

**MOHAVE COUNTY COMMUNITY  
COLLEGE DISTRICT**

**SINGLE AUDIT REPORTING PACKAGE**

**YEAR ENDED JUNE, 30, 2010**

**MOSS-ADAMS<sub>LLP</sub>**

Certified Public Accountants | Business Consultants

*Acumen. Agility. Answers.*

**Mohave County Community College District  
Single Audit Reporting Package  
Year Ended June 30, 2010**

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## Independent Auditors' Report

To the Governing Board of  
Mohave County Community College District, Kingman, Arizona  
and  
The Auditor General of the State of 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, 2010, 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 the District as of June 30, 2010, 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 November 29, 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,

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

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 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 inquires 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.

A handwritten signature in black ink that reads "Mess Adams LLP". The signature is written in a cursive, flowing style.

Albuquerque, New Mexico  
November 29, 2010

Mohave County Community College District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2010

## **Management's Discussion & Analysis**

The discussion and analysis below provides an overview of the financial position and activities of Mohave Community College ("District") for the year ended June 30, 2010. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes, which follow this section.

### **Basic Financial Statements**

Beginning with fiscal year 2002, the District has presented annual financial statements in accordance with the 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, 2010. 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, 2010. It shows the various revenues and expenses, both operating and non-operating, reconciling the beginning net assets amount to the ending net assets amount, which is shown on the *Statement of Net Assets* described above.

The *Statement of Cash Flows* reflects the inflows and outflows of cash and cash equivalents for the year ended June 30, 2010. 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.

Mohave County Community College District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2010

Although the primary focus of this document is on the results of activity for fiscal year 2009-10, comparative data is presented for the previous fiscal year 2009. 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.

<i>Condensed Statement of Net Assets</i>	<i>As of June 30, 2010</i>	<i>As of June 30, 2009</i>	<u>Increase / (Decrease)</u>	
			Amount	% of Change
Current assets	\$ 13,035,973	\$ 10,462,125	\$ 2,573,848	24.6%
Noncurrent assets, other than capital assets	106,166	124,483	(18,317)	-14.7%
Capital assets, net	16,535,736	16,376,073	159,663	1.0%
Total assets	29,677,875	26,962,681	2,715,194	10.1%
Long-term liabilities	11,225,415	12,281,713	(1,056,298)	-8.6%
Other liabilities	1,061,118	822,715	238,403	29.0%
Total liabilities	12,286,533	13,104,428	(817,895)	-6.2%
Net assets:				
Invested in capital assets, net of related debt	6,139,634	4,641,128	1,498,506	32.8%
Restricted net assets	194,575	86,844	107,731	124.1%
Unrestricted net assets	11,057,133	9,130,281	1,926,852	20.9%
Total net assets	\$ 17,391,342	\$ 13,858,253	\$ 3,533,089	25.5%



Mohave County Community College District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2010

Fiscal year 2009-10 was marked by strong enrollment, improved revenues, and reductions and realignment of expenses. In light of uncertainty with the state budget deficit and potential reductions in appropriations, the District made efforts to emphasize strategic budget management in order to ensure alignment of resources with the institution's mission and also promoted improved efficiencies to reduce recurring expenses as much as possible. With expenses below budgeted levels and with the District fully realizing projected revenues, unrestricted net assets increased 20.9%. Substantial payments on outstanding long-term debt principal helped increase net assets invested in capital (net of related debt) by \$1,498,506 or 32.8%. The end result for fiscal 2009-10 was a 25.5% increase in Net Assets as the District increased its overall wealth and improved operations.

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 \$6,406,166 are included in operating revenues. In compliance with pronouncements issued by GASB, scholarship allowances are reported as deductions from tuition and fees revenue 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 non-operating revenues. For a description of the differences between operating and non-operating, please refer to the Summary of Significant Accounting Policies (Note 1), which directly follows the presentation of the financial statements.

<i>Condensed Statement of Revenues, Expenses, and Changes in Net Assets</i>	<i>For the Year Ended June 30, 2010</i>		<i>For the Year Ended June 30, 2009</i>		<u>Increase / (Decrease)</u>	
					Amount	Change
Operating revenues	\$	5,189,305	\$	5,294,808	\$ (105,503)	-2.0%
Operating expenses						
Educational and general		34,571,783		30,908,285	3,663,498	11.9%
Auxiliary enterprises		280,419		442,944	(162,525)	-36.7%
Depreciation		1,479,676		1,417,859	61,817	4.3%
Total operating expenses		36,331,878		32,769,088	3,562,790	10.9%
Operating loss		(31,142,573)		(27,474,280)	(3,668,293)	13.4%
Nonoperating revenues		35,219,448		30,092,299	5,127,149	17.0%
Nonoperating expenses		543,786		584,434	(40,648)	-7.0%
Income before other revenues, expenses, gains or losses		3,533,089		2,033,585	1,499,504	73.7%
Other revenues, expenses, gains or losses		-		-	-	0.0%
Increase in net assets		3,533,089		2,033,585	1,499,504	73.7%
Net assets, Beginning of year		13,858,253		11,824,668	2,033,585	17.2%
Net assets, End of year	\$	17,391,342	\$	13,858,253	\$ 3,533,089	25.5%

Mohave County Community College District  
Management's Discussion and Analysis  
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Operating revenues, which decreased 2%, were impacted most substantially by a major increase in scholarship allowances. The 25.6% increase in allowances over prior year reflects a greater percentage of students receiving financial aid and more money being awarded to each student as economic conditions drove need-based disbursements. When considering tuition and fees reported gross of allowances, the district realized an 11.6% increase in operating revenues due primarily to exceptional growth in enrollment. In addition to an increase in full-time equivalent students (12.4%), 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. Tuition and fees increased \$965,148 or 10% if reported at gross rather than net of scholarship allowances.

Nonoperating revenues increased by 17% driven primarily by 46.5% growth in government grants and contracts. Increased enrollment coupled with greater needs per student resulted in exceptional growth in this area. Though state appropriations declined very slightly, property tax revenue increased \$813,430 or 5.0%.

Operating expenses rose 10.9%, an increase attributable to the exceptional 83.3% (when reported net of scholarship allowances) increase in scholarship expenses. Savings from an expiring technology support contract and other cost saving measures enacted by administration resulted in controlled expenses across all functional areas. Further discussion on operating expense including expense movement between functions is available in the Financial Highlights and Analysis section.

Nonoperating expenses, driven by interest on debt, decreased just \$40,648 as further discussed under Long-Term Debt in the Financial Highlights and Analysis section.



Mohave County Community College District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2010

The following schedule presents a summary and comparison of revenues for the fiscal years ended June 30, 2010 and June 30, 2009:

<u>Revenues by Source</u>	<u>Fiscal Year 2010</u>		<u>Fiscal Year 2009</u>		<u>Increase / (Decrease)</u>	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
<u>Operating revenues</u>						
Tuition and fees (net of scholarship allowances)	\$ 4,168,056	10.3%	\$ 4,510,286	12.7%	\$ (342,230)	-7.6%
Private grants and contracts	592,730	1.5%	329,024	0.9%	263,706	80.1%
Bookstore income	222,701	0.6%	246,254	0.7%	(23,553)	-9.6%
Other operating revenues	205,818	0.5%	209,244	0.6%	(3,426)	-1.6%
Total operating revenues	<u>5,189,305</u>	12.8%	<u>5,294,808</u>	15.0%	<u>(105,503)</u>	-2.0%
<u>Nonoperating revenues</u>						
Government grants and contracts	13,939,348	34.5%	9,512,174	26.9%	4,427,174	46.5%
Property taxes	17,048,446	42.2%	16,235,016	45.9%	813,430	5.0%
State appropriations	3,682,901	9.1%	3,748,881	10.6%	(65,980)	-1.8%
Other	548,753	1.4%	596,228	1.7%	(47,475)	-8.0%
Total nonoperating revenues	<u>35,219,448</u>	87.2%	<u>30,092,299</u>	85.0%	<u>5,127,149</u>	17.0%
Total revenues	<u>\$ 40,408,753</u>	100.0%	<u>\$ 35,387,107</u>	100.0%	<u>\$ 5,021,646</u>	14.2%

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

Mohave County Community College District  
Management's Discussion and Analysis  
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The following schedule presents a summary and comparison of expenses for the fiscal years ended June 30, 2010 and June 30, 2009:

<u>Expenses by Function</u>	<u>Fiscal Year 2010</u>		<u>Fiscal Year 2009</u>		<u>Increase / (Decrease)</u>	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
<u>Operating expenses</u>						
Education and general:						
Instruction	\$ 9,502,581	25.8%	\$ 8,569,285	25.7%	\$ 933,296	10.9%
Academic support	4,106,925	11.1%	3,696,088	11.1%	410,837	11.1%
Student services	3,009,029	8.2%	3,844,024	11.5%	(834,995)	-21.7%
Institutional support	7,578,624	20.6%	7,981,597	23.9%	(402,973)	-5.0%
Operation and maintenance						
of plant	2,871,130	7.8%	2,684,752	8.0%	186,378	7.0%
Scholarships	7,359,327	20.0%	4,014,019	12.0%	3,345,308	83.3%
Other	144,167	0.4%	118,520	0.4%	25,647	
Auxiliary enterprises	280,419	0.8%	442,944	1.3%	(162,525)	-36.7%
Depreciation	1,479,676	4.0%	1,417,859	4.3%	61,817	4.3%
Total operating expenses	<u>36,331,878</u>	<u>98.5%</u>	<u>32,769,088</u>	<u>98.2%</u>	<u>3,562,790</u>	<u>10.9%</u>
<u>Nonoperating expenses</u>						
Interest expense on debt	543,786	1.5%	583,862	1.8%	(40,076)	-6.9%
Loss on disposal of capital assets	-	0.0%	572		(572)	-100.0%
Total nonoperating expenses	<u>543,786</u>	<u>1.5%</u>	<u>584,434</u>	<u>1.8%</u>	<u>(40,648)</u>	<u>-7.0%</u>
Total expenses	<u>\$ 36,875,664</u>	<u>100.0%</u>	<u>\$ 33,353,522</u>	<u>100.0%</u>	<u>\$ 3,522,142</u>	<u>10.6%</u>

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

Mohave County Community College District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2010

## **Financial Highlights and Analysis**

The District experienced a strong fiscal year driven by increased government grants and property tax revenues with below budget expenditures and growing enrollment and grant funding. The below section highlights major financial components along with discussion of several Administrative initiatives affecting both the financial and academic areas within the institution.

The most profound action taken by the institution for the fiscal year was the adoption of a formal strategic plan by the District Governing Board. The plan represents collective decision making and planning by administration, staff, students, and community members. The plan seeks to establish the school as a learning-centered institution and provide resources, both human and financial, to this end. The strategic plan emphasizes preparation for an upcoming accreditation visit by the Higher Learning Commission in 2012 along with numerous academic access and success initiatives. Strategic budgeting has been enhanced to provide adequate resources to meet these goals and to funnel resources accordingly.

As part of this renewed emphasis on strategic budgeting management made extended efforts to align expenses into their proper functional areas for improved reporting and support for plan initiatives. Adult Basic Education and GED expenses relating to classroom delivery were moved from Student Services to Instruction to better reflect the services provided by those costs. Following the move from outsourced technology support to in-house services, many expenses were reallocated from Institutional to the most appropriate function based on job function or nature of the product or service. The technology support services contract completed its seventh and final year in December 2009. Administration elected to bring technology services back under direct control of the District and immediate savings were realized during the second half of the fiscal year in addition to annual budgetary savings going forward.

After discounting for the above mentioned shift of ABE and GED expenses Instructional expenses did see over 5% growth due to an increase in faculty necessary to accommodate the substantial growth in enrollment. The District did not issue any salary increases for fiscal year for any employees including faculty and expenses for the year were well below budget.

Academic Support costs increased over prior year in part due to an institutional matching requirement for a distance learning equipment grant awarding to the District. In addition, numerous technology support expenses (grouped with institutional expenses prior to moving department in-house) were moved to academic support where technology directly supports instructional delivery. Expenses out of the District's Title III grant also increased over prior year as the program brought several programs and initiatives into action during the fiscal year.

Student Services expenses decreased in accordance with the ABE/GED shift in addition to cost savings realized through numerous unfilled vacancies. As the District moves to a more streamlined budget model, in response to possible future reductions in state aid, hiring and additional positions have been considered on a case-by-case basis. Coupled with improved processes and more efficient use of existing human resources the District has realized substantial salary savings throughout the Student Services function.

Mohave County Community College District  
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Institutional expenses declined 5% over fiscal year 2008-09 as considerable savings were realized through the elimination of the technology support contract, improved efficiencies and salary savings, and reductions in numerous budget categories as Administration continued operations under budget alert based on the State budget crisis. An improved allowance method for receivables offset some of those savings as uncollectable expenses increased over prior year. However, major improvements in the District's collection method and related policies have already been enacted with reduced expenses expected in 2010-11.

Operation and Maintenance of Plant expenses increased 7% as Administration emphasized the completion of deferred maintenance projects throughout the year. Early adoption of facilities master plan practices resulted in the beginnings of more cyclical maintenance improvements in an effort to keep facilities from falling into more substantial and expenses levels of disrepair.

Scholarships expenses increased dramatically with Pell disbursements serving as the primary driver. Federal workstudy and other Federal awards such as SEOG also saw growth along with the rising enrollment and an increase in the number of students seeking financial aid during a difficult economic time.

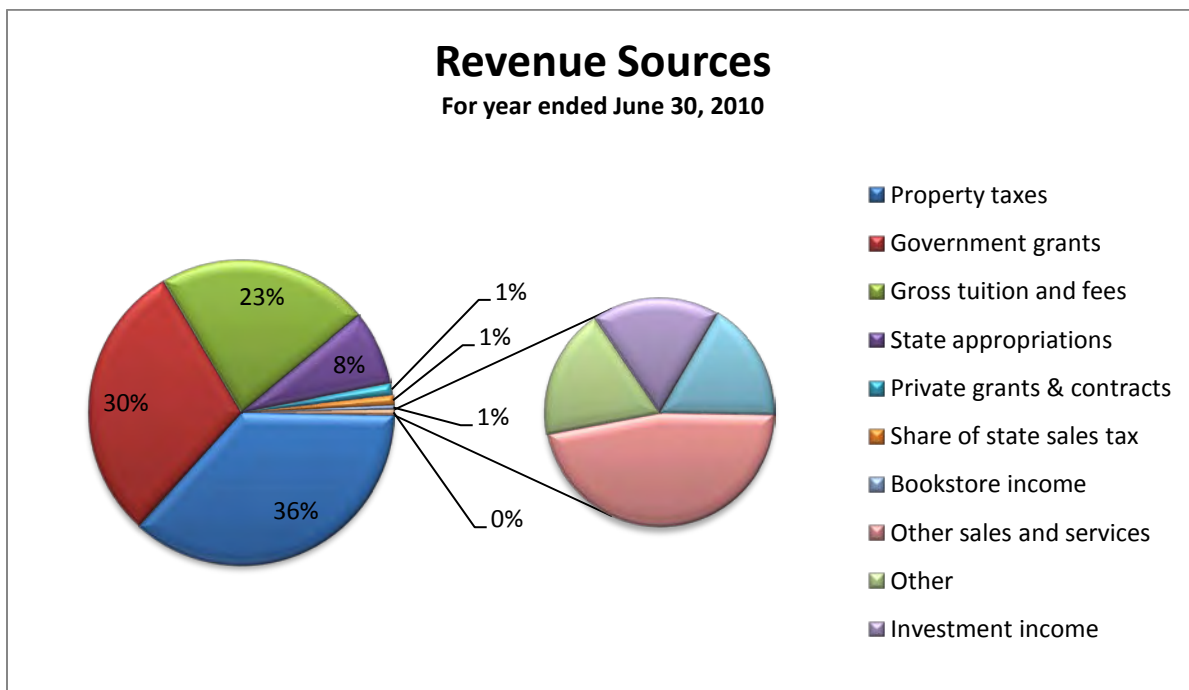
Auxiliary enterprises expenses declined 36.7% over the prior fiscal year as the District operated bookstore moved to more digital offerings and made fewer purchases to maintain operations. The District operates one bookstore on the Colorado City campus and outsources bookstore operations to Barnes & Noble at the three southern campuses in Kingman, Lake Havasu, and Bullhead City. In addition to the reduction in bookstore expenses corporate outreach and continuing education required less expense as the economy limited demand on those services.

In accordance with the District's strategic plan an extensive master facilities plan was initiated. The plan seeks to address aging facilities concerns and development of adequate classroom and instructional areas. The plan will also identify potential long term funding sources for major improvements (the District did not receive any capital appropriations for fiscal 2009-10 and does not expect funding to be reestablished in the foreseeable future) and seek to develop cyclical deferred maintenance projects and renovations in an effort to maintain facilities and equipment before assets progress into advanced deterioration requiring more expensive rebuilding and renovation. Though the plan's creation will extend into 2010-11 and become a continuously updated and dynamic planning document, late 2009-10 saw the preliminary effects of such planning and strategic spending as several capital improvements were completed including the repaving of several parking sections across several campuses. Administration has sought to further implement the master facility plan into annual capital budgeting with consideration to ongoing depreciation of existing assets.

**Mohave County Community College District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2010

During 2009-10 capital assets not being depreciated (Construction in Progress) increased \$91,428. The District began construction on a new Allied Health facility in Kingman which will provide nursing instruction beginning in the 2010-11 Fall semester. The construction was financed via a capital purchase arrangement with the Mohave Community College Foundation. The primary construction was funded through a commercial loan taken out by Foundation with the District paying for numerous purchases outside of the loan funds. Those purchases increased the District's Construction in Progress and will continue until completion when the facility begins to be depreciated. Upon completion the District will assume regular lease payments to the Foundation over a 15 year period. The Foundation plans to reduce that liability through the future sale of donated land and other fund raising efforts with the District paying the remaining balance.

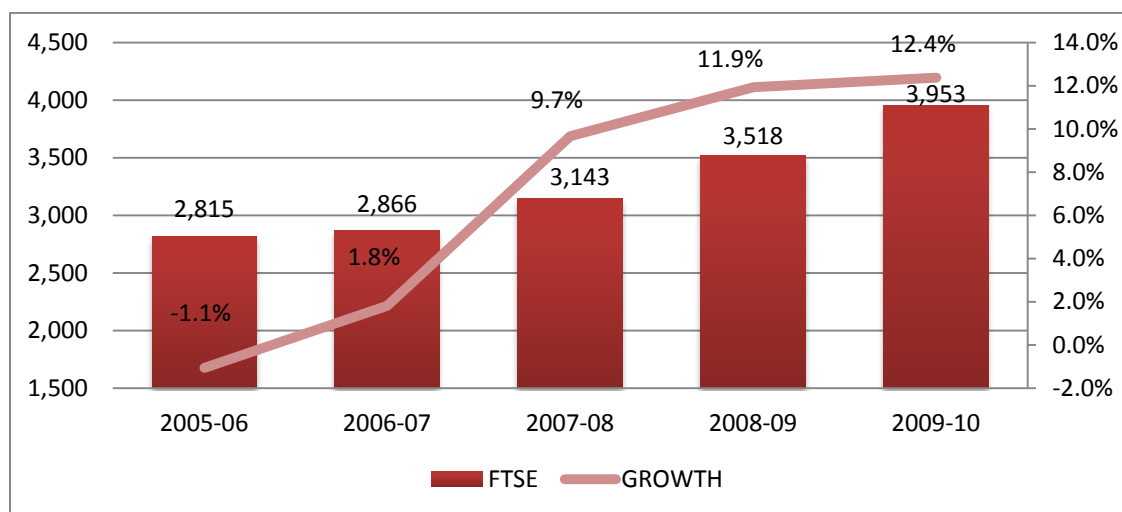
Capital assets being depreciated, net of accumulated depreciation, increased just \$68,236 as capital purchases kept pace with depreciation. The primary capital purchase for the year was a \$748,996 audio visual distance learning system purchased, in large part, with Federal grant funds. The Rural Utility Services grant provided equipment enabling the District to offer technology based learning centers at multiple rural locations throughout the county. Grant money also funded the purchase of several high-end manikins used for Allied Health instruction. Additionally, the District continued to address several dire facilities needs with capital improvements including several projects designed to renovate existing facilities in order to create additional administrative and instructional space. The District also disposed of \$483,098 of depreciated capital equipment that no longer provided appropriate service or technology including the removal of the District's prior administrative software and its corresponding hardware.



Mohave County Community College District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2010

The above graph displays the District's revenue sources for fiscal 2009-10. State appropriations again represented a continually decreasing portion of annual revenues as the State budget crisis affected disbursements for the 2009-10 fiscal year. Appropriations were reduced 1.8% and capital outlay was again not received. In an effort to cover this funding shortfall the State of Arizona passed along Federal stimulus funds in the amount of \$398,469 in late 2009-10 which were received by the District by fiscal year end. As the State has accepted Federal ARRA (American Recovery and Reinvestment Act) stimulus money the District has been somewhat protected by maintenance of effort requirements. Under the maintenance of effort requirement the State must maintain funding for the College at a certain level in order to remain eligible for Federal dollars. This requirement will no longer be in place beginning with fiscal 2010-11. With Federal ARRA stimulus money not expected in 2010-11 and the real possibility of continued reductions in appropriations Administration has proactively enacted cost saving measures and sought to develop long-term strategic budget planning in an effort to construct a budget model which is ultimately sustainable with no state aid.

Operating revenues decreased by \$105,503 over which is attributable to the reporting of tuition and fees revenue at gross of scholarship allowances. When reported at gross, tuition and fees revenue increased \$965,148 or 10% which corresponds to an 11.6% increase in operating revenues. Tuition revenue was driven by a strong increase in full-time student enrollment (see below graph) and increased fees and tuition rates.



Private donations, which are processed through the Mohave Community College Foundation, Inc. with the Foundation forwarding donations to the District when appropriate, increased 80.1 percent or \$263,707 through extensive fund raising efforts. Food service income increased 11.1% in line with enrollment. Other sales and services decreased 8.2% or \$10,530 as facility rental revenue declined along with economic conditions.

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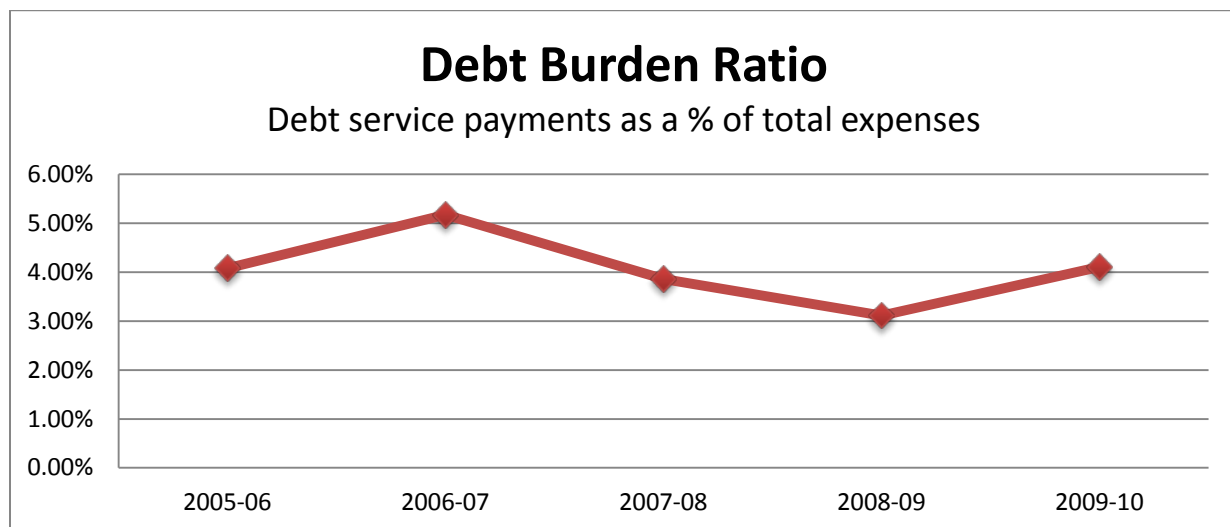
Nonoperating revenues surged 17% behind the tremendous growth of government grants along with a 5% increase in property tax revenue (the District's primary source of income). Property taxes remain the District's most stable form of revenue as the statutory increase of 2% coupled with an increase in new construction throughout the county led to an \$813,430 increase year over year.

In accordance with the institution's investment policy adopted in 2008-09, District funds were invested in extremely conservative investment vehicles. All funds not marked for immediate cash needs were invested into Certificates of Deposit through the CDARS program. This program enabled the entirety of District funds to be fully FDIC insured. The 42% decrease in interest income over prior fiscal year reflects the current interest rate environment coupled with the District's conscious effort to emphasize safety of principal over investment returns. Funds required for immediate cash needs were housed in the District's commercial banking account where an Earnings Credit Allowance was received to offset banking charges. The District ensures the bank provides adequate collateralization for these funds to further protect institutional funds. In light of potential lost revenue from other sources, the District plans to continue investing with absolute emphasis placed on protecting principal.

Current liabilities for the institution increased \$286,922 as year-end payables to be processed increased along with new payroll liabilities associated with technology support staff (employees as of contract termination in January). Long-term debt due within one year remained relatively flat at \$1,263,848 as the District continued to make substantial principal payments on existing bond debt. Compensated absences increased \$103,470 again relating to the influx of new technology support staff under the District's paid time off (PTO) benefit plan.

Net assets increased \$3,533,089, reflecting the increase in government grants and property tax revenues, and cost saving measures enacted by Administration.

### Long-Term Debt





**Mohave County Community College District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2010

At June 30, 2010, the District had \$10,396,101 of long-term debt outstanding, including revenue bonds of \$3,340,000; pledged revenue obligations of \$6,875,000; and five capital leases of \$181,101. During fiscal year 2009-10, principal reductions on bonds and capital leases totaled \$1,075,000 and \$171,847, respectively. The graph on the previous page illustrates the percentage of total expenses attributable to principal and interest payments on outstanding debt. The District experienced an increase in principal payments for the year in accordance with existing debt service schedules but the relative increase in relation to increasing revenues and budget was not substantial. In connection with the financing of the master facilities plan and strategic budgeting the District is considering additional long-term debt under more favorable interest rate conditions and/or the reduction of current debt obligations to produce a more favorable debt service schedule and reduce interest expenses. Further information on the District's long-term debt can be found in Note 5 to the basic financial statements.

### **Current Economic Conditions**

During fiscal year 2010, economic conditions in Mohave County worsened with unemployment increasing and real estate values reaching historically low levels. Though unemployment has burdened the local economy, the District has benefitted from the inverse relationship enrollment shares with negative job growth. Like many institutions the District has been forced to service a greater number of students while simultaneously seeking to cut costs and make lasting budget reductions. State budget concerns have continued to be at the forefront of budget planning for the District. Administration has placed heavy emphasis on process review and streamlining in an effort to gain efficiencies and reduce reliance on personnel expenses. Five year budgetary goals have been structured to assume substantial decreases in state appropriations and expenses are being progressively scaled back in preparation for potential revenue loss over successive years. Federal stimulus money in the amount of \$398,469 was received by the State and committed to the District during the fiscal year though no further ARRA funds are expected beyond the 2009-10 year. The budgetary adjustments made by Administration in reaction to reduced appropriations have resulted in structural and process improvements that provide reoccurring savings highlighting the overarching goal of developing a permanent budget solution with no dependence on state aid.

Though unemployment remains an issue, several large scale industrial projects are scheduled to develop within the County in the near future including major energy power plants. Recognizing the opportunity to satisfy future demand for skilled labor in this increasingly important industry the District has begun preliminary talks with several parties to discuss curriculum and other financial and logistical issue. The District continues to seek out such partnerships in an effort to develop cost sharing and to continue its mission of preparing residents of Mohave County for gainful employment in an ever-changing labor market.

Though the current economic environment has negatively affected revenues with reduced appropriations and sharp declines in investment income, the District has also used current conditions to lower expenses. Numerous contracts and agreements have been revisited to seek improved pricing and support from vendors and the District is considering facility improvement funding and potential refinancing to take advantage of historically low interest rates.

**Mohave County Community College District**  
Management's Discussion and Analysis  
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The District continues to engage in the development of a strategic plan centered around student learning, community development, and resource planning. Strategic budgeting is being geared toward strategic plan goals with consideration to the current and future funding model of the state. Budget considerations continue to be of primary concern and spending will be monitored carefully.

The District continues to pursue green energy initiatives for both environmental and cost saving purposes and is nearing completion of a comprehensive facilities master plan. Numerous grant applications and federal stimulus programs are being pursued including a Federal TRIO grant which would provide substantial funding for numerous institutional initiatives. The District continues to monitor enrollment patterns into the Fall semester as the dramatic growth over the previous two years may be showing signs of slowing. All of these conditions provide the backdrop for the institution's accreditation visit by the Higher Learning Commission in 2012; an event receiving substantial academic and administrative attention across the District.

**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 Financial Services, Mohave Community College, 1971 Jagerson Ave., Kingman, AZ 86409-1238.

**Mohave County Community College District  
Statement of Net Assets—Primary Government  
June 30, 2010**

	Business-Type Activities
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 9,065,265
Short-term investments	1,000,000
Receivables (net of allowances)	2,567,005
Inventories	3,972
Prepaid items	399,731
Total current assets	<u>13,035,973</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	106,166
Capital assets, net	<u>16,535,736</u>
Total noncurrent assets	<u>16,641,902</u>
Total assets	<u>\$ 29,677,875</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 396,357
Accrued payroll and employee benefits	392,630
Interest payable	165,965
Deposits held in custody for others	106,166
Current portion of compensated absences payable	48,518
Current portion of long-term debt	<u>1,263,848</u>
Total current liabilities	<u>2,373,484</u>
Noncurrent liabilities:	
Compensated absences payable	780,795
Long-term debt	<u>9,132,254</u>
Total noncurrent liabilities	<u>9,913,049</u>
Total liabilities	<u>12,286,533</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	6,139,634
Restricted:	
Expendable:	
Grants and contracts	164,888
Capital projects	29,687
Unrestricted	<u>11,057,133</u>
Total net assets	<u><u>\$ 17,391,342</u></u>

**Mohave County Community College District**  
**Statement of Financial Position—Component Unit –**  
**Mohave Community College Foundation, Inc.**  
**June 30, 2010**

<b>Assets</b>	Mohave Community College Foundation, Inc.
Cash and cash equivalents	\$ 172,471
Investments	2,364,832
Unconditional promises to give	151,266
Land held for sale	337,818
Property and equipment	<u>2,116,316</u>
Total assets	<u>\$ 5,142,703</u>
<b>Liabilities and Net Assets</b>	
Liabilities	
Accounts payable	\$ 42,328
Gift annuities payable	66,563
Custodial liabilities	21,578
Note payable	<u>1,312,896</u>
Total liabilities	<u>1,443,365</u>
Net Assets	
Unrestricted	
Expended for property and equipment	803,420
Board designated	1,180,798
Available for operations	<u>361,655</u>
Total unrestricted	2,345,873
Temporarily restricted	427,793
Permanently restricted	<u>925,672</u>
Total net assets	<u>3,699,338</u>
Total liabilities and net assets	<u>\$ 5,142,703</u>

**Mohave County Community College District**  
**Statement of Revenues, Expense, and Changes in Net Assets — Primary**  
**Government**  
**Year Ended June 30, 2010**

	Business- Type Activities
Operating revenues:	
Tuition and fees (net of scholarship allowances of \$6,406,166)	\$ 4,168,056
Private grants and contracts	592,730
Bookstore income	222,703
Food service income	42,183
Other sales and services	117,277
Other	46,356
Total operating revenues	<u>5,189,305</u>
Operating expenses:	
Educational and general:	
Instruction	9,502,581
Public service	144,167
Academic support	4,106,925
Student services	3,009,029
Institutional support	7,578,624
Operation and maintenance of plant	2,871,130
Scholarships	7,359,327
Auxiliary enterprises	280,419
Depreciation	1,479,676
Total operating expenses	<u>36,331,878</u>
Operating loss	<u>(31,142,573)</u>
Nonoperating revenues (expenses):	
Government grants	13,939,348
Property taxes	17,048,446
State appropriations	3,682,901
Share of state sales taxes	491,718
Investment income, net of investment expense	45,313
Interest expense on debt	(543,786)
Gain on disposal of capital assets	11,722
Total nonoperating revenues (expenses)	<u>34,675,662</u>
Increase in net assets	3,533,089
Total net assets, July 1, 2009	<u>13,858,253</u>
Total net assets, June 30, 2010	<u><u>\$ 17,391,342</u></u>

**Mohave County Community College District**  
**Statement of Activities —**  
**Component Unit – Mohave Community College Foundation, Inc.**  
**Year Ended June 30, 2010**

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Mohave Community College Foundation, Inc. Totals
Public support and revenues				
Contributions	\$ 2,375	\$ 264,335	\$ 15,250	\$ 281,960
In-kind contributions	23,638	-	-	23,638
Special event income	14,243	-	-	14,243
Investment income	200,689	168,295	690	369,674
Dues	29,402	-	-	29,402
Other	556	-	-	556
Releases from restrictions	162,399	(162,399)	-	-
Total public support and revenues	<u>433,302</u>	<u>270,231</u>	<u>15,940</u>	<u>719,473</u>
Expenses				
Advertising	241	-	-	241
Alumni projects	23,146	-	-	23,146
Amortization	11,659	-	-	11,659
Depreciation	5,760	-	-	5,760
Donor/recipient events	33,768	-	-	33,768
Interest	611	-	-	611
Legal and accounting	18,162	-	-	18,162
Management fees paid to MCC	56,280	-	-	56,280
MCC operations	228,675	-	-	228,675
Meetings	2,263	-	-	2,263
Miscellaneous	6,227	-	-	6,227
Office expense	247	-	-	247
Printing	4,607	-	-	4,607
Supplies	9,079	-	-	9,079
Training	6,974	-	-	6,974
Travel	517	-	-	517
Change in fair market value of land held for sale	119,645	-	-	119,645
Special event expense	16,578	-	-	16,578
Total expenses	<u>544,439</u>	<u>-</u>	<u>-</u>	<u>544,439</u>
Change in net assets before reclassification	(111,137)	270,231	15,940	175,034
Reclassification of fund with deficiencies	38,192	(38,192)	-	-
Change in net assets	(72,945)	232,039	15,940	175,034
Change in accounting principle	(9,376)	-	-	(9,376)
Net assets, beginning of year, as restated	<u>2,428,194</u>	<u>195,754</u>	<u>909,732</u>	<u>3,533,680</u>
Net assets, end of year	<u>\$ 2,345,873</u>	<u>\$ 427,793</u>	<u>\$ 925,672</u>	<u>\$ 3,699,338</u>

**Mohave County Community College District**  
**Statement of Cash Flows – Primary Government**  
**June 30, 2010**

	Business-Type Activities
Cash flows from operating activities:	
Tuition and fees	\$ 4,604,877
Grants and contracts	592,730
Bookstore receipts	222,702
Food service receipts	42,183
Sales and services	117,277
Other receipts	26,081
Payments to suppliers and providers of goods and services	(7,159,050)
Payments to employees	(19,846,058)
Payments for scholarships	(7,359,327)
Net cash used for operating activities	<u>(28,758,585)</u>
Cash flows from noncapital financing activities:	
Grants and contracts	14,253,585
Property taxes	16,405,884
State appropriations	3,682,900
Share of state sales taxes	491,718
Deposits held in custody for others received	41,194
Deposits held in custody for others disbursed	(50,079)
Net cash provided by noncapital financing activities	<u>34,825,202</u>
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	5,942
Principal paid on capital debt	(1,236,283)
Interest paid on capital debt	(561,570)
Purchases of capital assets	(1,555,558)
Net cash used for capital and related financing activities	<u>(3,347,469)</u>
Cash flows from investing activities:	
Interest received on investments, net	58,689
Purchase of short-term investments	(1,000,000)
Net cash used for investing activities	<u>(941,311)</u>
Net increase in cash and cash equivalents	1,777,837
Cash and cash equivalents, July 1, 2009	<u>7,393,594</u>
Cash and cash equivalents, June 30, 2010	<u><u>\$ 9,171,431</u></u>



**Mohave County Community College District**  
**Statement of Cash Flows—**  
**Primary Government – Mohave Community College Foundation, Inc.**  
**Year Ended June 30, 2010**

	<u>Business-Type Activities</u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (31,142,573)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	1,479,676
Changes in assets and liabilities:	
Increase in:	
Other receivables	(6,659)
Accounts receivable	(15,106)
Accounts payable	166,481
Accrued payroll and employee benefits	184,335
Compensated absences payable	103,470
Decrease in:	
Prepaid items	30,155
Student receivables	517,885
Inventories	9,491
Deferred revenues	(81,064)
Deferred contract payments	(4,676)
Net cash used for operating activities	<u><u>\$ (28,758,585)</u></u>
Reconciliation of cash and cash equivalents, as presented on the Statement of Net Assets:	
Cash and cash equivalents	\$ 9,065,265
Restricted assets:	
Cash and cash equivalents	106,166
Total cash and cash equivalents, June 30, 2010	<u><u>\$ 9,171,431</u></u>

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2010

**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).

**A. Reporting Entity**

The District is a special-purpose government that is governed by a separately elected governing body (the Board). 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 (FASB) statements for not-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information included in the District's financial report. Accordingly, those financial statements have been reported on separate pages following the respective counterpart financial statements of the District. For financial reporting purposes, only the Foundation's statements of net assets 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.

Complete financial statements for the Foundation can be obtained from the Mohave Community College Foundation, Inc., 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.

Mohave County Community College District  
Notes to Financial Statements  
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The 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.

The 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.

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

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

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

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2010

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. 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:

	<b>Capitalization Threshold</b>	<b>Depreciation Method</b>	<b>Estimated Useful Life</b>
Land	\$1	Not applicable	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	\$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.

**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.

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2010

Sick leave benefits provide for ordinary sick pay and were cumulative through June 30, 2005. These benefits carried forward into fiscal year 2010 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 fulltime, 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 service are compensated at 25 percent of the accrued amount, employees with 3 – 5 years receive 50 percent of the accrued amount, employees with 6 – 8 years 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 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,

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2010

concentration of credit risk, interest rate risk, or foreign currency risk for the District's investments.

The District has adopted a formal investment policy which seeks to maximize FDIC coverage primarily through the Certificate of Deposit Account Registry Service (CDARS) Certificate of Deposit program. The policy does not formally establish policy relating to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for investments.

**Deposits** — At June 30, 2010, the total cash on hand was \$2,130. The carrying amount of the District's deposits was \$3,573,026 and the bank balance was \$4,069,221.

Investments — The District's investments at June 30, 2010, were as follows:

<u>Investment Type</u>	<u>Fair Value</u>
County Treasurer's Investment Pool	\$ 96,275
Certificates of Deposit (CDARS)*	5,500,000
Certificates of Deposit (CDARS)**	<u>1,000,000</u>
	<u>\$ 6,596,275</u>

\* Original maturity less than 90 days.

\*\* Original maturity greater than 90 days and less than 1 year.

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. At June 30, 2010, credit risk for the District's investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
County Treasurer's Investment Pool	Unrated	Not applicable	\$ 96,275

Mohave County Community College District  
Notes to Financial Statements  
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**Interest rate risk** – As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's policy limits investments to maturities of less than one year. At June 30, 2010, the District had the following investments in debt securities:

<u>Investment Maturities</u>		
<u>Investment Type</u>	<u>Amount</u>	<u>Less than 1 year</u>
County Treasurer's Investment Pool	\$ 96,275	\$ 96,275

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	\$ 2,130	Cash and cash equivalents	\$ 9,065,265
Amount of deposits	3,573,026	Short-term investments	1,000,000
Amount of investments	<u>6,596,275</u>	Restricted assets:	<u>106,166</u>
		Cash and cash equivalents	
Total	<u>\$ 10,171,431</u>	Total	<u>\$10,171,431</u>

### Note 3 - Receivables

Receivables at June 30, 2010 consists of the following:

Accounts	\$ 61,181
Property taxes	1,697,353
Government grants and contracts	696,114
Student receivables, net of allowance of \$103,859	98,483
Interest	3,004
Other	<u>10,870</u>
	<u>\$ 2,567,005</u>



Mohave County Community College District  
Notes to Financial Statements  
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**Note 4 - Capital Assets**

Capital asset activity for the year ended June 30, 2010, was as follows:

	<b>Balance</b> <b><u>1-Jul-09</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b>Balance</b> <b><u>30-Jun-10</u></b>
Capital assets not being depreciated:				
Land	\$638,098	\$ -	\$ -	\$638,098
Construction in progress	46,376	137,804	46,376	\$137,804
Total capital assets not being depreciated	684,474	137,804	46,376	775,902
Capital assets being depreciated:				
Buildings and improvements	22,971,685	296,154	-	23,267,839
Improvements other than buildings	2,922,452	93,546	-	3,015,998
Equipment	2,475,950	1,092,403	483,089	3,085,264
Library books	1,714,909	25,687	-	1,740,596
Software systems	1,044,007	48,093	-	1,092,100
Total capital assets being depreciated	31,129,003	1,555,883	483,089	32,201,797
Less accumulated depreciation for:				
Buildings and improvements	10,180,442	709,808	-	10,890,250
Improvements other than buildings	1,869,597	192,581	-	2,062,178
Equipment	1,786,385	334,944	475,117	1,646,212
Library books	1,496,815	171,491	-	1,668,306
Software systems	104,165	70,852	-	175,017
Total accumulated depreciation	15,437,404	1,479,676	475,117	16,441,963
Total capital assets being depreciated, net	15,691,599	76,207	7,972	15,759,834
Capital assets, net	\$16,376,073	\$214,011	\$54,348	\$16,535,736

Mohave County Community College District  
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**Note 5 - Long-Term Liabilities**

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2010.

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
Compensated absences payable	\$ 725,842	\$ 178,310	\$ 74,839	\$ 829,313	\$ 48,518
Deferred contract payments	\$ 4,676	\$ -	\$ 4,676	\$ -	\$ -
Revenue bonds payable	\$ 3,345,000	\$ -	\$ 5,000	\$ 3,340,000	\$ 5,000
Pledged revenue obligations	7,945,000	-	1,070,000	6,875,000	1,125,000
Capital leases payable	261,195	91,754	171,847	181,102	133,848
Total long-term debt	\$ 11,551,195	\$ 91,754	\$ 1,246,847	\$ 10,396,102	\$ 1,263,848

**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 11 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 \$3,720,000 and \$636,075, respectively. Principal and interest paid for the current year and total pledged revenues were \$869,250 and \$4,508,036, 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 \$2,115,000 and \$351,685, respectively. Principal and interest paid for the current year and total pledged revenues were \$493,320 and \$4,508,036, 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

Mohave County Community College District  
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\$1,040,000 and \$245,541, respectively. Principal and interest paid for the current year and total pledged revenues were \$116,839 and \$4,508,036, respectively. Annual principal and interest payments on the pledged revenue obligations are expected to require less than 50 percent of pledged revenues.

Pledged revenue obligations outstanding at June 30, 2010, were as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
Series 2000	\$ 4,350,000	3/1/10-15	5.5%	\$ 3,720,000
Series 2001	4,630,000	3/1/08-15	3.75-5.25	2,115,000
Series 2005	1,325,000	9/1/07-20	3.5-4.125	1,040,000
Total				<u>\$ 6,875,000</u>

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

	<u>Principal</u>	<u>Interest</u>
Year ending June 30		
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	1,380,000	94,801
2016-2020	505,000	77,267
2021	115,000	2,372
Total	<u>\$ 6,875,000</u>	<u>\$ 1,233,299</u>

**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 \$4,469,513. Principal and interest paid for the current year and total pledged revenues were \$145,525 and \$4,285,333, respectively. Annual principal and interest payments on the pledged revenue obligations are expected to require less than 50 percent of pledged revenues.

Revenue refunding bonds outstanding at June 30, 2010 were as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
Series 2006	\$3,490,000	3/1/08-20	4.0-4.25%	\$3,340,000

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

Year ending June 30	<u>Principal</u>	<u>Interest</u>
2011	5,000	140,325
2012	5,000	140,125
2013	10,000	139,925
2014	10,000	139,525
2015	10,000	139,125
2016-2020	<u>3,300,000</u>	<u>430,488</u>
Total	<u>\$ 3,340,000</u>	<u>\$ 1,129,513</u>

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, 2010, the following outstanding revenue bonds were considered defeased:

<u>Description</u>	<u>Amount</u>
Revenue bonds	\$3,150,000

**Capital leases**— The District has acquired equipment under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because the agreements provide for a bargain purchase option, a lease period that exceeds 75% of the estimated life of the asset, or a transfer of ownership by the end of the lease term. \$861,551 of such assets met the District's capitalization threshold and are capitalized at June 30, 2010.

Equipment	\$861,551
Less: accumulated depreciation	<u>144,818</u>
Carrying value	<u>\$716,733</u>

The following schedule details debt service requirements to maturity for the District's capital leases payable at June 30, 2010.

Year Ending June 30,	
2011	\$ 133,848
2012	25,080
2013	<u>25,080</u>
Total minimum lease payments	184,008
Amount representing interest	<u>(2,906)</u>
Present value of minimum lease payments	<u>\$ 181,102</u>

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Notes to Financial Statements  
June 30, 2010

**Note 6 - 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 a member 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 7 - Operating Leases**

The District leases equipment under the provisions of various long-term lease agreements classified as operating leases for accounting purposes. The District's leases include numerous copy machines, computers for both students and staff, and mailing machines. Lease expenditures under the terms of the operating leases were \$363,116 for the year ended June 30, 2010. The future minimum payments required under the operating leases at June 30, 2010, were as follows:

Year Ending June 30,	
2011	\$ 201,638
2012	107,685
2013	<u>19,145</u>
Total minimum lease payments	<u>\$ 328,468</u>

Mohave County Community College District  
Notes to Financial Statements  
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**Note 8 - Retirement Plan**

**Plan descriptions— Plan description—**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 to 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, 2010, active plan members were required by statute to contribute at the actuarially determined rate of 9.4 percent (9.0 percent for retirement and 0.4 percent for long-term disability) of the members' annual covered payroll and the District was required by statute to contribute at the actuarially determined rate of 9.4 percent (8.34 percent for retirement, 0.66 percent for health insurance premium, and 0.4 percent for long-term disability) of the members' annual covered payroll.

The District's contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

	Retirement Fund	Health Benefit Supplemental Fund	Long-Term Disability Fund
Year ended June 30			
2010	\$ 1,023,920	\$ 81,030	\$ 49,108
2009	935,036	121,602	59,030
2008	923,465	120,452	57,358

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2010

**Note 9 - 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. This contract was not renewed as the District chose to manage technical support services in-house thus eliminating the most significant financial commitment the District carried.

The District has, however, committed to a long-term capital lease agreement ending June 30, 2023 with the Mohave Community College Foundation to purchase a new Allied Health facility. The facility, recorded as construction in progress at June 30<sup>th</sup>, is scheduled for completion in time for Fall semester with the District assuming lease payments beginning in August 2010. The full principal amount financed through the Foundation is \$1,318,779 with annual principal and interest lease payments amounting to \$125,784. The total lease is, however, expected to be reduced by fund raising efforts and the sale of donated land by the Foundation. The final lease obligations expected to be realized by the District following all expected contributions by the Foundation is estimated at \$759,779. Upon completion, the building will be reported in the District's financial statements along with the lease obligation to the Foundation and the Foundation will report the lease receivable on their financial statements.

**Note 10 - Operating Expenses**

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

Personal services	\$20,130,234
Contract services	3,439,247
Supplies and other services	2,313,898
Communications and utilities	1,024,747
Scholarships	7,359,327
Depreciation	1,479,676
Other	584,749
Total	<u>\$36,331,878</u>

**Note 11 – Discretely Presented Component Unit Disclosures**

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



Mohave County Community College District  
Notes to Financial Statements  
June 30, 2010

**A. Nature of Activities and Summary of Significant Accounting Policies**

The Foundation is an Arizona nonprofit corporation, incorporated in 1977. The Foundation's primary purpose is to support education through the Mohave County Community College District (District). The Foundation supports education by using the contributions they receive to provide scholarships, capital improvements, and other services for the benefit of the District's students, faculty, staff, administration and community. Funding for the Foundation comes primarily from contributions.

*Financial Statement Presentation.* The Foundation is required under generally accepted accounting principles to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

*Use of Estimates.* The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and Cash Equivalents.* The Foundation considers all cash and highly liquid investments with an original maturity of three months or less to be cash equivalents. The Foundation maintains its cash in bank deposits accounts, which, for short periods of time, may exceed federally insured limits. At June 30, 2010, there were no funds in excess of insured limits.

*Investments.* Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at their fair values in the statement of financial position. Unrealized gains or losses are included in the change in net assets in the accompanying statement of activities.

*Property and Equipment.* Purchased equipment is carried at cost. Donated equipment is carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of more than one year.

*Donated goods, facilities and services.* Donated goods and facilities are valued at their fair market value. Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- The services require specialized skills and the services provided by individuals possessing those skills.
- The services would typically need to be purchased if not donated.

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Although the Foundation may utilize the services of outside volunteers, the fair value of these services has not been recognized in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

*Contributions/restricted revenue.* Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Income tax status.* The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(3).

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, the Foundation holds no uncertain tax positions and, therefore, has no policy for evaluating them. The Foundation's Form 990, *Return of Organization Exempt from Income Taxes*, is generally subject to examination by the Internal Revenue Service for four years after the date filed.

*Endowments.* The Foundation's endowments consist of several individual funds established for specific purposes. Its endowments consist of donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Arizona adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) (the Act). The Board of Directors of the Foundation has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (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 the Act. In accordance with the Act, the Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds:

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2010

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

*Advertising.* The Foundation expenses all advertising costs as incurred.

*Art collection.* The Foundation expenses purchased artwork, and donated artwork is not recorded. Gifts of cash restricted by donors for the purchase of art are reported as temporarily restricted contributions.

## **B. Investments**

Investments in marketable securities held by the Foundation at June 30, 2010 consisted of the following:

Mutual funds	\$ 2,060,472
Stocks	137,590
Bonds	93,911
Unit trusts	<u>72,859</u>
	2,364,832
Less investments for permanently restricted endowments	<u>(925,672)</u>
	<u><u>\$ 1,439,160</u></u>

Investment income (loss) consisted of the following for the year ended June 30, 2010:

Realized gains	\$ 38,003
Unrealized gains	263,798
Dividend/interest income	<u>67,872</u>
	<u><u>\$ 369,673</u></u>

## **C. Unconditional Promises to Give**

Unconditional promises to give at June 30, 2010 were as follows:

Receivable in less than one year	\$ 40,000
Receivable in one to five years	<u>120,000</u>
	160,000
Less 3% discount to net present value	<u>(8,734)</u>
	<u><u>\$ 151,266</u></u>

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June 30, 2010

**D. Property and Equipment**

Property and equipment at June 30, 2010 consisted of the following:

Land	\$ 787,291
Building (direct financing lease property)	1,309,626
Vehicles	<u>28,800</u>
	2,125,717
Accumulated depreciation	<u>(9,401)</u>
	<u><u>\$ 2,116,316</u></u>

**E. Gift Annuities Payable**

The Foundation has entered into two charitable gift annuity agreements whereby the donor contributes assets in exchange for distributions for a specified period of time to the donor or other beneficiaries. Assets received are recorded at fair value on the date the agreement is executed and a liability equal to the present value of the future distributions is recorded. The difference between the fair value of the assets received and the liability to the donor or other beneficiaries is recognized as contribution revenue. The annuities mature during the year ending June 30, 2012.

**F. Custodial Liabilities**

Custodial liabilities consist of funds received for scholarships in which the recipient of the scholarship has been named. These funds are passed through the Foundation for the named individuals.

**G. Note Payable**

At June 30, 2010, the Foundation had a note payable to a bank, collateralized by property, with variable interest (5% at June 30, 2010) and a lump payment due November 2010 as follows:

Balance at June 30, 2010	\$ 1,319,892
Unamortized land fees	<u>(6,996)</u>
	<u><u>\$ 1,312,896</u></u>

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2010

The above note payable was refinanced subsequent to June 30, 2010 to a loan with variable interest, monthly principal and interest installments of \$10,482 and a lump sum payment of \$995,377 due in August 2015. The note is collateralized by property. Future maturities of long-term debt at June 30, 2010 are as follows:

Year ending June 30, 2011	\$ 50,749
2012	62,855
2013	66,119
2014	69,552
2015	73,164
Thereafter	997,453
	<u>\$ 1,319,892</u>

**H. Temporarily Restricted Net Assets**

Temporarily restricted net assets was as follows during the year ended June 30, 2010:

Accumulated endowment earnings on scholarships	\$ 228,299
Allied Health Training Center	134,203
College for Kids – BHC	1,670
College for Kids – LHC	791
Disc golf – BHC	126
Other	401
Scholarships	55,240
Future years operations	7,063
	<u>\$ 427,793</u>

**I. Permanently Restricted Net Assets**

Permanently restricted net assets were as follows for the year ended June 30, 2010:

Scholarships	\$ 925,672
--------------	------------

**J. Endowments**

*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 the Act requires the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$3,643 as of June 30, 2010.

*Return objectives and risk parameters.* The Foundation has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2010

power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period. Actual returns in any given year may vary.

*Spending policy.* The investment gain target is 8% and the payout target is 5%. Distribution of income and investment gains to the District will utilize a rolling five-year average rate of return to determine the proportion of fiscal year income provided to the District and the proportion retained for use by or growth of the Foundation. Annually, the Investment Committee will establish the payout rate.

Net assets in the endowment fund consisted of the following at June 30, 2010:

Balance, June 30, 2009	\$ 1,008,093
Contributions	15,250
Dividend/interest income	29,307
Unrealized/realized gains	139,678
Releases/appropriations	<u>(42,000)</u>
Balance, June 30, 2010	<u>\$ 1,150,328</u>

**K. Fair Value Measurements**

Fair value measurements are determined based on the assumptions referred to as inputs that market participants would use in pricing the assets. A fair value hierarchy distinguishes between market participant assumptions and the Foundation's own assumptions about market participant assumptions. Observable inputs are assumptions based on market data obtained from independent sources, while unobservable inputs are the Foundation's own assumptions about what market participants would assume based on the best information available in the circumstances.

*Level 1 inputs.* A quoted price in an active market for an identical asset or liability is considered to be the most reliable evidence of fair value. The fair value of the Foundation's marketable securities is determined by reference to quoted prices in active markets for identical assets and other relevant information generated by market transactions.

*Level 2 inputs.* These are observable inputs, either directly or indirectly, other than quoted prices included within Level 1. The Foundation does not have any Level 2 inputs.

*Level 3 inputs.* These inputs are unobservable and are used to measure fair value only when observable inputs are not available. Fair values for land held for sale are determined by reference to property tax assessed values and other relevant information generated by market transactions. The fair value of pledges receivable is estimated using an interest rate which approximates the present value of future cash flows.

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2010

Fair values of assets measured on a recurring basis at June 30, 2010 consisted of marketable securities (Level 1) of \$2,364,832 and land held for sale of \$337,818 (Level 3).

Assets measured at fair value on a recurring basis using significant unobservable inputs consisted of land held for sale (Level 3) as follows:

Fair value at June 30, 2009	\$ 457,463
Change in value	<u>(119,645)</u>
Fair value at June 30, 2010	<u>\$ 337,818</u>

Fair value assets measured on a non-recurring basis at June 30, 2010 consisted of pledges receivable (Level 3) of \$151,266.

**L. Functional Expenses**

During the year ended June 30, 2010 the Foundation had the following functional expense breakdown:

Program	\$ 295,699
Management and general	88,302
Fundraising	<u>24,215</u>
	<u>\$ 408,216</u>

**M. Payments to the District**

During the year ended June 30, 2010, the Foundation made the following payments to the District or on behalf of the District:

Scholarships	\$ 149,180
Capital expenditures	54,064
Transfer of in-kind contributions	23,638
Program expenditures	<u>1,793</u>
	228,675
Management fees	<u>56,280</u>
Total expenses	284,955
Pass-through funds	<u>349,370</u>
	<u>\$ 634,325</u>

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2010

**N. Direct Financing Lease**

The Foundation entered into a direct financing lease with the District. At the end of the lease term, ownership of the building currently on the Foundation's statement of financial position will transfer to the District. Lease payments under this agreement will start during the year ending June 30, 2011. Future minimum lease payments to be received are scheduled as follows:

Year ending June 30	
2011	\$ 104,822
2012	125,784
2013	125,784
2014	125,784
2015	125,784
Thereafter	<u>1,005,870</u>
	<u><u>\$1,613,828</u></u>

**O. Prior Period Restatement**

During the year ended June 30, 2010, the following errors were corrected at June 30, 2009:

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
Balance, June 30, 2009, as originally reported	\$ 2,600,778	130,175	890,732	3,621,685
Understated gift annuities payable	(64,791)	-	-	(64,791)
Understated custodial liabilities	(23,214)	-	-	(23,214)
Reclassification of net assets	<u>(84,579)</u>	<u>65,579</u>	<u>19,000</u>	<u>-</u>
Balance, June 30, 2009, as restated	<u>\$ 2,428,194</u>	<u>195,754</u>	<u>909,732</u>	<u>3,533,680</u>

**Note 12 – Subsequent Event**

On November 12, 2010, the Mohave County Community College District Governing Board approved the use of funds to pay off the existing principal balances on two callable bond issues. The series 2000 and 2001 bond issues with a cumulative outstanding principal balance of \$5,835,000 will be paid off using existing cash reserves. The prepayment will improve the annual operating budget in future years while maintaining an adequate unrestricted reserve.



## **SUPPLEMENTARY INFORMATION**

**Mohave County Community College District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2010**

<b>Federal Grantor Pass-Through Grantor Program Title</b>	<b>CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Distance Learning and Telemedicine Grant Program	10.855		<u>\$ 498,996</u>
<b>U.S. Small Business Administration</b>			
Collaborative Research: Motivated Engineering Transfers - STEM Talent Expansion Program (METSTEP)	47.076		<u>1,310</u>
<b>U.S. Small Business Administration</b>			
Passed through Maricopa County Community College District			
Small Business Development Center (7/1-12/31/09)	59.037	8-603001-Z-0003-17	53,156
Small Business Development Center (1/1-6/30/10)	59.037	8-603001-Z-0003-18	<u>34,924</u>
			<u>88,080</u>
<b>U.S. Department of Education</b>			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		111,244
Federal Work-Study Program	84.033		196,598
Federal Pell Grant Program	84.063		11,630,666
Academics Competitiveness Grants	84.375		12,325
Federal Direct Student Loans	84.268		11,262,583
Total Student Financial Assistance Cluster			<u>23,801,802</u>
Title III			
Improving Student Success: High Risk, Low Income, First Generation Students	84.031A		<u>419,177</u>
Passed through the Arizona Department of Education			
Adult Education-State Grant Program	84.002	10FAEABE-070556-01A	139,377
Adult Education-State Grant Program	84.002	10FAEAEF-070556-03A	<u>29,318</u>
			<u>168,695</u>
Vocational Education-Basic Grants to States (7/1/09-6/30/10)	84.048	10FCTDBG-070556-05A	<u>268,375</u>
Passed through the Arizona Commission for Postsecondary Education			
Leveraging Educational Assistance Partnership	84.069	11864	8,767
AZ College Access Aid Program	84.378A	11864	<u>3,000</u>
Passed through the Arizona Governor's Office			
ARRA - State Fiscal Stabilization Fund - Education Grants, Recovery Funds	84.394A	N/A	<u>398,469</u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$ 25,068,285</b></u>

See accompanying notes to schedule.

**Mohave County Community College District**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2010**

**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 2010 *Catalog of Federal Domestic Assistance*.

**Note 3 - Subrecipients**

The District did not provide federal awards to subrecipients during the year ended June 30, 2010.

**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***

To the Governing Board of  
 Mohave County Community College District, Kingman, Arizona  
 and  
 Auditor General of the State of 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, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 29, 2010. Our report was modified to include a reference to our reliance on 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 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's basic financial statements will not be prevented, or detected and corrected on a timely basis.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be deficiencies, 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*.

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, others within the District, 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.

A handwritten signature in black ink that reads "Mess Adams LLP". The signature is written in a cursive, flowing style.

Albuquerque, New Mexico  
November 29, 2010



**Report on Compliance With  
 Requirements That Could Have a Direct and Material  
 Effect on Each Major Program and on Internal  
 Control Over Compliance in Accordance With  
 OMB Circular A-133**

To the Governing Board of  
 Mohave County Community College District, Kingman, Arizona  
 and  
 Auditor General of the State of 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditors' 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-01.

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

### 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

Mohave County Community College District's responses to the finding identified in our audit is 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.

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

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, others within the District, 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.

*Mess Adams LLP*

Albuquerque, New Mexico  
November 29, 2010



Mohave County Community College District  
Summary Schedule of Prior Year Findings  
June 30, 2010

Finding 08-1.	Corrected
Finding 08-2.	Corrected
Finding 09-1.	Corrected
Finding 09-2.	Corrected
Finding 09-3.	Corrected
Finding 09-4.	Corrected
Finding 09-5.	Corrected
Finding 09-6.	Corrected
Finding 09-7.	Corrected
Finding 09-8.	Corrected
Finding 09-9.	Corrected

Mohave County Community College District  
Schedule of Findings and Questioned Costs  
June 30, 2010

**Section I. Summary of Auditors' Results**

*Basic Financial Statements*

Type of auditors' report issued Unqualified

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ Yes   X   No
- Significant deficiencies identified? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

*Federal Awards*

Internal control over major programs:

- Material weaknesses identified? \_\_\_\_\_ Yes   X   No
- Significant deficiencies identified? \_\_\_\_\_ Yes   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 section 510(a) of Circular A-133?   X   Yes \_\_\_\_\_ No

Identification of Major Programs

Program	CFDA Number
Distance Learning and Telemedicine Grant Program	10.855
Student Financial Assistance Cluster	Various
Title III	84.031A
ARRA - State Fiscal Stabilization Fund, Education Grants, Recovery Funds	84.394A

Dollar threshold used to distinguish between type A and type B programs   \$ 414,171  

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

Mohave County Community College District  
Schedule of Findings and Questioned Costs  
June 30, 2010

**Section II                      Financial Statement Findings**

None reported

Mohave County Community College District  
Schedule of Findings and Questioned Costs  
June 30, 2010

**SECTION III. Federal Award Findings and Questioned Costs**

**2010-01 Distance Learning and Telemedicine Grant Program – Late Reporting**

**Funding Agency: U.S. Department of Agriculture**

**Title: Distance Learning and Telemedicine Grant Program**

**CFDA Number: 10.855**

**CONDITION**

During testing we noted that the District submitted its Financial Status Report approximately four months beyond the due date.

**CRITERIA**

Per the grant agreement, “commencing ninety (90) days from the date hereof, and afterwards, within ninety (90) days after the close of each calendar year, the Grantee shall deliver to Rural Utility Service a Performance Activity Report”. As the date of the agreement was November 19, 2009, the first report was due in March 2010 (90 days after date of agreement plus 30 day reporting period). This was confirmed via communication with the federal agency.

**CAUSE**

The District misinterpreted the agency’s reporting requirements.

**EFFECT**

Untimely reporting can potentially affect the District’s awards under this program.

**QUESTIONED COSTS**

None

**RECOMMENDATION**

We recommend that the District communicate regularly with awarding agencies to ensure compliance with reporting deadlines.

**MANAGEMENT RESPONSE**

Contact Person: Dick McDonald, Director – Financial Services (928)-681-5662.

The District recognized the reporting requirement but due to a misinterpretation of the requirements did not submit the report in a timely fashion. The District will ensure all reporting deadlines are confirmed with each granting authority prior to questioned deadlines and submit reports accordingly going forward.