Costs:
The cost in question is $1,246 of Stafford subsidized loans which needs to be returned to the Department of Education.

Possible Asserted Effect:
The Stafford subsidized loan overpayment occurred because the College failed to follow Department of Education regulations and needs to be returned timely.

Recommendation:
We recommend the College review their procedures to assure proper calculations are performed for awarding Stafford subsidized loans.

Management Response:
The auditor determined that there was an error in this student's verification. When that error was corrected it did not make the student Pell eligible but did increase the student's need. The actual overpayment now is $960. The overpayment occurred when the student was awarded a Gear Up scholarship for spring semester 2009. The student had received this same scholarship for fall 2008 so it could have been assumed he would receive it again for spring and in fact, he had been awarded the scholarship before the spring loan actually paid. The college should have adjusted the loan when the scholarship was received but did not. The financial aid office has implemented checks and balances effective April 2009 to ensure that over awards are caught and corrective action taken. One such process has been to separate the awarding of scholarships and the certification of Direct Loans where previously these functions were done by the same person. A second process has been to run a PowerFAIDS over award report in order to identify problems that might not have been caught through manual processes. The PowerFAIDS report will be fully implemented in February 2010. The responsible person is Bill Osborn, Financial Aid Director.

09-5:

CFDA Number, Title and Award Number:
84.375 - Academic Competitiveness Grant Program

Grantor:
U.S. Department of Education

Award Period:
July 1, 2008 to June 30, 2009

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

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

09-5 Continued):

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

Questioned Costs:
None

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

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

Management Response:
The college had flagged certain ACG ISIR codes in PowerFAIDS that would generate missing information letters for students who self identified as ACG eligible. However, two ISIR codes (267 and 270), were inadvertently excluded from the flagged codes. This resulted in these students not getting the missing information letter. All codes are now included in PowerFAIDS, effective August 2009, to generate the missing information letter requesting ACG verification documents. The responsible person is Bill Osborn, Financial Aid Director.

The college reviewed the students in question and found that in each case the student was enrolled for less than full time status which would have disqualified them for ACG.

09-6:

CFDA Number, Title and Award Number:
84.063 - Federal Pell Grant Program
84.375 - Academic Competitiveness Grant Program

Grantor:
U.S. Department of Education

Award Period:
July 1, 2008 to June 30, 2009

Condition:
During our testing, we noted that the College did not submit federal grant disbursements and adjustments records within certain timeframes.

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

Criteria:
The College must submit federal Pell and ACG grant records no later than 30 days after making a disbursement or becoming aware of the need to adjust a student's disbursement.

Questioned Costs:
None

09-6 (Continued):

Possible Asserted Effect:
The late reporting on disbursements occurred because the College failed to follow Department of Education regulations on timely reporting.

Recommendation:
We recommend the College implement procedures to assure timely reporting requirements are met for future disbursements.

Management Response:
There is one student for whom the Pell Grant disbursement was not reported within 30 days to COD. In this instance, the student had four ISIR's, three corrections: 4/21/2008, 8/26/2008, 9/4/2008 and 11/5/2008. The student was approved on a non satisfactory progress appeal 8/7/2008 and set to pay in PowerFAIDS , however, the ISIR which was being corrected as a result of verification had not been received. This is a PowerFAIDS issue that allows Pell payment when an ISIR is being corrected. To address this, a new process had to be implemented, effective September 2009 to hold Pell payments from disbursing before the corrected ISIR is received. All staff has been trained in this work around procedure to ensure payment does not occur before the corrected ISIR is received. The responsible person is Bill Osborn, Financial Aid Director.

09-7:

CFDA Number, Title and Award Number:
84.032 - Federal Family Education Loans (FFEL)

Grantor:
U.S. Department of Education

Award Period:
July 1, 2008 to June 30, 2009

Condition:
During our testing, we noted that the College did not disburse Stafford loan funds to the student within three days of receipt.

Criteria:
The College is required to disburse Stafford loan funds received from the lender to the student within three days of receipt.

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

09-7 (Continued):

Questioned Costs:
None

Possible Asserted Effect:
The late disbursement occurred because the College failed to follow Department of Education regulations of timely disbursements.

Recommendation:
We recommend the College implement procedures to assure timely requirements are met for future disbursements.

Management Response:
For one student the Stafford Loan funds came from the lender on 9/12/2008, which was a Friday. The funds were disbursed to the student on 9/18/2008 which was the following Thursday. The college tried to schedule loan disbursements from lenders to coincide with the college's disbursement date schedule from PowerFAIDS to Jenzabar. At times the lenders sent disbursements on off scheduled days. The college is now a Direct Lending school, effective fall semester 2009, so this will not recur. The responsible person is Bill Osborn, Financial Aid Director.

09-8:

CFDA Number, Title and Award Number:
Student Financial Aid Cluster

Grantor:
U.S. Department of Education

Award Period:
July 1, 2008 to June 30, 2009

Condition:
During our testing, we noted two students of the 40 tested that were not correctly verified.

Criteria:
The College is required to accurately verify student information when the student is selected.

Questioned Costs:
None

Possible Asserted Effect:
Verifications are not being monitored closely to ensure appropriate procedures are performed.

Recommendation:
We recommend the College implement procedures to assure verification procedures are performed accurately.

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

09-8 (Continued):

Management Response:
The college made the corrections to the affected student's ISIR's and submitted them to Central Processing. In one case the correction resulted in lowering the student's overpayment on a Stafford Loan. In the second instance the correction made no difference to the student's award.

The college has implemented universal verification procedures on all campuses, effective August 2009. The director has trained each of the financial aid technicians on these verification procedures. The director also reviews selected files to ensure verification procedures are being followed. The responsible person is Bill Osborn, Financial Aid Director.

09-9:

CFDA Number, Title and Award Number:
84.048 – Vocational Education

Grantor:
U.S. Department of Education and Government Services, Recovery Act

Award Period:
July 1, 2007 to September 30, 2009

Condition:
No *Excluded Parties List System (EPLS)* check was being performed on vendors that the College made purchases with greater than $25,000.

Criteria:
The College is required to verify that entities are not suspended or debarred or otherwise excluded for covered transactions. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other specified criteria. This verification may be accomplished by checking the EPLS maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

Questioned Costs:
None

Possible Asserted Effect:
The College could use a suspended or debarred vendor.

Recommendation:
Management should ensure that all vendors with purchases greater than $25,000 are being checked against the EPLS.

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

Management Response:
The College was not aware of the requirement to cross-check vendors against EPLS. The College now understands the requirement and the Director of Procurement, Blaine Yost, will ensure it is implemented into the procurement process. As any procurement exceeding $25,000 requires bidding or a sole source justification the College will ensure that an EPLS check is built into this process. There is no specific timeline for when a procurement of this size may arise so the new process will be used as needed effective immediately.

Prior Year Findings:

08-1:

CFDA Number, Title and Award Number:
84.007 - Federal Supplemental Educational Opportunity Grants -P007A080124
84.033 - Federal Workstudy Program - P033A080124
84.063 - Federal Pell Grant Program - P063P083483
84.375 - Academic Competitiveness Grant - P375A083483

Grantor:
U.S. Department of Education

Award Period:
July 1, 2007 to June 30, 2008

Condition:
Disbursement reports were not always submitted to the Department of Education within 30 calendar days after the school makes a payment for 22 of the 54 submissions tested.

Criteria:
OMB Circular A-133 Special Tests and Provisions

Questioned Costs:
None

Possible Asserted Effect:
Noncompliance with OMB Circular A-133 Special Tests and Provisions

Recommendation:
In order to comply with OMB Circular A-133 Special Tests and Provisions, disbursement reports should be submitted within 30 calendar days after the school makes a payment.

Status:
The issue was not corrected. See Finding 09-6 for corrective action plan.

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

08-2:

CFDA Number, Title and Award Number:
84.007 - Federal Supplemental Educational Opportunity Grants -P007A080124
84.033 - Federal Workstudy Program - P033A080124
84.063 - Federal Pell Grant Program - P063P083483
84.375 - Academic Competitiveness Grant - P375A083483

Grantor:
U.S. Department of Education

Award Period:
July 1, 2007 to June 30, 2008

Condition:
Three of the three refunds tested, returns of Title IV funds were not always made within 45 days after the date the District determines a student has withdrawn.

Criteria:
OMB Circular A-133 Special Tests and Provisions

Questioned Costs:
$2,229.19

Possible Asserted Effect:
Noncompliance with OMB Circular A-133 Special Tests and Provisions

Auditors' Recommendation:
In order to comply with OMB Circular A-133 Special Tests and Provisions, the District should return Title IV funds in a timely manner

Status:
The issue was not corrected. See Finding 09-1 for corrective action plan.