Mohave County Community College District

Single Audit Reporting Package

Year Ended June 30, 2008

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Cronstrom
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Certified Public Accountants
A Professional Corporation

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Independent Auditor's Report

The Auditor General of the State of Arizona

The Governing Board of
Mohave County Community College District

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Mohave County Community College District (District) as of and for the year ended June 30, 2008, 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 by the other auditors in accordance with *Government Auditing Standards.* An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provides 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, 2008, 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.

As described in Note 1, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement Nos. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* and 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and No. 27)*, for the year ended June 30, 2008 which represent changes in accounting principles.

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The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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. 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2008, 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.

Cronstrom, Osuch + Company, P.C.

Cronstrom, Osuch & Company, P.C.

December 31, 2008

Management's Discussion & Analysis

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, 2008. 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, 2008. 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, 2008. 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, 2008. 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 2008, comparative data is presented for the previous fiscal year 2007. 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.

Statement of Net Assets	**As of June 30, 2008**	**As of June 30, 2007**
Current assets	$ 9,545,774	$ 7,737,024
Noncurrent assets, other than capital assets	173,645	194,276
Capital assets, net	17,258,132	17,237,540
Total assets	26,977,551	25,168,840
Long-term liabilities	12,907,675	13,416,453
Other liabilities	2,245,208	1,512,991
Total liabilities	15,152,883	14,929,444
Net assets:		
Invested in capital assets, net of related debt	4,981,341	4,479,547
Restricted net assets	313,737	335,423
Unrestricted net assets	6,529,590	5,424,426
Total net assets	$ 11,824,668	$ 10,239,396

The District's fiscal year 2008 financial position showed a moderate improvement, 15.5 percent stronger than fiscal year 2007, due primarily to a significant increase in property tax revenue, purchases of capital assets including the finalizing of an administrative computing software upgrade, and an increase in gross tuition and fees revenue.

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 $3,296,204 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 two of the largest revenue sources, property taxes 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.

Statement of Revenues, Expenses, and Changes in Net Assets	**For the Year Ended June 30, 2008**	**For the Year Ended June 30, 2007**
Operating revenues	$ 4,290,418	$ 10,324,763
Operating expenses		
Educational and general	28,114,903	26,476,964
Auxiliary enterprises	202,412	237,535
Depreciation	1,265,072	1,179,112
Other	-0-	47,907
Total operating expenses	29,582,387	27,941,518
Operating loss	(25,291,969)	(17,616,755)
Nonoperating revenues	26,888,151	18,937,576
Nonoperating expenses	(608,948)	(961,933)
Income before other revenues, expenses, gains or losses	987,234	358,888
Other revenues, expenses, gains or losses:		
Contributions	598,038	634,685
Increase in net assets	1,585,272	993,573
Net assets, beginning of year	10,239,396	9,245,823
Net assets, end of year	$ 11,824,668	$ 10,239,396

Operating revenues, which decreased 58.4 percent, were impacted by the requirement to move nonexchange grant revenue to nonoperating revenue. In addition to an increase in full-time equivalent students (9.7%), tuition charges increased ($4/credit hour in-state, $6 WUE, and 12$ 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). Tuition and fees increased $387,635 or 5.58 percent if reported at gross rather than net of scholarship allowances. Tuition and fees reported net of scholarship allowances actually decreased from the prior year. This is due to increased aid being given out to each student resulting in larger allowances and also due to deferred revenue for the summer school session being calculated for the first time. In prior years, software limitations, would not allow for proper tuition revenue deferment. The administrative software upgrade has enabled a proper summer school deferred revenue calculation in the amount of $278,124.

Private donations, which are processed through the Mohave Community College Foundation, Inc. with the Foundation forwarding donations to the District when appropriate, increased 126.1 percent or $319,688 due to the Foundation receiving more donations than in prior years. Food service income increased 11.1 percent or $3,773. Other sales and services decreased $137,847 or 47.3 percent primarily due to the discontinuation of box office theater sales on the Lake Havasu campus; a source of over $100,000 in 2006-2007.

Operating expenses rose 5.9 percent mainly as a result of 5.9 percent greater personnel costs of $986,416 resulting from annual increases from 2 to 4 percent for continuing personnel, a 5.5 percent increase in the Arizona State retirement contribution rate from 9.1 percent to 9.6 percent of salaries and wages, and new professional/support positions along with instructional costs relating to three new programs of study.

Nonoperating revenues increased due to the requirement to move nonexchange grant revenue to nonoperating revenue and a strong increase in property tax revenue. The increase in property tax revenue resulted from higher assessed valuations and a high level of new construction in the county. Nonoperating expenses--interest on debt--decreased 36.7 percent as further discussed under Long-Term Debt in the Financial Highlights and Analysis section.

Capital appropriations decreased just 1.1 percent but capital grants and gifts, received through the Mohave College Foundation, Inc. per administrative procedures, were reduced by $30,347 or 81.6 percent.

The following schedule presents a summary and comparison of revenues for the fiscal years ended June 30, 2008 and June 30, 2007:

Revenues by Source	Fiscal Year 2008		Fiscal Year 2007		Increase / (Decrease)	
Operating revenues	Amount	% of Total	Amount	% of Total	Amount	% of Change
Tuition and fees (net of scholarship allowances)	$ 3,296,204	10.37%	$ 3,512,519	11.75%	$ (216,315)	-6.16%
Government grants and contracts	-	-	5,998,550	20.06	(5,998,550)	-100.00
Private grants and contracts	573,216	1.80	253,528	0.85	319,688	126.10
Bookstore income	202,379	0.64	184,053	0.62	18,326	9.96
Other operating revenues	218,619	0.69	376,113	1.26	(157,494)	-41.87
Total operating revenues	4,290,418	13.50	10,324,763	34.54	(6,034,345)	-58.45
Nonoperating revenues						
Government grants	6,549,809	20.61	-	-	6,549,809	100.00
Property taxes	15,372,777	48.38	14,093,900	47.14	1,278,877	9.07
State appropriations	4,196,900	13.21	4,196,900	14.04	-	0.00
Other	768,665	2.42	646,776	2.16	121,889	18.85
Total nonoperating revenues	26,888,151	84.62	18,937,576	63.34	7,950,575	41.98
Capital appropriations	591,200	1.86	597,500	2.00	(6,300)	-1.05
Capital grants and gifts	6,838	0.02	37,185	0.12	(30,347)	-81.61
Total revenues	$ 31,776,607	100.00%	$ 29,897,024	100.00%	$ 1,879,583	6.29%

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, 2008 and June 30, 2007:

Expenses by Function	Fiscal Year 2008		Fiscal Year 2007		Increase / (Decrease)	
Operating expenses	Amount	% of Total	Amount	% of Total	Amount	% of Change
Education and general:						
Instruction	$ 7,892,400	26.14%	$ 7,184,340	24.86%	$ 708,060	9.86%
Academic support	3,591,507	11.90	3,519,967	12.18	71,540	2.03
Student services	3,424,680	11.34	3,453,928	11.95	(29,248)	-0.85
Institutional support	7,213,810	23.89	6,850,217	23.70	363,593	5.31
Operation and maintenance of plant	2,476,724	8.20	2,382,022	8.24	94,702	3.98
Scholarships	3,401,656	11.27	3,006,796	10.40	394,860	13.13
Other	114,126	0.38	79,694	0.28	34,432	43.21
Auxiliary enterprises	202,412	0.67	237,535	0.82	(35,123)	-14.79
Depreciation	1,265,072	4.19	1,227,019	4.25	38,053	3.10
Total operating expenses	29,582,387	97.98	27,941,518	96.67	1,640,869	5.87
Nonoperating expenses						
Interest expense on debt	608,948	2.02	961,933	3.33	(352,985)	-36.70
Total nonoperating expenses	608,948	2.02	961,933	3.33	(352,985)	-36.70
Total expenses	$ 30,191,335	100.00%	$ 28,903,451	100.00%	$ 1,287,884	4.46%

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

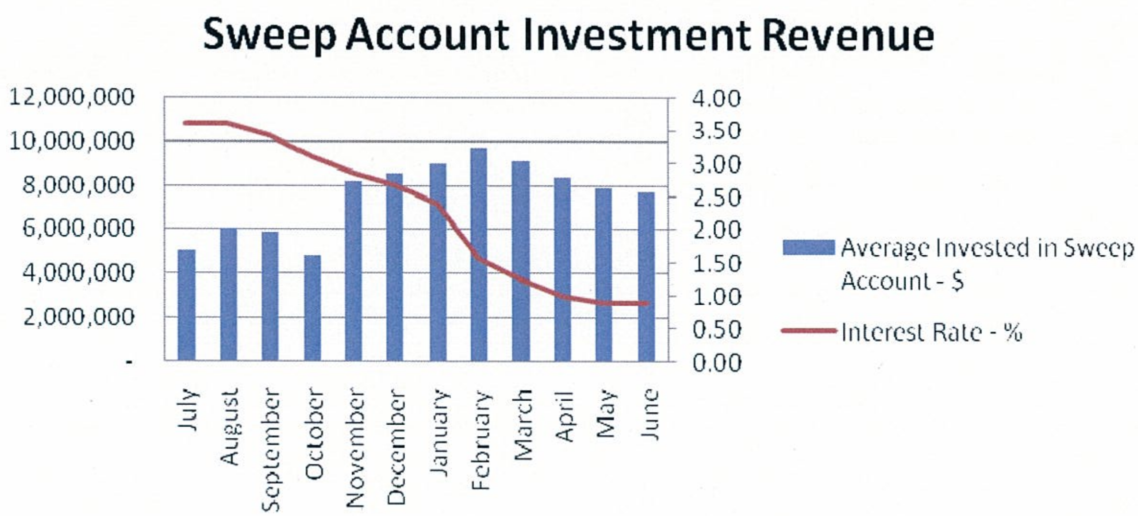
Financial Highlights and Analysis

The District's financial position at June 30, 2008 was stronger than at June 30, 2007, as increased taxes and gross tuition revenue had positive results. Cash and cash equivalents increased $501,930, the result of several factors.

The largest contributing factor for the increased cash holdings was the District's property taxes revenue, which improved $1,278,877 or 9.1 percent. This was due to an increase in net assessed valuation and new construction throughout the county. State appropriations remained constant during 2007-2008. Tuition and fees revenue when reported at gross increased 5.6 percent or $387,635 due to increase enrollment.

FISCAL YEAR	FTSE
2007-08	3,143
2006-07	2,866
2005-06	2,815
2004-05	2,845
2003-04	2,338

Investment income for the 2007-2008 fiscal year increased sharply, growing 152% or $126,436. The prior fiscal year saw reduced investment income due to a transition from the County Investment Pool to a sweep account with the District's primary banking partner. The sweep account was in place and utilized to the fullest during 07-08 resulting in improved returns. Interest rates declined toward the end of the fiscal year as seen in the following chart but overall return was strong.



Capital assets not being depreciated (Construction in Progress) decreased $535,336. This was due to completion of the administrative computing software system upgrade. Begun in 2005-2006, the administrative computing software system was completed in June 2008 for a final capitalized value of $769,797. Capital assets being depreciated, net of accumulated depreciation, increased $555,928 as the District capitalized the aforementioned administrative software, upgraded networking capabilities and server capacity, and enhanced improvements other than buildings (landscaping). The District disposed of $39,686 in automotive and other equipment that no longer provided appropriate service or technology. $240,766 of library materials were disposed of during the fiscal year as library services began shifting resources to an online medium.

Current liabilities increased $593,413 as a result of increased deferred revenue. Fall pre-registration began in April 2008, earlier than any prior year, resulting in substantial deferred tuition and fees revenue. In addition, deferred revenue pertaining to summer school was calculated and booked, a calculation not possible with the previous software system. Long-term liabilities of the District decreased $508,778 (3.8%) during the fiscal year ended June 30, 2008. $675,325 was paid to reduce long-term debt principal--$455,000 on pledged revenue obligations and $220,325 on capital leases.

Net assets increased $1,585,272, reflecting the increase in property taxes and capital assets.

Operating revenues decreased by $6,034,345 or 58.4 percent from the prior fiscal year. The main component of this decrease was the requirement to move nonexchange grant revenue to nonoperating revenue. However, there was a $551,259 or 9.2 percent increase in government grants and contracts. Food service income increased 11.1 percent or $3,773 while bookstore revenue increased 10 percent, or $18,326.

Total expenses increased 4.5 percent and operating expenses increased 6.0 percent with instruction comprising 55 percent of the $1,287,884 increase in total expenses. Instruction expenses grew primarily due to three new programs being instituted during the fiscal year. Institutional support expenses increased $363,593. Personnel costs included in all expense categories increased by an average of $986,416 or 5.9 percent.

Academic support costs increased $71,540, only 2.0 percent. Student services decreased by $29,248 or .8% due mainly to the Vice Chancellor of Student Services and Instruction being reclassified under the institutional support function.

Institutional support expense increased 5.3 percent due in part to the aforementioned shift of Vice Chancellor pay. A new administration came on board in July 2007 but did not assume positions until November. Four months of administrative pay overlap contributed to the increase. In addition, new positions and part-time to full-time shifts were made within the business office.

Scholarships increased $394,860, or 13.1 percent, due to higher enrollment and efforts to make as much aid as possible available to students. Auxiliary enterprises expenses decreased 14.8 percent, or $35,123. Interest expense on debt decreased 36.7%, or $352,985 as the computer refresh lease was changed from a capital lease to an operating lease. Although interest expense decreased, other expense categories would increase because of this change.

Long-Term Debt

At June 30, 2008, the District had $12,166,091 of long-term debt outstanding, including revenue bonds of $3,390,000; pledged revenue obligations of $8,365,000,; and four capital leases of $411,091. During fiscal year 2008, principal reductions on revenue bonds, pledged revenue obligations and capital leases totaled $45,000, $410,000 and $220,325, 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 2008, economic conditions in Mohave County slowed. New businesses are opening and construction of new residences continues but at a slower pace. More difficult economic times have sparked increased financial aid disbursement and fiscal year 2008 saw continuing growth with FTSE up 277 students despite the effect of considerably higher gas prices on the commuter based college populace. Higher gas prices, in addition to increased offerings and improved services, have contributed to substantial growth in the distance education department.

The District's five-year tuition plan increased fiscal year 07-08 tuition to $54 per credit hour and will increase fiscal year 08-09 tuition to $59 per credit hour. Various student fees continue to be monitored to better match costs to types of classes and labs.

The District continued its three-year computer refresh program by furnishing the student computer labs with 300 new computers. The previous year's computers are distributed to faculty, staff, the library, and other areas of the campuses.

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, 2008

	Business-Type Activities
Assets	
Current assets:	
Cash and cash equivalents	$ 7,159,228
Receivables:	
Accounts	108,497
Property taxes (net of allowances of $287,305)	840,221
Government grants and contracts	533,261
Donors, including $99,137 from component unit	99,137
Student receivables (net of allowances of $52,536), current portion	524,969
Interest	180
Other	8,977
Inventories	19,420
Prepaid items	251,884
Total current assets	9,545,774
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	173,447
Cash and cash equivalents held by trustees	198
Capital assets, not being depreciated	638,098
Capital assets, being depreciated, net	16,620,034
Total noncurrent assets	17,431,777
Total assets	26,977,551
Liabilities	
Current liabilities:	
Accounts payable	849,210
Accrued payroll and employee benefits	368,607
Interest payable	192,920
Deferred revenues	672,944
Deposits held in custody for others	161,527
Current portion of compensated absences payable	52,519
Current portion of deferred contract payments	18,261
Current portion of long-term debt	613,904
Total current liabilities	2,929,892
Noncurrent liabilities:	
Compensated absences payable	665,475
Deferred contract payments	5,329
Long-term debt	11,552,187
Total noncurrent liabilities	12,222,991
Total liabilities	15,152,883
Net Assets	
Invested in capital assets, net of related debt	4,981,341
Restricted:	
Expendable:	
Grants and contracts	160,416
Debt service	198
Capital projects	153,123
Unrestricted	6,529,590
Total net assets	$ 11,824,668

See accompanying notes to financial statements.

MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT
Statement of Financial Position - Component Unit
June 30, 2008

	Mohave Community College Foundation, Inc.
ASSETS	
Assets	
Cash and cash equivalents	$ 176,319
Investments	2,579,514
Capital assets, net	15,269
Restricted cash and cash equivalents	84,095
Total assets	$ 2,855,197
LIABILITIES AND NET ASSETS	
Liabilities	
Amount payable to College	$ 99,137
Accounts payable	1,072
Current portion of charitable annuities payable	22,026
Charitable annuities payable, net of current portion	50,194
Total liabilities	172,429
Net assets	
Unrestricted	1,528,681
Temporarily restricted	278,356
Permanently restricted	875,731
Total net assets	2,682,768
Total liabilities and net assets	$ 2,855,197

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, 2008

	Business-Type Activities
Operating revenues:	
Tuition and fees (net of scholarship allowances of $4,040,741)	$ 3,296,204
Private contracts	573,216
Bookstore income	202,379
Food service income	37,618
Other sales and services	153,672
Other	27,329
Total operating revenues	4,290,418
Operating expenses:	
Educational and general:	
Instruction	7,892,400
Public service	114,126
Academic support	3,591,507
Student services	3,424,680
Institutional support	7,213,810
Operation and maintenance of plant	2,476,724
Scholarships	3,401,656
Auxiliary enterprises	202,412
Depreciation	1,265,072
Total operating expenses	29,582,387
Operating loss	(25,291,969)
Nonoperating revenues (expenses):	
Government grants	6,549,809
Property taxes	15,372,777
State appropriations	4,196,900
Share of state sales taxes	554,842
Investment income, net of investment expense	209,642
Interest expense on debt	(608,948)
Gain on disposal of capital assets	4,181
Total nonoperating revenues	26,279,203
Income before other revenues, expenses, gains, or losses	987,234
Capital appropriations	591,200
Capital grants and gifts	6,838
Increase in net assets	1,585,272
Total net assets, July 1, 2007	10,239,396
Total net assets, June 30, 2008	$ 11,824,668

See accompanying notes to financial statements.

MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT
Statement of Activities - Component Unit
Year Ended June 30, 2008

	Mohave Community College Foundation, Inc.			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support				
Contributions and dues	$ 118,566	$ 108,181	$ 800	$ 227,547
Interest/dividend income	1,943	115,049	-	116,992
Investment returns	(103,078)	(188,201)	-	(291,279)
Special events	32,150	-	-	32,150
Donations in-kind	50,670	-	-	50,670
Other income	59	-	-	59
Net assets released from restriction:				
Satisfaction of program restrictions	283,418	(267,133)	(16,285)	-
Total revenues and support	383,728	(232,104)	(15,485)	136,139
Expenses				
Accounting	16,212	-	-	16,212
Advertising	1,036	-	-	1,036
Auto/travel	253	-	-	253
Miscellaneous	71,715	-	-	71,715
Fundraising	27,240	-	-	27,240
Wages and benefits	57,071	-	-	57,071
Property taxes	71	-	-	71
Payments to/from College	322,349	-	-	322,349
Distributions to beneficiaries of life income and life estates	38,310	-	-	38,310
Depreciation	5,821	-	-	5,821
Total expenses	540,078	-	-	540,078
Change in net assets	(156,350)	(232,104)	(15,485)	(403,939)
Net assets at beginning of year	1,685,031	510,460	891,216	3,086,707
Net assets at end of year	$ 1,528,681	$ 278,356	$ 875,731	$ 2,682,768

See accompanying notes to financial statements.

MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT
Statment of Cash Flows - Primary Government
Year Ended June 30, 2008

	Business-Type Activities
Cash flows from operating activities:	
Tuition and fees	$ 3,559,895
Contracts	523,057
Bookstore receipts	202,379
Food services receipts	37,618
Other receipts	104,420
Payments to suppliers and providers of goods and services	(10,117,423)
Payments to employees	(14,787,292)
Payments for scholarships	(3,401,656)
Net cash used for operating activities	(23,879,002)
Cash flows from noncapital financing activities:	
Grants	6,238,676
Property taxes	14,959,254
State appropriations	4,196,900
Share of state sales taxes	554,842
Deposits held in custody for others received	486,501
Deposits held in custody for others disbursed	(492,267)
Net cash provided by noncapital financing activities	25,943,906
Cash flows from capital and related financing activities:	
Capital appropriations	591,200
Principal paid on capital debt	(675,325)
Interest paid on capital debt	(615,012)
Proceeds from sale of capital assets	6,414
Purchases of capital assets	(1,080,873)
Net cash used for capital and related financing activities	(1,773,596)
Cash flows from investing activities:	
Interest received on investments	210,622
Net cash provided by investing activities	210,622
Net increase in cash and cash equivalents	501,930
Cash and cash equivalents, July 1, 2007	6,830,943
Cash and cash equivalents, June 30, 2008	$ 7,332,873

(Continued)

See accompanying notes to financial statements

MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT
Statment of Cash Flows - Primary Government
Year Ended June 30, 2008

(Concluded)

	Business-Type Activities
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	$ (25,291,969)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	1,265,072
Changes in assets and liabilities:	
Increase in:	
Accounts receivable	(77,542)
Donor receivables	(50,159)
Student receivables	(395,867)
Prepaid items	(41,314)
Accounts payable	429,875
Compensated absences payable	47,831
Deferred revenues	659,558
Decrease in:	
Other receivables	961
Inventories	1,408
Accrued payroll and employee benefits	(345,386)
Deferred contract payments	(81,470)
Net cash used for operating activities	$ (23,879,002)

Noncash investing, capital and noncapital financing activities:

During the year, $6,838 of capital assets were acquired through donor's direct payments to vendor and $200,186 of capital assets were acquired through a capital lease.

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, 2008, the District implemented the provisions of GASB Statement Nos. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* and 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and No. 27)*. GASB Statement No. 48 establishes note disclosure requirements for governments that pledge future revenues as security for its debt. GASB Statement No. 50 amends GASB Statement Nos. 25 and 27 to require governmental employers to present certain additional pension disclosures in the notes.

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, 2008, the Foundation distributed $322,349 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.

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.

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

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		
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	1	Straight line	15 years

F. Investment Earnings

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

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 2008 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 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 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.

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, 2008, the total cash on hand was $2,500, the carrying amount of the District's deposits was $6,594,249 and the bank balance was $7,254,721. The District does not have a policy with respect to custodial credit risk for deposits.

Investments - At June 30, 2008, the District's investments consisted of the following:

	Fair Value
County Treasurer's investment pool	$ 735,926
Money market mutual funds	198
Total	$ 736,124

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, 2008, credit risk for the District's investments was as follows:

Investment Type	Rating	Rating Agency	Amount
County Treasurer's investment pool	Unrated	Not applicable	$ 735,926
Money market mutual funds	Unrated	Not applicable	198
			$ 736,124

Custodial credit risk - For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy with respect to custodial credit risk. At June 30, 2008, the District had $198 of money market mutual funds that were uninsured and held by the counterparty not in the District's name.

Interest rate risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's policy limits the District's investment portfolio to maturities of less than one year. At June 30, 2008, the District had the following investments in debt securities:

Investment Type	Investment Maturities - Less than 1 Year
County Treasurer's investment pool	735,926
Money market mutual funds	198
	$ 736,124

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	$ 2,500	Cash and cash equivalents	$ 7,159,228
Carrying amount of deposits	6,594,249	Restricted assets:	
		Cash and cash equivalents	173,447
Reported amount of investments	736,124	Cash and cash equivalents held by trustee	198
Total	$ 7,332,873	Total	$ 7,332,873

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Capital assets not being depreciated:				
Land	$ 638,098	$ -0-	$ -0-	$ 638,098
Construction in progress	535,336	234,461	769,797	-0-
Total capital assets not being depreciated	1,173,434	234,461	769,797	638,098
Capital assets being depreciated:				
Buildings and improvements	22,736,668	205,205	-0-	22,941,873
Improvements other than buildings	2,359,327	563,125	-0-	2,922,452
Equipment	2,104,415	203,126	39,686	2,267,855
Library books	1,836,603	81,980	240,766	1,677,817
Software systems	163,111	769,797	-0-	932,908
Total capital assets being depreciated	29,200,124	1,823,233	280,452	30,742,905
Less accumulated depreciation for:				
Buildings and improvements	8,789,358	702,991	-0-	9,492,349
Improvements other than buildings	1,559,869	118,060	-0-	1,677,929
Equipment	1,276,480	342,871	37,453	1,581,898
Library books	1,504,874	64,616	240,766	1,328,724
Software systems	5,437	36,534	-0-	41,971
Total accumulated depreciation	13,136,018	1,265,072	278,219	14,122,871
Total capital assets being depreciated, net	16,064,106	558,161	2,233	16,620,034
Capital assets, net	$ 17,237,540	$ 792,622	$ 772,030	$ 17,258,132

Note 4 - Long-term Liabilities

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due within one year
Compensated absences payable	$ 670,163	$ 204,221	$ 156,390	$ 717,994	$ 52,519
Deferred contract payments	$ 105,060	$ -0-	$ 81,470	$ 23,590	$ 18,261
Bonds payable:					
Pledged revenue obligations	$ 8,775,000	$ -0-	$ 410,000	$ 8,365,000	$ 420,000
Revenue refunding bonds	3,435,000	-0-	45,000	3,390,000	45,000
Capital leases payable	431,230	200,186	220,325	411,091	148,904
Total long-term debt	$ 12,641,230	$ 200,186	$ 675,325	$ 12,166,091	$ 613,904

See note 8 for explanation of deferred contract payments at June 30, 2008.

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 15 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 $5,464,575. Principal and interest paid for the current year and total pledged revenues were $239,250 and $3,689,873, 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 $3,453,200. Principal and interest paid for the current year and total pledged revenues were $497,135 and $3,689,873, 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 $1,516,756. Principal and interest paid for the current year and total pledged revenues were $116,826 and $3,689,873, respectively. Annual principal and interest payments on the bonds are expected to require less than 50 percent of revenues.

Pledged revenue obligations outstanding at June 30, 2008 were as follows:

Description	Original Amount	Interest Rates	Maturities	Outstanding Principal
Series 2000	$ 4,350,000	5.5%	3/1/10-15	$ 4,350,000
Series 2001	$ 4,630,000	3.75-5.25%	3/1/08-15	2,830,000
Series 2005	$ 1,325,000	3.5-4.125%	9/1/07-20	1,185,000
			Total	$ 8,365,000

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

Year ending June 30	Principal	Interest
2009	$ 420,000	$ 426,821
2010	1,070,000	409,409
2011	1,125,000	356,169
2012	1,180,000	299,884
2013	1,245,000	235,411
2014-18	2,995,000	321,006
2019-21	330,000	20,831
Total	$ 8,365,000	$ 2,069,531

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 $4,802,363. Principal and interest paid for the current year and total pledged revenues were $189,125 and $3,689,873, respectively.

Revenue refunding bonds outstanding at June 30, 2008, were as follows:

Description	Original Amount	Interest Rates	Maturity Ranges	Outstanding Principal
Series 2006	$3,490,000	4.0 - 4.25%	3/1/08 -20	$3,390,000

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

	Principal	Interest
Year ending June 30		
2009	$ 45,000	$ 142,325
2010	5,000	140,525
2011	5,000	140,325
2012	5,000	140,125
2013	10,000	139,925
2014-18	1,920,000	619,250
2019-20	1,400,000	89,888
Total	$ 3,390,000	$ 1,412,363

In prior years, the District defeased certain certificates of participation and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old certificates of participation and revenue bonds. Accordingly, the trust accounts assets and the liability for these defeased certificates of participation and revenue bonds are not included in the District's financial statements. At June 30, 2008, the following outstanding certificates of participation and revenue bonds were considered defeased:

Description	Amount
Certificates of Participation Series 1994	$ 645,000
Revenue bonds	3,150,000

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. However, only $144,503 of such assets met the District's capitalization threshold and are capitalized at June 30, 2008.

Equipment	$ 144,503
Less: accumulated depreciation	115,938
Carrying value	$ 28,565

The following schedule details debt service requirements to maturity for the District's capital leases payable at June 30, 2008:

Year ending June 30	
2009	$ 168,135
2010	162,775
2011	113,126
Total minimum lease payments	444,036
Less amount representing interest	32,945
Present value of net minimum lease payments	$ 411,091

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.

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 expenditures under the terms of the operating leases were $149,305 for the year ended June 30, 2008. 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, 2008, were as follows:

Year ending June 30	
2009	$ 114,938
2010	53,132
2011	9,659
Total minimum lease payments	$ 177,729

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, 2008, active plan members were required by statute to contribute at the actuarially determined rate of 9.6 percent (9.1 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 9.6 percent (8.05 percent for retirement, 1.05 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,				
	2008	$ 923,465	$ 120,452	$ 57,358
	2007	767,776	100,145	47,688
	2006	569,129	74,234	35,350

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).

The following schedule details annual payments under this agreement based on the CPI-U at June 30, 2008:

Year ending June 30		
	2009	$ 1,752,987
	2010	852,003
	Total	$ 2,604,990

The amounts listed above will be expensed in future years when the services are performed. Of the amount of $1,715,744 paid during the fiscal year, $1,641,344 was recorded as an expense in the current year for services performed during the year ended June 30, 2008 and $74,400 was applied to reduce the liability for deferred contract payments at June 30, 2008.

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	$ 17,361,878
Contract services	4,069,571
Supplies and other services	2,247,652
Communications and utilities	1,065,066
Scholarships	3,401,656
Depreciation	1,265,072
Other	171,492
Total	$ 29,582,387

Note 10 - Subsequent Events

A new building is being leased to house expanded distance education personnel and services. The lease began in July 2008.

The District is monitoring potential state funding cuts stemming from the state budget deficit. Reductions in appropriations for both operating and capital outlay expenditures could take place.

Note 11 - 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.

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.

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.

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.

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

Autos and trucks	5 years

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.

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, 2008, the carrying amount of the Foundation's deposits was $260,165 and the bank balance was $268,872. Of the bank balance, $119,479 was covered by federal depository insurance.

At June 30, 2008, $84,095 of cash and cash equivalents were temporarily restricted.

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, 2008 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 consist of various securities - including stocks, bonds, and mutual funds - unimproved real estate, notes receivable and investment in a partnership, as follows:

Securities	$ 2,556,311
Notes receivable	1,234
Unimproved real estate	21,969
Total	$ 2,579,514

Investment income is summarized as follows:

	Investments	**Banks**	**Total**
Realized gain on sale of undeveloped land	$ 873	$ -0-	$ 873
Net return on investment securities	(252,107)	-0-	(252,107)
Investment return on capital	(251,234)	-0-	(251,234)
Interest/dividend income	116,466	526	116,992
Overall investment income/(loss)	$ (134,768)	$ 526	$ (134,242)

D. Capital Assets

Changes in capital assets for fiscal year 2008 are as follows:

	Balance 6/30/2007	Additions	Deletions	Balance 6/30/2008
Vehicles	$ 27,208	$ 3,802	$ -0-	$ 31,010
Art collection	8,476	650	-0-	9,126
Total	35,684	4,452	-0-	40,136
Less: Accumulated depreciation	(19,046)	(5,821)	-0-	(24,867)
Net book value of fixed assets	$ 16,638	$ (1,369)	$ -0-	$ 15,269

E. 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 $102,094.

The following table shows the aggregate annual maturities over the next five years:

Year Ending June 30		
	2009	$ 21,046
	2010	21,046
	2011	21,046
	2012	9,082
Total annuities payable		$ 72,220

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, 2008 is unknown because the trust value is not required to be reported to the Foundation.

F. 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. During 2008, one of the income beneficiaries under a split interest agreement died, which terminated the beneficiary's interest in the trust. Under the trust agreement, the Foundation was the sole charitable remainder beneficiary, and the remaining assets of the trust were to be used as a permanent scholarship endowment. Therefore, upon the death of the income beneficiary, $244,036 of net assets previously considered temporarily restricted were reclassified as permanently restricted.

Charitable remainder trusts	$ 29,875
Scholarships	248,481
Total temporarily restricted net assets	$ 278,356

G. Permanently Restricted Net Assets

Permanently restricted net assets is comprised of the following contributions:

Arnold Scholars Fund	$ 70,000
Arizona Board of Realtors Fund	11,910
Brazie Memorial Fund	27,558
Johnson Memorial Fund	24,012
Clark Nurses Fund	10,734
Don Hunt Fund	50,053
ING Scholarship Fund	10,000
Jayne Williams Fund	229,873
Ford-Davis Fund	19,000
Newcomer Fund	20,080
Ed Redman Fund	45,000
Stella Redman Fund	45,000
Veterans Forties Fund	12,000
Mohave Electric Co-op Fund	30,000
Grace Neal Fund	227,751
Mary Bruce Bushman Memorial Fund	42,760
Total permanently restricted net assets	$ 875,731

H. 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, 2008 were $32,150 and $27,240 respectively.

Supplementary Information

Mohave County Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Commerce			
National Institute of Standards and Technology	11.550		$ 42,414
Total U.S. Department of Commerce			42,414
U.S. Small Business Administration			
Passed through Maricopa County Community College District			
Small Business Development Center	59.037	7-603001-Z-0003-15	29,057
Small Business Development Center	59.037	8-603001-Z-0003-16	24,282
Total U.S. Small Business Administration			53,339
U.S. Department of Education			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007		54,910
Federal Work-Study Program	84.033		91,505
Federal Pell Grant Program	84.063		5,799,654
Academic Competitiveness Grant	84.375		11,200
Total Student Financial Assistance Cluster			5,957,269
Passed through Arizona Department of Education			
Adult Education – State Grant Program	84.002	08FAEABE-870556-02A	167,482
		08FAECIV-870556-02A	6,635
			174,117
Vocational Education – Basic Grants to States	84.048	07FCTDBG-770556-03A	39,903
		08FCTDBG-870556-03A	72,363
			112,266
Passed through Arizona Commission for Postsecondary Education			
Leveraging Educational Assistance Partnership	84.069	11864	7,127
Special Leveraging Educational Assistance Partnership	84.069	11864	9,399
			16,526
Total U.S. Department of Education			6,260,178
Total Expenditures of Federal Awards			$ 6,355,931

See accompanying notes to schedule.

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Mohave County Community College District and 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.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2008 *Catalog of Federal Domestic Assistance.*

Note 3 - Subrecipients

The District did not provide federal awards to subrecipients during the year ended June 30, 2008.

Cronstrom
Osuch & Company
Certified Public Accountants
A Professional Corporation

Sandra L. Cronstrom, CPA
Dennis J. Osuch, CPA
A. Carter Smitherman, CPA

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*

The Auditor General of the State of Arizona

The Governing Board of
Mohave County Community College District

We have audited the financial statements of the business-type activities and discretely presented component unit of Mohave County Community College District (District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 31, 2008. Our report was modified to include a reference to our reliance on other auditors and as to consistency because of the implementation of Governmental Accounting Standards Board Statement Nos. 48 and 50. 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 discretely presented component unit, as described in our report on the District's financial statements. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards.* The Mohave Community College Foundation, Inc. did not provide the reported results of the other auditors' testing of internal control over its financial reporting. Consequently, this report does not include our consideration of the other auditors' testing of internal control over financial reporting that is reported on separately by those other 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 basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

Our consideration of 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 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 the District's basic 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 matters that we reported to the District's management in a separate letter dated December 31, 2008.

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

Cronstrom, Osuch + Company, P.C.

Cronstrom, Osuch & Company, P.C.

December 31, 2008

Cronstrom
Osuch & Company
Certified Public Accountants
A Professional Corporation

Sandra L. Cronstrom, CPA
Dennis J. Osuch, CPA
A. Carter Smitherman, CPA

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

The Auditor General of the State of Arizona

The Governing Board of
Mohave County Community College District

Compliance

We have audited the compliance of Mohave County Community College District (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, 2008. 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 of 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, 2008. 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 that are described in the accompanying Schedule of Findings and Questioned Costs as items 08-1 and 08-2.

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Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weakness as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 08-1 and 08-2 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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

Cronstrom, Osuch & Company, P.C.

Cronstrom, Osuch & Company, P.C.

December 31, 2008

Mohave County Community College District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Summary of Auditor's Results

Financial Statements

	Yes	No
Type of auditor's report issued:	Unqualified	
Material weakness identified in internal control over financial reporting?		X
Significant deficiency identified not considered to be a material weakness?		X (None reported)
Noncompliance material to the financial statements noted?		X

Federal Awards

	Yes	No
Material weakness identified in internal control over major programs?		X
Significant deficiency identified not considered to be a material weakness?	X	(None reported)
Type of auditors' report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	X	

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
Student Financial Assistance Cluster:	
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work – Study Program
84.063	Federal Pell Grant Program
84.375	Academic Competitiveness Grant

	Yes	No
Dollar threshold used to distinguish between Type A and Type B programs:	$300,000	
Auditee qualified as low-risk auditee?	X	

Other Matters

	Yes	No
Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?		X

SECTION II—FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF EDUCATION
STUDENT FINANCIAL ASSISTANCE CLUSTER:
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS CFDA NO. 84.007
FEDERAL WORK – STUDY PROGRAM CFDA NO. 84.033
FEDERAL PELL GRANT PROGRAM CFDA NO. 84.063
ACADEMIC COMPETITIVENESS GRANT CFDA NO. 84.375

08-1	*Condition*	Disbursement reports were not always submitted to the Department of Education within 30 calendar days after the school makes a payment.
	Context	For twenty-two of fifty-four submissions tested (34 recipients).
	Criteria	OMB Circular A-133 Special Tests and Provisions.
	Effect	Noncompliance with OMB Circular A-133 Special Tests and Provisions.
	Questioned Cost	None
	Cause	Clerical oversight.
	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.
	Corrective Action Plan	The District concurs with this recommendation and will ensure disbursement reports are submitted within 30 calendar days after the school makes a payment.
	Contact Person	Camille Holden, Director of Business Services

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONCL'D)

U.S. DEPARTMENT OF EDUCATION
STUDENT FINANCIAL ASSISTANCE CLUSTER:
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS CFDA NO. 84.007
FEDERAL WORK – STUDY PROGRAM CFDA NO. 84.033
FEDERAL PELL GRANT PROGRAM CFDA NO. 84.063
ACADEMIC COMPETITIVENESS GRANT CFDA NO. 84.375

08-2 Condition — Returns of Title IV funds were not always made within 45 days after the date the District determines a student has withdrawn.

Context — Three of three refunds tested.

Withdrawal Date	Refund Date
10-15-07	05-09-08
10-08-07	07-30-08
03-06-08	05-09-08

Criteria — OMB Circular A-133 Special Tests and Provisions.

Effect — Noncompliance with OMB Circular A-133 Special Tests and Provisions.

Questioned Cost — $2,229.19

Cause — Clerical oversight.

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.

Corrective Action Plan — The District concurs with this recommendation and will ensure Title IV funds are returned in a timely manner.

Contact Person — Camille Holden, Director of Business Services

SECTION IV—SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were no prior audit findings.