

Maricopa County Community College District

Annual Budgeted Expenditure
Limitation Report

Year Ended June 30, 2022

A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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TABLE OF CONTENTS

Independent accountants' report	1
Annual Budgeted Expenditure Limitation Report—Part I	3
Annual Budgeted Expenditure Limitation Report—Part II	4
Notes to Annual Budgeted Expenditure Limitation Report	5



LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent accountants' report

Members of the Arizona State Legislature

The Governing Board of
Maricopa County Community College District

Annual Budgeted Expenditure Limitation Report

We have examined the accompanying Annual Budgeted Expenditure Limitation Report (report) of Maricopa County Community College District for the year ended June 30, 2022, and the related notes to the report. The District's management is responsible for presenting this report in accordance with the Uniform Expenditure Reporting System as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

Accountants' responsibilities

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether this report is presented in accordance with the Uniform Expenditure Reporting System in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Opinion

In our opinion, the Annual Budgeted Expenditure Limitation Report referred to above is presented in accordance with the Uniform Expenditure Reporting System as described in Note 1 in all material respects.

Emphasis of matters

As described on Part I of the report, the District reported it intentionally violated Arizona Constitution, Article IX, §21, and exceeded its expenditure limitation by \$55,537,494 for the year ended June 30, 2022. In lieu of the penalties prescribed in A.R.S. §41-1279.07(l) for exceeding the expenditure limitation, the District's penalty will be reduced to \$20,000 pursuant to Laws 2021, Ch. 421. Although the District has sufficient prior-year unexpended carryforward revenues available for it to use to be under the expenditure limitation, the District did not use these carryforward revenues although it has had a longstanding historical practice of doing so. Our opinion is not modified with respect to this matter.

As described in Note 11 of the report, the District restated its grants, aid, or contributions from the federal government, the State of Arizona, other political subdivisions, tribal governments, or special taxing districts and tuition and fees carryforward balances for fiscal years 2020 and 2021 to correct misstatements in its previously issued Annual Budgeted Expenditure Limitation Reports. Our opinion is not modified with respect to this matter.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

October 30, 2023

Maricopa County Community College District Annual Budgeted Expenditure Limitation Report—Part I Year ended June 30, 2022

1. Economic Estimates Commission expenditure limitation	\$472,659,526
2. Total amount subject to the limitation (from Part II, line C)	<u>528,197,020</u>
3. Amount in excess of the expenditure limitation	<u>\$ (55,537,494)</u>

In July 2021, the Arizona state legislature passed and the governor approved Laws 2021, Ch. 421, Sec. 1(A)(3) (House Bill 2373), setting the penalties for community college districts that exceed their expenditure limitation as prescribed in Article IX, §21, of the Arizona Constitution. For fiscal year 2021-2022, the District shall have \$20,000 of state aid withheld for exceeding the limit by greater than ten percent but less than twelve percent of the expenditure limitation.

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the Uniform Expenditure Reporting System.

Signature of chief fiscal officer: (Signature removed for website presentation.)

Name and title: Kimberly Brainard Granio, Vice Chancellor, Business Services

Telephone number: (480) 731-8584

Date: October 30, 2023

See accompanying notes to report.

Maricopa County Community College District
Annual Budgeted Expenditure Limitation Report—Part II
Year ended June 30, 2022

Description	Current funds			Plant funds		Total
	Unrestricted		Restricted	Unexpended	Retirement of indebtedness	
	General	Auxiliary enterprises				
A. Total budgeted expenditures	\$ 677,402,173	\$ 35,296,422	\$ 271,408,096	\$ 42,754,217	\$ 75,685,735	\$ 1,102,546,643
B. Less exclusions claimed:						
Debt service requirements (Note 2)					75,685,735	75,685,735
Dividends, interest, and gains on the sale or redemption of investment securities (Note 3)			78,441			78,441
Grants, aid, or contributions from the federal government, the State of Arizona, other political subdivisions, tribal governments, or special taxing districts (Note 4)	17,738,567	3,878,649	215,800,259			237,417,475
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 5)		396,929	10,978,839			11,375,768
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 6)				25,755,312		25,755,312
Contracts with other political subdivisions or tribal governments (Notes 4 and 10)		506,041	5,670,662			6,176,703
Tuition and fees (Note 7)	161,400,430	19,562,796	16,386			180,979,612
Amounts earned through research and entrepreneurial activities (Note 9)		3,259,477				3,259,477
Amounts received from the State of Arizona for workforce development in accordance with A.R.S. §15-1472 (Note 10)			13,700,925			13,700,925
Prior years carryforward (Note 8)		2,280,470	17,639,705			19,920,175
Total exclusions claimed	<u>179,138,997</u>	<u>29,884,362</u>	<u>263,885,217</u>	<u>25,755,312</u>	<u>75,685,735</u>	<u>574,349,623</u>
C. Amounts subject to the expenditure limitation	<u>\$ 498,263,176</u>	<u>\$ 5,412,060</u>	<u>\$ 7,522,879</u>	<u>\$ 16,998,905</u>	<u>\$ -</u>	<u>\$ 528,197,020</u>

See accompanying notes to report.

Maricopa County Community College District

Notes to Annual Budgeted Expenditure Limitation Report

Year ended June 30, 2022

Note 1 - Summary of significant accounting policies

The Annual Budgeted Expenditure Limitation Report (ABELR) is presented as prescribed by the Uniform Expenditure Reporting System (UERS), as required by Arizona Revised Statutes (A.R.S.) §41-1279.07. The ABELR excludes expenditures of certain revenues specified in the Arizona Constitution, Article IX, §21, and A.R.S. §§15-792.03, 15-795.01, 15-1444, and 15-1472, as applicable, from the total budgeted expenditures.

The information reported in both the ABELR and the financial statements is derived from the same underlying accounting data. However, the formats of the ABELR and the financial statements differ. The ABELR presents budgeted expenditures, exclusions, and amounts subject to the limitation by fund type as required by A.R.S. §41-1279.07. The financial statements present the net position, changes in net position, and cash flows in accordance with U.S. generally accepted accounting principles.

In accordance with the UERS requirements, a note to the ABELR is presented below for any exclusion reported in the Total column on Part II that cannot be traced directly to an amount reported in the annual financial statements.

Note 2

The exclusion claimed for debt service requirements includes the amounts reported as principal paid on capital debt and interest paid on capital debt on the statement of cash flows—primary government.

Note 3

The exclusions claimed for expended dividends, interest, and gains on the sale or redemption of investment securities of \$78,441 is more than the revenue amount reported on the statement of revenues, expenses, and changes in net position—primary government. The difference is explained below:

Statement of revenues, expenses, and changes in net position—primary government:		Annual budgeted expenditure limitation report:	
Investment earnings, net of investment expense	<u>\$(3,978,690)</u>	Dividends, interest, and gains on the sale or redemption of investment securities	\$ 78,441
		Interest income on retirement of indebtedness fund—not taken as an exclusion and not carried forward to future years under the expenditure limitation requirements	70,435
		Investment income in loan and endowment funds—not reported on ABELR	671
		Nonexcludable negative revenues in General, Auxiliary, and Unexpended Plant funds	<u>(4,128,237)</u>
Total	<u>\$(3,978,690)</u>	Total	<u>\$(3,978,690)</u>

Maricopa County Community College District

Notes to Annual Budgeted Expenditure Limitation Report

Year ended June 30, 2022

Note 4

The following schedule presents revenues from which exclusions have been claimed for government grants, aid, contributions, and contracts:

Statement of revenues, expenses, and changes in net position— primary government:		Annual budgeted expenditure limitation report:	
Government grants and contracts	\$239,136,598	Grants, aid, or contributions from the federal government, the State of Arizona, other political subdivisions, tribal governments, or special taxing districts	\$237,417,475
Smart and Safe AZ fund appropriations	<u>25,713,850</u>	Contracts with other political subdivisions or tribal governments	<u>5,606,440</u>
		Total exclusions claimed	<u>243,023,915</u>
		Other revenues (nonexcludable)	2,790,843
		Unspent, excludable revenues carried forward	<u>19,035,690</u>
Total	<u>\$264,850,448</u>	Total	<u>\$264,850,448</u>

Note 5

Of the amounts expended from private grants and contracts and private gifts reported on the statement of revenues, expenses, and changes in net position—primary government of \$11,423,030, exclusions claimed of \$11,375,768 are amounts for grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes. The difference of \$47,262 represents fiduciary activities that are reported on the financial statements but not included for ABELR purposes.

Note 6

The Maricopa County Community College District Governing Board approved the accumulation of \$27,972,079 for the purpose of capital expenditures. Of this amount, \$25,755,312 was expended on the purchase of land, buildings, or improvements or construction of buildings or improvements and claimed as an exclusion while \$2,216,767 was not eligible to be carried forward under the expenditure limitation requirements.

Note 7

The District does not budget tuition and fees revenues net of scholarship allowances. Of the gross tuition and fees of \$180,202,194 reported on the statement of revenues, expenses, and changes in net position—primary government, \$180,202,194 was primarily expended in the General and Auxiliary Enterprises funds. The entire amount of the gross bookstore, concessions, and athletic ticket sales revenue of \$778,418 that is included in other revenue on the statement of revenues, expenses, and changes in net position—primary government was also claimed as an exclusion for a total of \$180,979,612 excluded as tuition and fees.

Maricopa County Community College District
Notes to Annual Budgeted Expenditure Limitation Report
Year ended June 30, 2022

Note 8

Prior year carryforward consists of constitutionally excludable revenues unexpended in the year of receipt that have been accumulated and were expended in the current year as follows:

Description	Current auxiliary enterprises fund	Current restricted fund
Tuition and fees	\$2,280,470	
Dividends, interest, and gains on the sale or redemption of investment securities		\$ 337,712
Grants, aid, or contributions from the federal government, the State of Arizona, other political subdivisions, tribal governments, or special taxing districts		15,651,850
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes		<u>1,650,143</u>
Total prior years carryforward expended	<u>\$2,280,470</u>	<u>\$17,639,705</u>

Note 9

Amounts earned through research and entrepreneurial activities are included in other revenue on the statement of revenues, expenses, and changes in net position-primary government. Of the excludable revenue, \$3,259,477 was expended and claimed as an exclusion.

Note 10

The District recorded revenue of \$18,986,810 for proposition 301 sales tax revenues received for the District and its charter schools as State-shared sales taxes on the statement of revenues, expenses, and changes in net position-primary government. Of these excludable revenues, \$13,700,925 is recorded as amounts received from the State of Arizona for workforce development in accordance with A.R.S. §15-1472 and \$570,262 is recorded in the line item contracts with other political subdivisions or tribal governments. The remaining unspent excludable revenues of \$4,715,623 have been carried forward to future years.

Note 11

Revenues that are constitutionally excludable and unexpended in the year of receipt may be accumulated and excluded in future years. The June 30, 2021, beginning carryforward balance for grants, aid, or contributions from the federal government, the State of Arizona, other political subdivisions, tribal governments, or special taxing districts was restated to properly include \$12,877,152 in prior year excludable revenue from fiscal year 2021 that was reported as non-excludable. During the 2020 and 2021 fiscal years, the District excluded \$9,908,022 and \$8,093,721, respectively of tuition and fees that should have been presented as an exclusion for amounts accumulated for the purchase of land, and the purchase of construction of buildings or improvements. As a result, the beginning balance for tuition

Maricopa County Community College District

Notes to Annual Budgeted Expenditure Limitation Report

Year ended June 30, 2022

and fees was restated by \$18,001,743. Both restatements did not affect the total amount subject to the limitation or amount under the expenditure limitation. A summary of the excludable revenue sources and the changes in those balances is shown in the table below:

Description	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022
Debt proceeds	\$ 3,526,673			\$ 3,526,673
Dividends, interest, and gains on the sale or redemption of investment securities	54,988,631		\$ 337,712	54,650,919
Grants, aid, or contributions from the federal government, the State of Arizona, other political subdivisions, tribal governments, or special taxing districts	21,490,278	\$18,083,449	15,651,850	23,921,877
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	3,767,913		1,650,143	2,117,770
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	18,431,430			18,431,430
Contracts with other political subdivisions or tribal governments	588,790	952,241		1,541,031
Tuition and fees	164,095,659		2,280,470	161,815,189
Amounts received from the State of Arizona for workforce development in accordance with A.R.S. §15-1472	<u>15,245,474</u>	<u>4,715,623</u>		<u>19,961,097</u>
Total carryforward	<u>\$282,134,848</u>	<u>\$23,751,313</u>	<u>\$19,920,175</u>	<u>\$285,965,986</u>

