

Mohave County Community College District

Single Audit Reporting Package

Year Ended June 30, 2007

Mohave County Community College District  
Single Audit Reporting Package  
Year Ended June 30, 2007

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### Independent Auditor's Report

The Auditor General of the State of Arizona

The Governing Board of  
Mohave County Community College District

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Mohave County Community College District (District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Mohave County Community College District as of June 30, 2007, 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.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Cronstrom, Osuch & Company, P.C.*

Cronstrom, Osuch & Company, P.C.

April 14, 2008

## Management's Discussion & Analysis

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2007. Please read it in conjunction with the District's financial statements, which immediately follow.

### Basic Financial Statements

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

The *Statement of Net Assets* reflects the District's financial position at June 30, 2007. 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, 2007. It shows the various revenues and expenses, both operating and nonoperating, reconciling the beginning net assets amount to the ending net assets amount, which is shown on the *Statement of Net Assets* described above.

The *Statement of Cash Flows* reflects the inflows and outflows of cash and cash equivalents for the year ended June 30, 2007. It shows the various cash activities by type, reconciling the beginning cash and cash equivalents amount to the ending cash and cash equivalents amount, which is shown on the *Statement of Net Assets* described above. In addition, this statement reconciles cash flows from operating activities to the operating loss reported on the *Statement of Revenues, Expenses, and Changes in Net Assets* described above.

Although the primary focus of this document is on the results of activity for fiscal year 2007, comparative data is presented for the previous fiscal year 2006. 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.

Mohave County Community College District  
 Management's Discussion and Analysis  
 For the Year Ended June 30, 2007

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. Other 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 ongoing 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.

<u>Statement of Net Assets</u>	<u>As of June 30, 2007</u>	<u>As of June 30, 2006</u>
Current assets	\$ 7,737,024	\$ 6,391,228
Noncurrent assets, other than capital assets	194,276	194,498
Capital assets, net	<u>17,237,540</u>	<u>17,719,293</u>
<b>Total assets</b>	<u>25,168,840</u>	<u>24,305,019</u>
Long-term liabilities	13,416,453	13,716,386
Other liabilities	<u>1,512,991</u>	<u>1,342,810</u>
<b>Total liabilities</b>	<u>14,929,444</u>	<u>15,059,196</u>
Net assets:		
Invested in capital assets, net of related debt	4,479,547	4,971,770
Restricted net assets	335,423	585,244
Unrestricted net assets	<u>5,424,426</u>	<u>3,688,809</u>
<b>Total net assets</b>	<u>\$ 10,239,396</u>	<u>\$ 9,245,823</u>

The District's fiscal year 2007 financial position showed a moderate improvement, 10.7 percent stronger than fiscal year 2006, resulting from moderate increases in all areas of operation including the continued undertaking of a major upgrade to the administrative computing system software and increased state contributions and property tax collections.

Mohave County Community College District  
Management's Discussion and Analysis  
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The condensed financial information below highlights the main categories of the *Statement of Revenues, Expenses, and Changes in Net Assets*. Tuition and fees – net of scholarship allowances, in the amount of \$3,436,791 are included in operating revenues. In compliance with pronouncements issued by GASB, scholarship allowances are reported as deductions from tuition and fees revenues instead of as scholarship expense. The construction and acquisition of capital assets, although budgeted and recorded as an expense in the accounting system, is not reported as an expense in these statements. Such transactions are instead capitalized and reported as assets – with the systematic allocation of such costs (depreciation) expensed over the useful lives of the assets constructed or acquired. The District shows an operating loss reflecting that two of the largest revenue sources, property taxes and state appropriations, are considered nonoperating revenues. For a description of the differences between operating and nonoperating, please refer to the Summary of Significant Accounting Policies (Note 1), which directly follows the presentation of the financial statements.

<b>Statement of Revenues, Expenses, and Changes in Net Assets</b>	<b>For the Year Ended June 30, 2007</b>	<b>For the Year Ended June 30, 2006</b>
Operating revenues	\$ 10,324,763	\$ 9,862,453
Operating expenses		
Educational and general	26,476,964	25,175,019
Auxiliary enterprises	237,535	228,419
Depreciation	1,179,112	1,087,742
Other	47,907	23,003
Total operating expenses	27,941,518	26,514,183
Operating loss	(17,616,755)	(16,651,730)
Nonoperating revenues	18,937,576	17,651,920
Nonoperating expenses	(961,933)	(798,623)
Income (loss) before other revenues, expenses, gains or losses	358,888	201,567
Other revenues, expenses, gains or losses:		
Contributions	634,685	612,781
Increase in net assets	993,573	814,348
Net assets, beginning of year	9,245,823	8,431,475
Net assets, end of year	\$ 10,239,396	\$ 9,245,823

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Management's Discussion and Analysis  
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Operating revenues, which increased 4.7 percent, were impacted most by a \$521,964 or 17.5 percent increase in tuition and fees (net of scholarship allowances). In addition to a modest increase in full-time equivalent students (1.8%), tuition charges increased (\$4/credit hour in-state, \$6 WUE, and \$12 out-of-state) in accordance with year five of a five year 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 \$904,280 or 15 percent if reported at gross rather than net of scholarship allowances.

Private donations, which are processed through the Mohave Community College Foundation, Inc. with the Foundation forwarding donations to the District when appropriate, decreased 15.7 percent or \$47,384. Food service income declined 12.5 percent or \$4,823. Other sales and services decreased \$47,533 or 14.0 percent primarily due to a decline in facilities rental income.

Operating expenses rose 5.4 percent mainly as a result of 7.9 percent greater personnel costs of \$1,218,437 resulting from annual increases from 2 to 4 percent for continuing personnel, a 23.0 percent increase in the Arizona State retirement contribution rate from 7.4 percent to 9.1 percent of salaries and wages, new professional/support positions, and a 24.9 percent increase in compensated absences expense. The \$148,189 increase in compensated absences was due to current employees not exercising accrued PTO as it accumulated throughout the year in addition to the new positions added at the college.

Nonoperating revenues increased 7.3 percent as all categories had significant increases, which are discussed in the Financial Highlights and Analysis section. Nonoperating expenses--interest on debt--increased 20.4 percent due to an increase in scheduled debt interest payments as further discussed under Long-Term Debt in the Financial Highlights and Analysis section.

Capital appropriations increased 21.6% or \$106,500 but capital grants and gifts, received through the Mohave Community College Foundation, Inc. per administrative procedures, were reduced by \$84,596 or 69.5 percent.

Mohave County Community College District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007

The following schedule presents a summary and comparison of revenues for the fiscal years ended June 30, 2007 and June 30, 2006:

<u>Revenues by Source</u>	<u>Fiscal Year 2007</u>		<u>Fiscal Year 2006</u>		<u>Increase / (Decrease)</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Change</u>
<u>Operating revenues</u>						
Tuition and fees (net of scholarship allowances)	\$ 3,512,519	11.7	\$ 2,990,555	10.6	\$ 521,964	17.5%
Government grants and contracts	5,998,550	20.1	5,952,940	21.2	45,610	7.7
Private grants and contracts	253,528	.8	300,912	1.1	(47,384)	-15.7
Bookstore income	184,053	.6	159,473	0.6	24,580	15.4
Other operating revenues	376,113	1.3	458,573	1.6	(82,460)	-18.0
Total operating revenues	<u>10,324,763</u>	<u>34.5</u>	<u>9,862,453</u>	<u>35.1</u>	<u>462,310</u>	<u>4.7</u>
<u>Nonoperating revenues</u>						
Property taxes	14,093,900	47.2	13,274,304	47.2	819,596	6.2
State appropriations	4,196,900	14.0	3,710,000	13.2	486,900	13.1
Other	646,776	2.2	667,616	2.4	(20,840)	-3.1
Total nonoperating revenues	<u>18,937,576</u>	<u>63.4</u>	<u>17,651,920</u>	<u>62.8</u>	<u>1,285,656</u>	<u>7.3</u>
Capital appropriations	597,500	2.0	491,000	1.7	106,500	21.6
Capital grants and gifts	37,185	.1	121,781	0.4	(84,596)	-69.5
Total revenues	<u>\$ 29,897,024</u>	<u>100.0</u>	<u>\$ 28,127,154</u>	<u>100.0</u>	<u>\$ 1,769,870</u>	<u>6.3</u>

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, 2007 and June 30, 2006:

<u>Expenses by Function</u>	<u>Fiscal Year 2007</u>		<u>Fiscal Year 2006</u>		<u>Increase / (Decrease)</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Change</u>
<u>Operating expenses</u>						
Education and general:						
Instruction	\$ 7,184,340	24.9	\$ 6,882,730	25.2	\$ 301,610	4.4%
Academic support	3,519,967	12.2	3,462,743	12.7	57,224	1.7
Student services	3,453,928	12.0	3,315,437	12.1	138,491	4.2
Institutional support	6,850,217	23.7	6,001,049	22.0	849,168	14.2
Operation and maintenance of plant	2,382,022	8.2	2,434,154	8.9	(52,132)	-2.1
Scholarships	3,006,796	10.4	2,954,737	10.8	52,059	1.8
Public service	79,694	0.3	124,169	0.5	(44,475)	-35.8
Auxiliary enterprises	237,535	0.8	228,419	0.8	9,116	4.0
Other operating expenses	1,227,019	4.2	1,110,745	4.1	116,274	10.5
Total operating expenses	<u>27,941,518</u>	<u>96.7</u>	<u>26,514,183</u>	<u>97.1</u>	<u>1,427,335</u>	<u>5.4</u>
<u>Nonoperating expenses</u>						
Interest expense on debt	961,933	3.3	798,623	2.9	163,310	20.4
Total nonoperating expenses	<u>961,933</u>	<u>3.3</u>	<u>798,623</u>	<u>2.9</u>	<u>163,310</u>	<u>20.4</u>
Total expenses	<u>\$ 28,903,451</u>	<u>100.0</u>	<u>\$ 27,312,806</u>	<u>100.0</u>	<u>\$ 1,590,645</u>	<u>5.8</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  
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**Financial Highlights and Analysis**

The District's financial position at June 30, 2007 was stronger than at June 30, 2006, as increased taxes and state aid coupled with cost management efforts continued to have a positive impact. Cash and cash equivalents increased \$1,425,981, the result of several factors.

The largest contributing factors for the increased cash holdings were the District's share of state sales taxes increasing \$39,948, or 7.7 percent, property taxes revenue increasing \$819,596, or 6.2 percent; and state appropriations increasing \$486,900, or 13.1 percent. The State Legislature increased state appropriations following substantial increases in FTSE (Full-Time Student Equivalency).

Fiscal Year	FTSE
2006-07	2,866
2005-06	2,815
2004-05	2,845
2003-04	2,338
2002-03	2,343

Investment income for the 2006-2007 fiscal year decreased \$56,006, or 40%. This was primarily due to the movement of invested District funds from the Mohave County Treasurer to a sweep account with the District's primary bank, Chase Bank One. Following the discovery of improper allocations within the invested money at the County Treasurer, it was determined the District's portion of the investment returns would suffer considerably upon proper reallocation. The decision was made to move District funds to a sweep account investing in overnight repurchase agreements. The period of transition from the County Treasurer to the sweep account, during which no interest earnings were realized, directly related to the decreased investment income during fiscal year ending June 30, 2007. Contributing further to the decline was the sharply reduced level of excess capital investment. Investment income from capital investment decreased \$24,399 or 94 percent from the prior year.

Capital assets not being depreciated (Construction in Progress) decreased \$1,196,970. The most significant factor was the completion of a new classroom building construction project with a final capitalized amount of \$1,403,749. Additionally, the major upgrade to the administrative computing system software, begun in 2005-2006 with expected completion in January 2008, continued with \$206,779 added to construction in progress. Capital assets being depreciated, net of accumulated depreciation, increased \$715,217 as the District capitalized the aforementioned classroom building, upgraded networking capabilities and server capacity, purchased necessary equipment for the automotive technology program, enhanced improvements other than buildings (landscaping, parking lot lighting), and purchased a new library database software system; a project started and finished within the fiscal year with a final cost of \$182,436. The District disposed of \$191,031 in automotive and other equipment that no longer provided appropriate service or technology.

**Mohave County Community College District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007

Current liabilities increased just 3.7% mainly as a result of accrued payroll, including benefits, for hourly support personnel and summer associate faculty contracts. Long-term liabilities of the District decreased \$299,933 (2.2%) during the fiscal year ended June 30, 2007. The District issued revenue refunding bonds in the amount of \$3,490,000 used primarily to defease prior bond obligations in the amount of \$3,150,000. \$844,527 was paid to reduce long-term debt principal--\$420,000 on pledged revenue obligations, \$55,000 on revenue refunding bonds and \$369,527 on capital leases.

Net assets increased \$993,573, reflecting the increase in property taxes and state appropriations and an increase in unrestricted net assets as a result of increased revenues in excess of increased expenses.

Operating revenues increased by \$462,310 or 4.7 percent from the prior fiscal year. The main component of this increase was a \$521,964 or 17.5 percent increase in tuition and fees net of scholarship allowances. Food service income decreased 12.5 percent or \$4,823 while bookstore revenue increased 15.4 percent, or \$24,580. New construction and continued population and business growth in Mohave County increased property tax revenue 6.2 percent, or \$819,596. Private grants and contracts and capital grants and gifts declined 15.7 percent and 69.5 percent, respectively.

Total expenses increased 5.8 percent and operating expenses increased 5.4 percent with institutional support, academic support, student services, instruction, and scholarships accounting for 53.4 percent, 3.6 percent, 8.7 percent, 19.0 percent, and 3.3 percent, respectively, of the \$1,590,645 increase in total expenses. Institutional costs increased \$849,169 and personnel costs increased \$1,218,437 or 5.4 percent.

Academic support costs increased \$57,224, only 1.7 percent. Student services increased just 4.2 percent or \$138,491.

Institutional support expense increased 14.2 percent and included a computer refresh of 300 new computers in the student computer labs on all four campuses. Contracted services increased \$183,346, or 5.6 percent. Communications and utilities costs increased 10.2 percent, or \$99,957.

Scholarships increased \$52,059, or 1.8 percent, as student financial aid continued to be provided to as many students as possible. Auxiliary enterprises expenses increased 4.0 percent, or \$9,116. Interest expense on debt increased 20.4 percent, or \$163,310, as a result of additional capital lease obligations for the computer refresh and the issuance of new revenue refunding bonds of \$3,490,000.

### **Capital Assets**

The major addition to capital assets not being depreciated was the \$1,403,750 completion of a classroom building on the Bullhead City campus. A new library database system was also purchased and implemented at a cost of \$182,436. \$206,779 was added to construction in progress for the administrative system software upgrade with an anticipated completion date of January 2008. Capital assets being depreciated had a net increase of \$715,217.

**Mohave County Community College District**  
Management's Discussion and Analysis  
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**Long-Term Debt**

At June 30, 2007, the District had \$12,641,230 of long-term debt outstanding, including revenue bonds of \$3,435,000; pledged revenue obligations of \$8,775,000, including \$3,627,414 of new obligations; and six capital leases of \$431,230, including a major administrative software upgrade in process. During fiscal year 2007, principal reductions on pledged revenue obligations, revenue refunding bonds, and capital leases totaled \$420,000, \$55,000 and \$369,527, respectively. Additional information on the District's long-term debt can be found in Note 4 to the basic financial statements.

**Current Economic Conditions**

During fiscal year 2007, economic conditions in Mohave County continued to improve as new businesses and industry provided additional revenues and jobs. New businesses are opening and construction of new residences, including several large scale planned residential communities continues in all areas of the county. Major progress continues to be made in the highway improvement project to divide Highway 93 into four-lanes and to bypass Hoover Dam. Fiscal year 2007 sees continuing growth with FTSE up 51 students.

The District's five-year tuition plan increased fiscal year 2007 tuition to \$54 per credit hour and increased fiscal year 2008 tuition to \$58 per credit hour. Various student fees continue to be monitored to better match costs to types of classes and labs and distance education enrollment continues to grow.

MCC continued its three-year computer refresh program by furnishing the student computer labs with 300 new computers for the third year. The previous year's computers are distributed to faculty, staff, the library, and other areas of the campuses. The District completed construction of a new classroom/laboratory building on the Bullhead City Campus in time for Fall Semester, 2007.

**Requests for Information**

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

MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT  
Statement of Net Assets - Primary Government  
June 30, 2007

	Business-Type Activities
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 6,636,667
Receivables:	
Accounts	30,955
Property taxes (net of allowances of \$246,316)	426,698
Government grants and contracts	222,128
Donors, including \$48,978 from component unit	48,978
Student receivables ( net of allowances of \$1,567)	129,102
Interest	1,160
Other	9,938
Inventories	20,828
Prepaid items	210,570
Total current assets	7,737,024
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	179,108
Cash and cash equivalents held by trustees	15,168
Capital assets, not being depreciated	1,173,434
Capital assets, being depreciated, net	16,064,106
Total noncurrent assets	17,431,816
Total assets	25,168,840
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	419,335
Accrued payroll and employee benefits	713,993
Interest payable	198,984
Deferred revenues	13,386
Deposits held in custody for others	167,293
Current portion of compensated absences payable	66,693
Current portion of deferred contract payments	81,469
Current portion of long-term debt	675,326
Total current liabilities	2,336,479
Noncurrent liabilities:	
Compensated absences payable	603,470
Deferred contract payments	23,591
Long-term debt	11,965,904
Total noncurrent liabilities	12,592,965
Total liabilities	14,929,444
<b>Net Assets</b>	
Invested in capital assets, net of related debt	4,479,547
Restricted:	
Nonexpendable:	
Student loans	70
Expendable:	
Grants and contracts	184,257
Debt service	508
Capital projects	150,588
Unrestricted	5,424,426
Total net assets	\$ 10,239,396

See accompanying notes to financial statements.

MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT  
Statement of Financial Position - Component Unit  
June 30, 2007

	Mohave Community College Foundation, Inc.
<b>ASSETS</b>	
<b>Assets</b>	
Cash and cash equivalents	\$ 1,285,273
Investments	1,855,478
Capital assets, net	16,638
Restricted cash and cash equivalents	72,774
<b>Total assets</b>	<u><u>\$ 3,230,163</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>Liabilities</b>	
Amount payable to College	\$ 48,978
Accounts payable	1,212
Current portion of charitable annuities payable	21,046
Charitable annuities payable, net of current portion	72,220
<b>Total liabilities</b>	<u>143,456</u>
<b>Net assets</b>	
Unrestricted	1,685,031
Temporarily restricted	510,460
Permanently restricted	891,216
<b>Total net assets</b>	<u><u>3,086,707</u></u>
<b>Total liabilities and net assets</b>	<u><u>\$ 3,230,163</u></u>

See accompanying notes to financial statements.

MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT  
Statement of Revenues, Expenses, and Changes in Net Assets - Primary Government  
Year Ended June 30, 2007

	Business-type Activities
Operating revenues:	
Government grants and contracts	\$ 5,998,550
Private grants and contracts	253,528
Pledged for revenue bonds and other obligations:	
Tuition and fees (net of scholarship allowances of \$3,436,791)	3,512,519
Bookstore income	184,053
Food service income	33,845
Other sales and services	291,519
Other	50,749
Total operating revenues	10,324,763
Operating expenses:	
Educational and general:	
Instruction	7,184,340
Public service	79,694
Academic support	3,519,967
Student services	3,453,928
Institutional support	6,850,217
Operation and maintenance of plant	2,382,022
Scholarships	3,006,796
Auxiliary enterprises	237,535
Depreciation	1,179,112
Other	47,907
Total operating expenses	27,941,518
Operating loss	(17,616,755)
Nonoperating revenues (expenses):	
Property taxes	14,093,900
State appropriations	4,196,900
Share of state sales taxes	557,376
Investment income, net of investment expense	83,206
Interest expense on debt	(961,933)
Gain on disposal of capital assets	6,194
Total nonoperating revenues	17,975,643
Income before other revenues, expenses, gains, or losses	358,888
Capital appropriations	597,500
Capital grants and gifts	37,185
Increase in net assets	993,573
Total net assets, July 1, 2006	9,245,823
Total net assets, June 30, 2007	\$ 10,239,396

See accompanying notes to financial statements.

MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT  
Statement of Activities - Component Unit  
Year Ended June 30, 2007

Mohave Community College Foundation, Inc.				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues and support</b>				
Contributions and dues	\$ 26,971	\$ 117,381	\$ 42,760	\$ 187,112
Interest/dividend income	40,493	73,946	-	114,439
Investment returns	962,201	107,655	-	1,069,856
Special events	36,409	-	-	36,409
Donations in-kind	53,186	-	-	53,186
Other income	720	-	-	720
Reclassifications	-	(244,036)	244,036	-
Net assets released from restriction:				
Satisfaction of program restrictions	128,240	(128,240)	-	-
<b>Total revenues and support</b>	1,248,220	(73,294)	286,796	1,461,722
<b>Expenses</b>				
Accounting	16,196	-	-	16,196
Advertising	394	-	-	394
Auto/travel	867	-	-	867
Miscellaneous	18,686	-	-	18,686
Fundraising	49,686	-	-	49,686
Wages and benefits	49,208	-	-	49,208
Property taxes	582	-	-	582
Payments to/from College	171,967	-	-	171,967
Distributions to beneficiaries of life income and life estates	25,018	-	-	25,018
Depreciation	5,442	-	-	5,442
<b>Total expenses</b>	338,046	-	-	338,046
<b>Change in net assets</b>	910,174	(73,294)	286,796	1,123,676
<b>Net assets at beginning of year</b>	774,857	583,754	604,420	1,963,031
<b>Net assets at end of year</b>	\$ 1,685,031	\$ 510,460	\$ 891,216	\$ 3,086,707

See accompanying notes to financial statements.

MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT  
Statement of Cash Flows - Primary Government  
Year Ended June 30, 2007

	Business-type Activities
Cash flows from operating activities:	
Tuition and fees	\$ 3,562,981
Grants and contracts	6,197,079
Bookstore receipts	184,053
Food services receipts	33,845
Sales and services	291,519
Collection of loans to students	29,253
Other receipts	69,103
Payments to suppliers and providers of goods and services	(7,329,655)
Payments to employees	(16,488,870)
Payments for scholarships	(2,761,216)
Net cash used for operating activities	(16,211,908)
Cash flows from noncapital financing activities:	
Property taxes	14,134,028
State appropriations	4,196,900
Share of state sales taxes	557,376
Deposits held in custody for others received	48,311
Deposits held in custody for others disbursed	(12,540)
Net cash provided by noncapital financing activities	18,924,075
Cash flows from capital and related financing activities:	
Proceeds from issuance of bonds	3,490,000
Proceeds from capital lease	137,414
Capital appropriations	597,500
Principal paid on capital debt	(3,994,527)
Interest paid on capital debt	(981,716)
Proceeds from sale of capital assets	13,910
Purchases of capital assets	(667,890)
Net cash used for capital and related financing activities	(1,405,309)
Cash flows from investing activities:	
Interest received on investments	118,901
Net cash provided by investing activities	118,901
Net increase in cash and cash equivalents	1,425,759
Cash and cash equivalents, July 1, 2006	5,405,184
Cash and cash equivalents, June 30, 2007	\$ 6,830,943

(Continued)

See accompanying notes to financial statements

MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT  
Statement of Cash Flows - Primary Government  
Year Ended June 30, 2007

(Concluded)

	Business-type Activities
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (17,616,755)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	1,179,112
Changes in assets and liabilities:	
Increase in:	
Government grants and contracts receivable	(82,251)
Prepaid items	(14,333)
Other receivables	(5,988)
Inventories	(10,244)
Accounts payable	27,141
Accrued payroll and employee benefits	118,909
Compensated absences payable	148,189
Deferred revenues	8,143
Decrease in:	
Donor receivables	27,252
Accounts receivable	18,354
Student receivables, net	42,320
Student loans receivable, net	29,252
Deferred contract payments	(81,009)
Net cash used for operating activities	\$ (16,211,908)

Noncash investing, capital and noncapital financing activities:

During the year, \$37,185 of capital assets were acquired through donor's direct payments to vendor.

See accompanying notes to financial statements

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2007

**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. It is legally separate and fiscally independent of other state and local governments. The accompanying financial statements present the activities of the District (the primary government) and its discretely presented component unit, the Mohave Community College Foundation, Inc. (the Foundation).

The Foundation is a legally separate, tax-exempt organization. It acts primarily as a fund-raising organization that receives gifts and bequests, administers those resources, and disburses payments to or on behalf of the District for scholarships and programs. Although the District does not control the timing or amount of receipts from the Foundation, the Foundation's restricted resources can only be used by, or for the benefit of, the District or its constituents. Consequently, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements.

For financial reporting purposes, the Foundation follows the Financial Accounting Standards Board statements for not-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information included in the District's financial report. Accordingly, those financial statements have been reported on separate pages following the respective counterpart financial statements of the District. For financial reporting purposes only the Foundation's statements of 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.

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2007

During the year ended June 30, 2007, the Foundation distributed \$171,967 to the District for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Foundation Office, 1971 Jagerson Avenue, Kingman Arizona, 86409-1238.

**B. Basis of Presentation and Accounting**

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

A statement of net assets provides information about the assets, liabilities, and net assets of the District at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified according to external donor restrictions or availability of assets to satisfy District obligations. Invested in capital assets, net of related debt represents the value of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the assets. Nonexpendable restricted net assets consist of the District's and federal government's capital contributions for the Federal Perkins Loan program, which are restricted for the purpose of issuing loans to students and cannot be expended by the District. Expendable restricted net assets represent grants, contracts, gifts, and other resources that have been externally restricted for specific purposes. Unrestricted net assets include all other net assets, including those that have been designated by management to be used for other than general operating purposes.

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

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

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2007

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

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

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

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

**C. Cash and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the County Treasurer, and highly liquid investments.

**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.

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2007

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>		
Land	\$ 1		
Construction in progress	5,000		
		<b>Depreciation Method</b>	<b>Estimated Useful Life</b>
Buildings and improvements	5,000	Straight line	20-40 years
Improvements other than buildings	5,000	Straight line	15 years
Equipment	5,000	Straight line	5 years
Library books	1	Straight line	10 years
Software systems	1	Straight line	15 years

**F. Investment Earnings**

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

**G. Compensated Absences**

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

Sick leave benefits provide for ordinary sick pay and were cumulative through June 30, 2005. These benefits carried forward into fiscal year 2007 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.

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2007

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

**H. Scholarship Allowances**

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

**Note 2 - Deposits and Investments**

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

**Deposits** - At June 30, 2007, the total cash on hand was \$2,650, the carrying amount of the District's deposits was \$5,723,818 and the bank balance was \$6,123,769. The District does not have a policy with respect to custodial credit risk for deposits.

**Investments** - At June 30, 2007, the District's investments consisted of the following:

	<b>Fair Value</b>
County Treasurer's investment pool	\$ 1,089,307
Money market mutual funds	15,168
Total	\$ 1,104,475

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

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2007

**Credit risk** - The District does not have a formal policy with respect to credit risk. As of June 30, 2007, 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 pools	Unrated	Not applicable	\$ 1,089,307
Money market mutual funds	Unrated	Not applicable	<u>15,168</u>
			<u>\$ 1,104,475</u>

**Custodial credit risk** - For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy with respect to custodial credit risk. At June 30, 2007, the District had \$15,168 of money market mutual funds that were uninsured and held by the counterparty not in the District's name.

**Interest rate risk** - As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's policy limits the District's investment portfolio to maturities of less than one year. At June 30, 2007, the District had the following investments in debt securities:

Investment Type	Investment Maturities - Less than 1 Year
County Treasurer's investment pool	1,089,307
Money market mutual funds	<u>15,168</u>
	<u>\$ 1,104,475</u>

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	\$ 2,650	Cash and cash equivalents	\$ 6,636,667
Carrying amount of deposits	5,723,818	Restricted assets:	
		Cash and cash equivalents	179,108
Reported amount of investments	<u>1,104,475</u>	Cash and cash equivalents held by trustee	<u>15,168</u>
Total	<u>\$ 6,830,943</u>	Total	<u>\$ 6,830,943</u>

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2007

**Note 3 - Capital Assets**

Capital asset activity for the year ended June 30, 2007, was as follows:

	<u>Balance July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2007</u>
Capital assets not being depreciated:				
Land	\$ 638,098	\$ -0-	\$ -0-	\$ 638,098
Construction in progress	1,732,306	206,779	1,403,749	535,336
Total capital assets not being depreciated	<u>2,370,404</u>	<u>206,779</u>	<u>1,403,749</u>	<u>1,173,434</u>
Capital assets being depreciated:				
Buildings and improvements	21,273,376	1,463,292	-0-	22,736,668
Improvements other than buildings	2,276,644	82,683	-0-	2,359,327
Equipment	2,160,592	134,854	191,031	2,104,415
Library books	1,837,255	58,105	58,757	1,836,603
Software systems	-0-	163,111	-0-	163,111
Total capital assets being depreciated	<u>27,547,867</u>	<u>1,902,045</u>	<u>249,788</u>	<u>29,200,124</u>
Less accumulated depreciation for:				
Buildings and improvements	8,096,476	692,882	-0-	8,789,358
Improvements other than buildings	1,449,899	109,970	-0-	1,559,869
Equipment	1,151,707	308,088	183,315	1,276,480
Library books	1,500,896	62,735	58,757	1,504,874
Software systems	-0-	5,437	-0-	5,437
Total accumulated depreciation	<u>12,198,978</u>	<u>1,179,112</u>	<u>242,072</u>	<u>13,136,018</u>
Total capital assets being depreciated, net	<u>15,348,889</u>	<u>722,933</u>	<u>7,716</u>	<u>16,064,106</u>
Capital assets, net	<u>\$ 17,719,293</u>	<u>\$ 929,712</u>	<u>\$ 1,411,465</u>	<u>\$ 17,237,540</u>

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2007

**Note 4 - Long-term Liabilities**

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2007:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due within one year
Compensated absences payable	\$ 521,974	\$ 248,831	\$ 100,642	\$ 670,163	\$ 66,693
Deferred contract payments	\$ 186,069	\$ -0-	\$ 81,009	\$ 105,060	\$ 81,469
Bonds payable:					
Revenue bonds	\$ 3,150,000	\$ -0-	\$ 3,150,000	\$ -0-	\$ -0-
Pledged revenue obligations	9,195,000	-0-	420,000	8,775,000	410,000
Revenue refunding bonds	-0-	3,490,000	55,000	3,435,000	45,000
Capital leases payable	663,343	137,414	369,527	431,230	220,326
Total long-term debt	\$ 13,008,343	\$ 3,627,414	\$ 3,994,527	\$ 12,641,230	\$ 675,326

See note 8 for explanation of deferred contract payments at June 30, 2007.

**Pledged revenue obligations** – The District's pledged revenue obligations debt consists of obligations issued under the terms of agreements with the trustee and are generally callable. The obligations are payable solely from lease payments pursuant to lease purchase agreements and mature in 1 to 15 years. The lease payments are equal to the principal and interest requirements with respect to the obligations and are payable from and secured by the District's tuition, fees, rentals, and other charges paid by students, faculty, and others. The proceeds from the Series 2000 Pledged Revenue Obligations, issued in the amount of \$4,350,000, were used to construct new classrooms and revenue-producing facilities and for repairs, improvements, and renovations to existing buildings. The 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. 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. All Pledged Revenue Obligations are secured by revenues from tuition and fees, bookstore operations, food service sales or commissions and facility rentals.

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2007

Pledged revenue obligations outstanding at June 30, 2007 were as follows:

Description	Original Amount	Interest Rates	Maturities	Outstanding Principal
Series 2000	\$ 4,350,000	5.5%	3/1/10-15	\$ 4,350,000
Series 2001	\$ 4,630,000	3.75- 5.25%	3/1/08-15	3,170,000
Series 2005	\$ 1,325,000	3.5- 4.125%	9/1/07-20	<u>1,255,000</u>
			Total	<u>\$ 8,775,000</u>

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

Year ending June 30	Principal	Interest
2008	\$ 410,000	\$ 443,211
2009	420,000	426,821
2010	1,070,000	409,409
2011	1,125,000	356,169
2012	1,180,000	299,884
2013-17	4,140,000	540,742
2018-21	430,000	36,506
Total	<u>\$ 8,775,000</u>	<u>\$ 2,512,742</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.

Revenue refunding bonds outstanding at June 30, 2007, were as follows:

Description	Original Amount	Interest Rates	Maturity Ranges	Outstanding Principal
Series 2006	\$3,490,000	4.0 - 4.25%	3/1/08 -20	\$3,435,000

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2007

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

Year ending June 30	<u>Principal</u>	<u>Interest</u>
2008	\$ 45,000	\$ 144,125
2009	45,000	142,325
2010	5,000	140,525
2011	5,000	140,325
2012	5,000	140,125
2013-17	1,270,000	671,625
2018-20	2,060,000	177,438
Total	<u>\$ 3,435,000</u>	<u>\$ 1,556,488</u>

In December 2006, the District issued \$3,490,000 of Revenue Refunding Bonds Series 2006 with an average interest rate of 4.07 percent, to advance refund \$3,150,000 of Revenue Bonds, Series 2000 with an average interest rate of 6.0 percent and to pay all legal, financial and other costs related to the issuance of the Series 2006 Bonds. The Bonds are limited obligations of the District payable solely from a pledge of, and secured by a lien on, the gross revenues of the District. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the District's financial statements. At June 30, 2007, the following outstanding bonds were considered defeased:

Amount of refunding bonds issued	\$ 3,490,000
Amount of bonds refunded	3,150,000
Reduction in debt service payments	213,194
Economic gain (loss)	225,162

In prior years, the District defeased certain certificates of participation by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old certificates of participation. Accordingly, the trust accounts assets and the liability for these defeased certificates of participation are not included in the District's financial statements. At June 30, 2007, the following outstanding certificates of participation were considered defeased:

<u>Description</u>	<u>Amount</u>
Certificates of Participation Series 1994	\$1,245,000

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2007

**Capital leases** – The District has acquired equipment under the provisions of various long-term agreements classified as capital leases for accounting purposes because the agreements provide for a bargain purchase option or a transfer of ownership by the end of the lease term. However, only \$144,503 of such assets met the District's capitalization threshold and are capitalized at June 30, 2007.

Equipment	\$ 144,503
Less: accumulated depreciation	87,037
Carrying value	\$ 57,466

The following schedule details debt service requirements to maturity for the District's capital leases payable at June 30, 2007:

Year ending June 30		
	2008	\$ 250,316
	2009	168,135
	2010	72,809
Total minimum lease payments		491,260
Less amount representing interest		60,030
Present value of net minimum lease payments		\$ 431,230

**Note 5 - Risk Management**

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

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2007

The District is one of five members of the Mohave Schools Insurance Consortium, which provides life insurance and medical, dental and vision benefits to eligible employees of Consortium members. An independent administrator provides the Consortium with claims and recordkeeping services. The District is responsible for paying the premiums for eligible employees, but requires employees to pay premiums for spousal and dependent coverage. The District would be assessed an additional contribution should the Consortium become insolvent. This additional contribution shall not exceed the amount of the District's annual premium. Should the District withdraw from the Consortium, the District would then be responsible for its proportional share of claims and would forfeit all rights to the return of any surplus, unearned contributions, or other legally permitted distributions from the Consortium. Whether the District withdraws or the Consortium becomes insolvent, the District remains liable for assessments for liabilities of the Consortium incurred during the District's period of membership in the Consortium.

**Note 6 - Operating Leases**

The District leases equipment under the provisions of various long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases were \$144,138 for the year ended June 30, 2007. The operating leases have remaining noncancelable terms of from one to three and one-half years. The future minimum payments required under the operating leases at June 30, 2007, were as follows:

Year ending June 30	
2008	\$ 138,427
2009	94,663
2010	30,399
2011	<u>996</u>
Total minimum lease payments	<u>\$ 264,485</u>

**Note 7 - Retirement Plan**

**Plan description** - The District contributes to a cost-sharing, multiple-employer defined benefit pension plan administered by the Arizona State Retirement System. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

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

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2007

**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, 2007, active plan members and the District were each required by statute to contribute at the actuarially determined rate of 9.1 percent (8.6 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll. The District's contributions to the System for the years ended June 30, 2007, 2006, and 2005, were \$915,609, \$678,713 and \$461,265, respectively, which were equal to the required contributions for the year.

**Note 8 - Significant Commitments**

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

The following schedule details annual payments under this agreement based on the CPI-U at June 30, 2007

Year ending June 30	
2008	\$ 1,675,711
2009	1,612,011
2010	<u>798,485</u>
Total	<u>\$ 4,086,207</u>

The amounts listed above will be expensed in future years when the services are performed. Of the amount of \$1,695,727 paid during the fiscal year, \$1,621,327 was recorded as an expense in the current year for services performed during the year ended June 30, 2007 and \$74,400 was applied to reduce the liability for deferred contract payments at June 30, 2007.

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2007

**Note 9 - Operating Expenses**

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

Personal services	\$ 16,749,980
Contract services	3,430,817
Supplies and other services	2,204,803
Communications and utilities	1,078,423
Scholarships	2,761,216
Depreciation	1,179,112
Other	537,167
	<hr/>
Total	<u>\$ 27,941,518</u>

**Note 10 - Subsequent Events**

The District continued to upgrade the administrative computing system. Costs of additional software to administer student financial aid, converting existing system data to the upgraded system, configuration assistance, conversion mapping, implementation, project management including travel, and training are expected to bring the total cost of the upgrade to \$737,050. The expected "go-live" date is the first week of January 2008. Costs of \$668,188 are being financed with tax exempt lease/purchase bank financing payable quarterly over a five-year period beginning July 2006.

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

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

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

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

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

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2007

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

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

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

Autos and trucks	5 years
------------------	---------

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

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

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

#### **B. Cash and Cash Equivalents**

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

At June 30, 2007, the carrying amount of the Foundation's deposits was \$1,358,047 and the bank balance was \$1,358,448. Of the bank balance, \$144,929 was covered by federal depository insurance.

At June 30, 2007, \$52,781 of cash and cash equivalents were temporarily restricted and \$19,993 were permanently restricted.

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2007

**C. Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values as of June 30, 2007 in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investments in unimproved real estate are valued at fair market value at the time of donation.

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

Securities	\$ 1,813,471
Notes receivable	20,038
Unimproved real estate	21,969
Total	\$ 1,855,478

Investment income is summarized as follows:

	<b>Investments</b>	<b>Banks</b>	<b>Total</b>
Realized gain on sale of undeveloped land	\$ 921,271	\$ -0-	\$ 921,271
Net return on investment securities	148,585	-0-	148,585
Investment return on capital	1,069,856	-0-	1,069,856
Interest/dividend income	109,218	5,221	114,439
Overall investment income/(loss)	\$ 1,179,074	\$ 5,221	\$ 1,184,295

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2007

**D. Capital Assets**

Changes in capital assets for fiscal year 2007 are as follows:

	Balance 6/30/2006	Additions	Deletions	Balance 6/30/2007
Vehicles	\$ 27,208	\$ -0-	\$ -0-	\$ 27,208
Art collection	6,822	1,654	-0-	8,476
Total	34,030	1,654	-0-	35,684
Less: Accumulated depreciation	(13,604)	(5,442)	-0-	(19,046)
Net book value of fixed assets	<u>\$ 20,426</u>	<u>\$ (3,788)</u>	<u>\$ -0-</u>	<u>\$ 16,638</u>

**E. Split Interest Agreements – Charitable Trusts**

The Foundation has entered into charitable gift annuity agreements wherein donors (the Annuitants) conveyed to the Foundation, assets in exchange for annual payments to the annuitants during their lifetimes, or for a term of years. The liability is calculated at the date of donation by calculating the present value of the annual payments over the expected remaining life of the annuitants or term of years, whichever is greater. Contributions revenue, which is the fair market value of the contribution less its corresponding liability, is included in the statement of activities in the year of contribution. Assets under split-interest agreements included in the statement of net assets total \$155,512.

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

Year Ending June 30	
2008	\$ 21,046
2009	21,046
2010	21,046
2011	21,046
2012	<u>9,082</u>
Total annuities payable	<u>\$ 93,266</u>

The Foundation also has a remainder interest in various trusts that are required, upon the fulfillment of the trust terms, to transfer a portion of all of the trust assets to the Foundation. The market value of the Foundation's interest at June 30, 2007 is unknown because the trust value is not required to be reported to the Foundation.

Mohave County Community College District  
Notes to Financial Statements  
June 30, 2007

**F. Temporarily Restricted Net Assets**

Temporarily restricted net assets are comprised of the unspent portion of various restricted donations and the amounts held in investments under charitable annuity trust arrangements net of charitable annuities payable, as shown below. During 2007, one of the income beneficiaries under a split interest agreement died, which terminated the beneficiary's interest in the trust. Under the trust agreement, the Foundation was the sole charitable remainder beneficiary, and the remaining assets of the trust were to be used as a permanent scholarship endowment. Therefore, upon the death of the income beneficiary, \$244,036 of net assets previously considered temporarily restricted were reclassified as permanently restricted.

Charitable remainder trusts	\$ 62,246
Scholarships	448,214
Total temporarily restricted net assets	\$ 510,460

**G. Permanently Restricted Net Assets**

Permanently restricted net assets is comprised of the following contributions:

Arnold Scholars Fund	\$ 70,000
Arizona Board of Realtors Fund	11,910
Brazie Memorial Fund	27,558
Johnson Memorial Fund	24,012
Clark Nurses Fund	9,934
Don Hunt Fund	50,053
ING Scholarship Fund	10,000
Jayne Williams Fund	229,873
Ford-Davis Fund	19,000
Newcomer Fund	20,080
Ed Redman Fund	45,000
Stella Redman Fund	45,000
Veterans Forties Fund	12,000
Mohave Electric Co-op Fund	30,000
Grace Neal Fund	244,036
Mary Bruce Bushman Memorial Fund	42,760
Total permanently restricted net assets	\$ 891,216

**H. Fund-raising**

The Foundation conducts various fund-raising events throughout the year. Total fund-raising revenues received and expenses incurred for the year ended June 30, 2007 were \$36,409 and \$49,536 respectively.

## Supplementary Information

Mohave County Community College District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<b>National Science Foundation</b>			
Geosciences	47.050		\$ 1,168
Total National Science Foundation			<u>1,168</u>
<b>U.S. Small Business Administration</b>			
Passed through Maricopa County Community College District			
Small Business Development Center	59.037	6-603001-Z-0003-14	18,376
Small Business Development Center	59.037	7-603001-Z-0003-15	21,285
Total U.S. Small Business Administration			<u>39,661</u>
<b>U.S. Department of Education</b>			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007		57,296
Federal Work-Study Program	84.033		90,101
Federal Perkins Loan Program – Federal Capital Contributions	84.038		21,996
Federal Pell Grant Program	84.063		5,041,043
Academic Competitiveness Grant	84.375		3,825
Total Student Financial Aid Cluster			<u>5,214,261</u>
Passed through Arizona Department of Education			
Adult Education – State Grant Program	84.002	07FAEABE-770556-02A	<u>159,250</u>
Vocational Education – Basic Grants to States	84.048	06FCTDBG-670556-04A 07FCTDBG-770556-03A	46,082 <u>151,059</u> <u>197,141</u>
Tech-Prep Education	84.243	06FCTDTP-670556-03A	<u>46,908</u>
Passed through Arizona Commission for Postsecondary Education			
Leveraging Educational Assistance Partnership	84.069	11864	10,739
Total U.S. Department of Education			<u>5,628,299</u>
<b>U.S. Department of Agriculture</b>			
Natural Resources Conservation Service	10.Unknown		2,853
Total U.S. Department of Agriculture			<u>2,853</u>
Total Expenditures of Federal Awards			<u>\$ 5,671,981</u>

See accompanying notes to schedule.

Mohave County Community College District  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007

**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 2007 *Catalog of Federal Domestic Assistance*. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word "unknown" were used.

**Note 3 - Subrecipients**

The District did not provide federal awards to subrecipients during the year ended June 30, 2007.

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

The Auditor General of the State of Arizona

The Governing Board of  
Mohave County Community College District

We have audited the financial statements of the business-type activities and discretely presented component unit of Mohave County Community College District (District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 14, 2008. 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 discretely presented component unit, as described in our report on the District's financial statements. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*. The Mohave Community College Foundation, Inc. did not provide the reported results of the other auditors' testing of internal control over its financial reporting. Consequently, this report does not include our consideration of the other auditors' testing of internal control over financial reporting that is reported on separately by those other auditors.

**Internal Control over Financial Reporting**

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

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

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

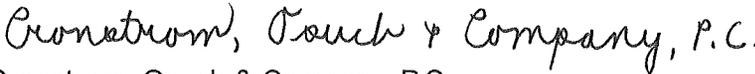
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies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

### **Compliance and Other Matters**

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

We noted certain matters that we reported to the District's management in a separate letter dated April 14, 2008.

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

  
Cronstrom, Osuch & Company, P.C.

April 14, 2008

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

The Auditor General of the State of Arizona

The Governing Board of  
Mohave County Community College District

**Compliance**

We have audited the compliance of Mohave County Community College District (District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Mohave County Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

## Internal Control over Compliance

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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

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, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

*Cronstrom, Osuch & Company, P.C.*

Cronstrom, Osuch & Company, P.C.

April 14, 2008

Mohave County Community College District  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2007

**Summary of Auditor's Results**

**Financial Statements**

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

**Federal Awards**

Material weakness identified in internal control over major programs?	_____	X
Significant deficiency identified not considered to be a material weakness?	_____	X (None reported)

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	_____	X
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Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
<b>Student Financial Aid Cluster:</b>	
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work – Study Program
84.038	Federal Perkins Loan Program – Federal Capital Contributions
84.063	Federal Pell Grant Program
84.375	Academic Competitiveness Grant

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	X _____

**Other Matters**

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	_____ X
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