

REPORT HIGHLIGHTS
SINGLE AUDIT

Subject

The District is responsible for preparing financial statements, complying with federal and state laws, and maintaining strong internal controls over compliance and financial reporting. As the auditors, our job is to determine whether the District has met its responsibilities. The District's Single Audit Reporting Package includes our report on the District's financial statements, the District's financial statements including its Schedule of Expenditures of Federal Awards, and our reports on the District's compliance and internal control.

Our Conclusion

The information in the District's financial statements is fairly stated in all material respects, and the financial statements can be relied upon. The District also maintained adequate internal controls over financial reporting and federal compliance, and complied with federal program requirements for the programs tested.



2002

Year Ended June 30, 2002

New Standards Change the Focus of Financial Reporting

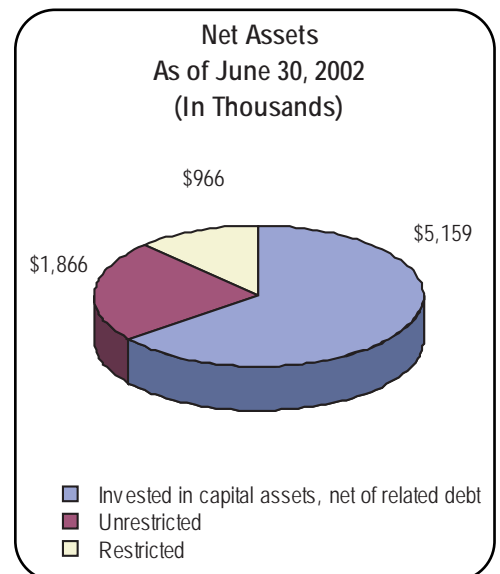
During fiscal year 2002, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*. This Statement establishes new external financial reporting standards for public colleges and universities.

GASB Statement No. 35 requires the District to present financial statements on a consolidated basis to focus on the District as a whole; previously, financial statements focused on the accountability of individual fund groups. The new standards require three basic financial statements: Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and Statement of Cash Flows.

Statement of Net Assets

The Statement of Net Assets reports all assets and liabilities using the accrual basis of accounting, which is similar to the accounting that most private-sector institutions use. Net assets, the difference between assets and liabilities, is one way to measure the District's financial health. Net assets includes three major categories. The first category—invested in capital assets, net of related debt—shows the District's equity in property, plant, and equipment. The next category—restricted net

assets—shows the net resources available for certain district expenses. These net assets must be used for purposes determined by donors and external entities that have placed purpose restrictions on the use of those resources. The third category—unrestricted net assets—shows net resources available to the District to fund general operations. The chart below illustrates the components of the District's net assets as of June 30, 2002.



Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the District's operating results, as well as nonoperating revenues and expenses. Revenues and expenses are classified as operating if they relate to the District's primary activities, such as instruction and student services. All other revenues and expenses, such as state

appropriations, property tax revenues, and interest expense on debt, are considered nonoperating, with two exceptions. Capital appropriations and capital grants and gifts are reported separately following nonoperating revenues and expenses. The summaries below present the District's revenues and expenses for the year ended June 30, 2002.

Revenues For the Year Ended June 30, 2002 (In Thousands)	
Operating Revenues:	
Tuition and fees	\$ 1,921
Government grants and contracts	1,881
Private grants and contracts	211
Bookstore income	1,208
Food service income	83
Sales and services	91
Other	<u>168</u>
Total operating revenues	<u>5,563</u>
Nonoperating Revenues:	
Property taxes	9,289
State appropriations	3,945
Share of state sales taxes	363
Private gifts	139
Investment income	<u>73</u>
Total nonoperating revenues	<u>13,809</u>
Capital appropriations	471
Capital grants and gifts	<u>47</u>
Total revenues	<u>\$19,890</u>

Expenses For the Year Ended June 30, 2002 (In Thousands)	
Operating Expenses:	
Educational and general:	
Instruction	\$ 5,784
Public service	83
Academic support	4,196
Student services	1,345
Institutional support	3,183
Operation and maintenance of plant	1,600
Scholarships	1,706
Auxiliary enterprises	1,541
Depreciation	861
Other	<u>3</u>
Total operating expenses	<u>20,302</u>
Nonoperating Expenses:	
Interest expense on debt	634
Other	<u>406</u>
Total expenses	<u>\$21,342</u>

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement helps users assess the District's ability to generate net cash flows to meet its obligations as they come due, and the need for external financing. The summary to the right shows the net cash flows from each of the District's major activities.

Cash Flows For the Year Ended June 30, 2002 (In Thousands)	
Cash flows from:	
Operating activities	\$(13,737)
Noncapital financing activities	13,784
Capital and related financing activities	(1,914)
Investing activities	<u>78</u>
Net decrease in cash	<u>\$ (1,789)</u>

The District Spent \$1.8 Million of Federal Monies

The District spent \$1.8 million of federal monies and additional required state matching monies this past year for 11 programs. The largest federal grants were for student financial assistance. Under the guidelines established by the Single Audit Act, auditors tested the following federal programs, collectively referred to as the Student Financial Assistance Program Cluster:

- Federal Supplemental Educational Opportunity Grants
- Federal Work-Study Program
- Federal Perkins Loan Program—Federal Capital Contributions
- Federal Pell Grant Program

The Single Audit Fact Sheet

- No weaknesses in financial reporting or federal compliance internal controls.
- No violations of federal compliance requirements.
- No program costs questioned as a result of our audit.

The District Refunded \$4 Million in Long-Term Debt to Extend the Period of Debt Repayment

During fiscal year 2002, the District issued Series 2001 Pledged Revenue Obligations to advance-refund \$4 million of Series 1994 Certificates of Participation. An economic loss of \$478,917 was incurred and total debt service payments were increased by \$1.4 million as a result of the refunding. The District's primary reason to advance-refund the certificates of participation was to extend the period of debt repayment an additional 6 years giving the District until fiscal year 2015 to repay the pledged revenue obligations.

The summary to the right shows the District's debt service requirements to maturity (principal and interest) for all outstanding bonds and pledged revenue obligations at June 30, 2002.

Fiscal Year(s)	Revenue Bonds	Revenue Obligations	Annual Debt Service Requirements
2003	\$ 189,000	\$ 614,040	\$ 803,040
2004	189,000	763,415	952,415
2005	189,000	765,910	954,910
2006	189,000	766,510	955,510
2007	189,000	764,760	953,760
2008-12	945,000	5,557,000	6,502,000
2013-17	2,061,400	4,097,160	6,158,560
2018-20	<u>2,244,500</u>		<u>2,244,500</u>
Total	<u>\$6,195,900</u>	<u>\$13,328,795</u>	<u>\$19,524,695</u>



TO OBTAIN
MORE INFORMATION

A copy of the full report
can be obtained by calling
(602) 553-0333



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our Web site at:
www.auditorgen.state.az.us

Contact person for
this report:
Dennis Levine

**Mohave County
Community College
District**

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Year Ended June 30, 2002