



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2002



Phoenix College

Maricopa County Community College District

Phoenix, Arizona



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2002

Maricopa County Community College District

Prepared by
Division of Business Services



Maricopa County Community College District Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2002

Table of Contents

Introductory Section

Message from the Chancellor	1
Letter of Transmittal	2
Certificate of Achievement for Excellence in Financial Reporting	17
Organizational Chart.....	18
Principal Officers.....	19
Vision, Mission and Values Statements.....	20

Financial Section

Independent Auditors' Report.....	23
Management's Discussion and Analysis.....	25
Basic Financial Statements:	
Statement of Net Assets	30
Statement of Revenues, Expenses, and Changes in Net Assets	31
Statement of Cash Flows	32
Notes to Financial Statements.....	33
Supplemental Information:	
Statement of Revenues, Expenses, and Changes in Net Assets by College/Center.....	43
Notes to Supplemental Information.....	45

Statistical Section

Property Tax Levies and Collections – Last Ten Fiscal Years	46
Secondary Assessed Value and Current Market Value of All Taxable Property – Last Ten Fiscal Years	47
Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years	48
Principal Taxpayers	49
Computation of Legal Debt Margin.....	50
Ratio of Net General Obligation Bonded Debt to Secondary Assessed Value and Net General Bonded Debt Per Capita – Last Ten Fiscal Years	51
Computation of Direct and Overlapping Bonded Debt - General Obligation Bonds.....	52
Revenue Bond Coverage – Last Ten Fiscal Years.....	53
Historic Enrollment – Last Ten Fiscal Years.....	54
Student Enrollment Demographic Statistics – Last Ten Fiscal Years.....	55
Historic Tuition and Fees – Last Ten Fiscal Years	56
Maricopa County Property Values, Construction, and Bank Deposits – Last Ten Fiscal Years.....	57
Economic Indicators for the Metro Phoenix Area	58
Top 25 Employers in Maricopa County.....	59
Miscellaneous Statistics.....	60



Introductory Section



January 17, 2003

To the Residents of the Maricopa County Community College District:

Planning for the future of the Maricopa Community Colleges is our most important ongoing work. While Maricopa County's population growth is very strong, our enrollment growth *exceeds* the growth of the County. Each of our ten Colleges is showing substantial enrollment increases.



www.maricopa.edu

DR. FRED GASKIN

CHANCELLOR

We are proud that students are choosing our colleges in record numbers. We appreciate that today's student has choices. Our students know their success depends on a good education and lifelong learning, and providing superior education and up-to-date training is what the Maricopa Community Colleges do best.

The demographics of our student body continue to change. As the Valley becomes increasingly diverse, the number of minority students continues to increase. Research and publications support the notion that we must be proactive in providing quality programs and services for a diverse student population. Part of our responsibility lies in selecting new faculty and staff who will serve as role models.

We have so much to offer our students and the communities we serve. Our current capital planning efforts build on the very successful completion of our 1994 bond. The last projects from the 1994 bond are under construction now. We have recently completed a number of new buildings at several of our colleges including Chandler-Gilbert Community College's Performing Arts Center, the Glendale Community College Enrollment Center, and the Estrella Mountain Community College Student Services Center expansion. The promises we made in 1994 have been kept, and our fiscal and bond ratings recognize our prudent bond program management.

**2411 W. 14th St.
Tempe, Arizona
85281-6942**

The new Student Information System, a software program critical to our ability to deliver effective services to our students, is moving forward with strong districtwide support and input from each of the colleges. Facilities master plans are underway at all of the colleges. Because the Maricopa Community Colleges understand that marketability in the "new economy" requires more robust skills in areas such as technology, technology planning is moving forward with great enthusiasm.

**Telephone
480.731.8000**

The Greater Phoenix Economic Council has identified Biotechnology as one of the emerging priority industry clusters, based on its ability to create high wage jobs and its potential for expansion in the region. As a result of the state of Arizona's success in attracting the International Genomics Consortium (IGC) to Phoenix, the Translational Genomics Research Institute (TGen) has formed. Several opportunities in the genomics and biomedical field are thereby being presented. The Maricopa Community Colleges will be a key player with the State's public universities and numerous Valley business and community leaders in supporting this growth and are committed to providing a well-trained workforce to meet the needs of the emerging industry.

**Fax
480.731.8506**

Our fast-growing district strives to keep pace with the ever-expanding population providing increased space for students in new and renovated buildings, labs, and classrooms as well as high-tech centers designed and equipped to ensure success for all. Working with the citizens of Maricopa County, the Maricopa Community Colleges will continue to meet the challenges facing students, today and in the future.

Sincerely,

Fred Gaskin
Chancellor

A COMMUNITY OF COLLEGES...A WORLD OF OPPORTUNITY
Chandler-Gilbert • Estrella Mountain • GateWay • Glendale • Mesa
Paradise Valley • Phoenix College • Rio Salado • Scottsdale • South Mountain • Skill Centers
The Maricopa County Community College District is an EEO/AA institution



www.maricopa.edu

DR. FRED GASKIN

CHANCELLOR

2411 W. 14th St.
Tempe, Arizona
85281-6942

Telephone
480.731.8000

Fax
480.731.8506

January 17, 2003

To the Citizens of the Maricopa County Community College District:

We are pleased to convey to you the Comprehensive Annual Financial Report (CAFR) of the Maricopa County Community College District (MCCCD; the District) for the fiscal year ended June 30, 2002 (FY 2002).

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The CAFR is presented in three sections: Introductory, Financial, and Statistical. The introductory section includes a message from the Chancellor, this transmittal letter, the District's organizational chart, and a list of principal officers. The financial section includes the Management's Discussion and Analysis (MD&A), the independent auditors' report, the basic financial statements, and supplemental information. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The statistical section includes selected unaudited financial and demographic information, generally presented on a multi-year basis.

Organization and Administration

As a political subdivision of the State of Arizona, the Maricopa County Community College District is operated and maintained by the the District's Governing Board (the Board), which is comprised of five elected members, representing each of the five precincts of the county. These members are elected for six-year terms on a staggered basis.

Arizona Revised Statutes grant the Board authority to approve and enforce the courses of study; appoint and employ administrators, faculty and staff; award degrees, certificates, and diplomas; and maintain general operations and service to the community for a minimum of eight months per year. In addition, the Board is responsible for adopting the annual budget and setting tuition and fees.

The District serves the educational needs of the Maricopa County area through ten accredited institutions and two skill centers, managed by ten college presidents and two directors, respectively. District-wide administrative and support services are centralized and administered by the Chancellor and four Vice-Chancellors: Executive Vice Chancellor for Human Resources and Administration, Vice Chancellor for Academic Affairs, Vice Chancellor for Student Development & Community Affairs, and Vice Chancellor for Information Technologies.

A COMMUNITY OF COLLEGES...A WORLD OF OPPORTUNITY

Chandler-Gilbert • Estrella Mountain • GateWay • Glendale • Mesa

Paradise Valley • Phoenix College • Rio Salado • Scottsdale • South Mountain • Skill Centers

The Maricopa County Community College District is an EEO/AA institution

Entity

The District is an independent reporting entity within the criteria established by Generally Accepted Accounting Principles (GAAP) and the Governmental Accounting Standards Board (GASB). Although the District shares the same geographic boundaries with Maricopa County, financial accountability over all activities related to public community college education in Maricopa County is exercised solely by the District. The financial reporting entity consists of a primary reporting entity and its component units. Maricopa County Community College District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. There are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental financial reporting entity.

The Maricopa Community Colleges Foundation, Inc. is controlled by a separate board of directors. Therefore, its activity is not included in the financial statements of the District.

History

The Maricopa County Community College District was established in 1962 under the provisions of legislation enacted by the Arizona State Legislature in 1960. This legislation created the Arizona State Junior College System and provided for the formation of junior college districts on a county basis throughout the state. At that time there was one college in the system, Phoenix [Junior] College, founded in 1920. Today, the District consists of ten nationally accredited colleges, comprising one of the nation's largest multi-college community college systems.

Service to the Community

The District is the largest single provider of post-secondary education in Arizona - offering affordable education to more than 250,000 individuals year-round in both credit and special-interest/non-credit classes. Composed of 10 colleges, two skill centers and numerous education sites, the District strives to keep pace with the ever-expanding population of Maricopa County. The county includes metropolitan Phoenix, recognized as one of the nation's fastest-growing metropolitan areas. Such burgeoning population is reflected in the District's average growth rate of about 5%, which is predicted to continue.

The District delivers effective teaching and learning through modern occupational programs and training, extensive partnerships with business and industry, as well as through a vast array of classes that transfer to four-year institutions. There are currently 8,632 credit-course offerings: 2,708 academic courses and 5,924 occupational courses included in 848 occupational programs. Students include those in traditional credit classes as well as senior adults, business professionals, and others taking computer and web-based training, job-readiness training, and job-related certificate training. As indicated by racial category, the student enrollment data mirrors the population of Maricopa County: 58% Anglo, 16% Hispanic, 5% African American, 2% Native American, 4% Asian and 15% other.

Service to the Community (continued)

The District has become a major part of the community and continues to be a pipeline for the State's four-year universities, primarily Arizona State University (ASU). According to the MCCCDC Office of Institutional Effectiveness, 19,576 Fall 2001 ASU undergraduates had transferred MCCCDC credits (representing 49% of the total ASU undergraduates).

A variety of direct services to the community are made available by the District. These include: KJZZ-FM Public Radio-91.5 (news/jazz); KBAQ-FM Public Radio-89.5 (classical); Sun Sounds Radio Reading Service (for the visually-impaired); the Small Business Development Center state-wide network; and two charter high schools with accelerated, career-focused programs offering concurrent college courses at central city college campuses.

Contribution to State and Local Economies

Located in the south-central portion of the State of Arizona, Maricopa County (the County) qualifies as the major economic, political, and population center in the State. The area includes the Greater Phoenix Metropolitan Area, which is comprised of Phoenix, Glendale, Mesa, Scottsdale, Paradise Valley, Tempe, Peoria, Chandler, and Gilbert, plus other smaller cities and towns and all the unincorporated areas of the County. The County measures 9,222 square miles, making it the 14th largest county in the United States.

For the past three decades, Maricopa County has been one of the most rapidly growing counties in the country in terms of population, employment and personal income. According to the U.S. Census Bureau Population Division, Maricopa County ranks first in the nation for population change (in terms of absolute numbers) since April 1, 1990 — boasting a current population of nearly 3.2 million and growing. Over 64% of Arizona's labor force resides in Maricopa County, which currently ranks as the 4th highest populated in the nation.

The main economic sectors in the County include services, trade, and manufacturing. In fact, Maricopa County has evolved into a major center for high-tech manufacturing such as semi-conductors, electronics and aerospace. As such, it has been increasingly successful in attracting high-tech manufacturing employment, and developing a high technology base in order to position itself to excel in the "new economy."

A solid support infrastructure plays an active role in shaping the State labor force. Three Arizona public universities, the statewide system of community colleges, multiple private colleges, universities and technical institutes, business and industry members, and individual cities and towns are all important factors that serve as a network of key components contributing to the dynamic performance of the Arizona workforce. As a network participant, the District has become well known both locally and nationally as the largest provider of job training in Arizona for new and expanding companies. The District enjoys ongoing success in forging partnerships with business and industry, especially those with an acute need for technical abilities.

Contribution to State and Local Economies (continued)

To illustrate, the Greater Phoenix Business Leadership Coalition, supported by the Greater Phoenix Economic Council, has identified five priority industry clusters that will drive the economic development and infrastructure planning of the region. These clusters are: aerospace, bio-industry, advanced financial and business services, high-tech, and software. The District will continue to play a key role in providing the necessary workforce development and job training offerings to grow these industry clusters, thus continuing its significant contribution to the State and Local economies.

Overview of National and State Economic Forecasts

Maricopa County has been an established growth area for the past half century, but has certainly not been immune to the impact of the overall economic downturn currently being experienced nationally. According to the Arizona Department of Economic Security Research Administration (DES/RA), after 20 years of employment growth, represented by the addition of more than 1,215,000 non-farm jobs, Arizona is expected to show a loss of nearly 21,000 jobs in 2002, representing almost a 1 percent decline. This is slightly more than initial forecasts indicated. A modest economic upturn is expected to begin building momentum in late 2002 and into 2003, with jobs growing at an annual average pace of almost 2 percent in 2003. This represents a gain of almost 40,000 jobs in 2003, resulting in a net job gain of 19,000 over the two-year period. Although positive, according to the DES/RA, 2003 will not likely recover as fast or robustly as earlier predicted, with businesses expected to be very deliberate, yet cautious, while working through these slower, difficult times toward profitability.

The age composition of the population is also an important factor that directly affects State revenues and expenditures. Studies show that older people tend to spend less money than younger people. The DES/RA indicates that the Maricopa County population is continuing to age, with a current (2000 census) median age of 33.0. However, the County is younger overall than the State (34.2 median age) and the Nation (35.3 median age). As might be expected, persons between the ages of 35 and 64 account for the bulk of Arizona's population growth – 56% growth in this age group from 1990 to 2000. These aging and population growth patterns are projected to continue to be a significant factor in defining the economic profile of Maricopa County for the foreseeable future.

Major Impacts

Management continually monitors federal and state legislative or regulatory initiatives and other external driving forces; participates in studies to further understand potential impacts of these on the District and the future of the communities served; and deploys efforts to institutionalize such initiatives when necessary. These external forces are described below.

Major Impacts (continued)

Sales Tax for Education

A November 7, 2000, general election ballot initiative (Proposition 301), approved by voters, allows the state to increase sales tax by 6/10 of a percent with proceeds going to Arizona education, including school districts, universities, and community colleges. Proceeds directed to community colleges are required to be expended for workforce development and job training purposes, including:

- ❑ Partnerships between businesses and institutions
- ❑ Additional faculty to improve and expand classroom instruction and course offerings
- ❑ Technology, equipment, and technology infrastructure for advanced classroom and/or laboratory teaching and learning
- ❑ Student services such as assessment, advisement, and counseling
- ❑ Purchase or lease of real property and construction, remodel, or repair of facilities

The District received its first allocation of revenues in September 2001, and recorded total revenues of \$4.4 million in FY 2002, the first year of funding. This initiative also provides funding of \$13 million due under existing statute to community college districts statewide for matching capital outlay related to the construction of new campuses. Of the \$13 million, which is to be paid at a rate of \$1 million per year over a 13-year period, the District is owed \$5 million and expects to begin receiving payment in FY 2004.

Managing Growth

The growth in the population base and in student enrollment presents the District with both benefits and challenges. The primary source of revenue for the District is county property taxes, and in this regard, the growth of the population base of Maricopa County continues to insure growth in the funding for the District. The corresponding growth in student enrollment, although gratifying, puts stress on the institution to adequately fund such growth, in terms of increased faculty and increased teaching and support facilities. Additional support from the State, in the form of annual appropriations, has been counted on in the past to supplement property taxes and tuition & fees. Unfortunately, during this time of tremendous growth, State funding has decreased and continues to do so. FY 2002 saw an appropriation cut of 4.75%, and the institution awaits decisions by the legislature of what the funding cut will be for FY 2003. Initial indications are that it will be approximately 5%, which is on top of the 4.75% incurred already. The continued erosion of this piece of the funding pie significantly increases the challenge to adequately fund the growth of the institution.

Major Initiatives

In addition to developing responses to major impacts from external forces as previously described, the District continues to enhance its responsiveness to internal issues, as reflected in the following initiatives.

Maricopa Governance

In September 1996, the District Governing Board revised its internal governance model following the concept of Maricopa Governance. This model stresses the Board's responsibility of leading the District while serving as a connecting point to our communities. Four types of policies define the new model:

- Executive Boundaries Policies which provide the prudent and ethical boundaries of acceptable Chancellor acts, practices, and circumstances.
- Governance Process Policies which clarify the Board's own job and rules, including how it plans to interact with others.
- Board-Staff Relationship Policies which describe the relationship and accountability linkage (usually through the Chancellor).
- Goals Policies which determine what benefits will occur, for which constituencies, and at what cost. These become prioritized and reflected in the annual budget.

Maricopa Governance provides the District more effective and efficient governance by focusing on goals rather than means. An important aspect of Maricopa Governance is the Board's regular monitoring for compliance with the above policies. To this end, the Board adopted a planning calendar that aligns strategic planning activities and budget development. Numerous reports are submitted at regular intervals to measure and demonstrate compliance. The second annual report of measures of adopted goals was recently released. The next major step is the integration of goal setting with outcomes and goals set in the District-wide strategic planning process.

Strategic Planning

During recent years, the District's decision-makers at all levels of the organization have examined strategic directions, strategic priorities, and a variety of seemingly independent strategic plans. The Governing Board identified the need for a systemic District-wide strategic plan and charged the Chancellor and the Chancellor's Executive Council to lead the project.

The responsibility for continuous strategic planning rests at all levels of the organization, and, when integrated, results in greater collaboration. Representatives from throughout the District have formed the Strategic Planning Advisory Council as well as a support team to develop a District-wide plan. This plan will integrate the needs (community/college/system) identified by the colleges (as reflected in their goals and priority action plans), strategies they use, the

Major Initiatives (continued)

processes and policies they see as facilitating/hindering their needs/action plans; their strengths, weaknesses, opportunities and threats from the environment, and outcomes from their monitoring and improvement efforts.

Over the course of FY 2002, the Strategic Planning Advisory Council and its support team met frequently to analyze internal and external demographic, financial and other data. This environmental scanning exercise culminated in a broader-based retreat in February, involving the Board, Chancellor, Vice Chancellors, all college presidents and the planning groups; six strategic initiatives were established as a result of this retreat. In June 2002, the Board adopted a strategic planning framework and the six strategic initiatives. All colleges and the district office currently are developing action plans to advance these initiatives. Additionally, efforts are underway to add new analytic perspectives to the planning process to continue to improve our provision of services to students and the community.

Capital Development

Educational needs of a growing Maricopa County population continue to be addressed by a \$385.8 million capital development program approved by voter referendum in November 1994. These resources enable the District to expand facilities and technology in order to meet current and future demand for classes and educational services while also improving campus security and energy conservation. At fiscal year-end, the program was over 90% complete, providing approximately 1.6 million square feet of new facilities. The final phase of the seven-year capital development program has been funded through a fourth and final general obligation bond issuance of \$52.5 million. Issued April 2001, this series was awarded the highest-possible rating (Aaa) by two of three rating agencies.

Currently, only four of the ten colleges within the District have performing arts centers on campus. These four facilities are in need of remodeling, and five other colleges have been identified as having a need for performing arts centers. In FY 1998, the District first approved funding that would initiate the development of the new performing arts center at Chandler-Gilbert Community College, in response to growing enrollments in the music, theatre, and dance curricula as well as demand from the community. To fund the construction of this center and two others at South Mountain and Paradise Valley Community Colleges, student fees were increased \$.50 per credit hour in FY 1998 and two subsequent fiscal years in anticipation of revenue bond debt issues secured by a general pledge of tuition and fees. Remaining new facility and remodeling projects may also rely on future revenue bond issues, pending a study of the impact on student fees.

Enrollment at the District's ten colleges, two skill centers and many satellite centers continues to grow. Therefore, staff is exploring the need for future capital development and emerging technology needs.

Major Initiatives (continued)

Maricopa Integrated Risk Assessment (MIRA)

In 1999, the Governing Board approved the development of a process to address issues of risk within the District. Originally termed the Maricopa Risk Assessment Process (MRAP), the initiative has been better defined and now is known as the Maricopa Integrated Risk Assessment (MIRA) initiative. The purpose of MIRA is to embed ongoing risk assessment and management into the daily operations and culture of the District. MIRA is preventive; it encompasses a plan for the District to assess its risks and to establish or design controls to manage the risks. The expected benefits should include increased effectiveness and accountability, sound business processes and compliance with applicable laws and regulations.

The Executive Vice Chancellor for Human Resources and Administration formed a representative Task Force to initiate the process. Internal Audit & Management Advisory Services (IAMAS) works directly with the Task Force and provides training, technical support and facilitation services. In December 1999, the Task Force performed a high-level control environment and risk assessment for the District as an entity and developed recommendation strategies.

Among the risks identified by the Task Force and prioritized as being most critical was the lack of a system-wide policy on ethics. Most major educational institutions proclaim clear statements regarding expected behaviors of all organizational members. Based on subsequent internal and external survey results prepared by a professional research group, key MCCCDD leaders drafted a set of Maricopa Guiding Principles as a first step toward establishing the Maricopa Code of Ethics. The Principles, adopted by the Governing Board in June 2002 as a tool toward establishing high standards of conduct for all Maricopans, provide a strong foundation upon which each College, and the teams within each College, may address and develop individualized expectations.

The MIRA concepts, management, and implementation strategies were presented to the Chancellor's Executive Council as well as the Administrative Services Group in Fall 2000. It is anticipated that continued implementation of the MIRA initiative will include facilitation, communication, training and support from IAMAS as well as many other departments with risk-assessment responsibilities. The next steps of the Task Force are to focus on the implementation of MIRA. These next steps include:

- ❑ Continuing to build awareness and broaden the discussion of risk already in place;
- ❑ Identifying and prioritizing the disparate activities and groups that already incorporate elements of risk management and link them to each other;
- ❑ Providing employees with education and tools to identify and evaluate risks;
- ❑ Developing a common language;
- ❑ Defining terms;
- ❑ Identifying a risk profile or risk inventory;
- ❑ Developing an analytical framework and tools; and
- ❑ Creating a web page to capture both traditional and enterprise risk management activities.

Major Initiatives (continued)

In regards to the traditional risk-management activities, the District maintains a full complement of insurance coverages to transfer the risk of financial losses.

Workers' compensation: The District is self-insured for losses related to claims for bodily injury by accident or occupational disease below the level of insurance provided by a commercial policy.

Liability coverage: The District is covered by an excess school liability policy, which includes general liability, school leader's errors and omissions, automobile liability, and miscellaneous medical malpractice. Policy limits total \$40 million, with a self-insured retention (SIR) of \$100,000 per occurrence.

Property and Boiler/Machinery coverage: The District is covered by a blanket real and business personal property policy, which includes builder's risk, business income and extra expense. The policy also covers equipment breakdown/boiler and machinery. The deductible is \$25,000 per occurrence.

Crime coverage: The District has policies covering employee dishonesty; forgery or alteration; computer and funds transfer fraud; theft, disappearance and destruction; and counterfeiting deductibles range from \$5,000 to \$10,000.

The District employs a full-time manager dedicated to focusing on risk-management issues: insurance, claims administration, and risk control. The District's workers' compensation program is administered by the Human Resources Compensation Department.

Fiscal Integrity and Oversight

Fiscal Integrity is the cornerstone upon which the District plans, monitors, and reports its financial activities and resources. Particular emphasis is placed on maintaining the financial stability of the District; and each fiscal year budget is developed with this objective. Goals for financial stability enable the District to manage revenue shortfalls and cash flows to ensure continued operations, and to provide for unforeseen contingencies without impairing the level of quality service needed to respond to our customers. To this end, a Financial Planning Policy approved by the Board guides the District's budgeting process and requires the following:

Fiscal Integrity and Oversight (continued)

- ❑ Sufficient information to enable an understanding of planning assumptions, accurate projection of revenues and expenses, and separation of both capital and operational revenues and expenses.
- ❑ Avoidance of expenses in any fiscal year of more resources than are conservatively projected to be received or carried forward in that period.
- ❑ A proposed budget that reflects stated Board priority goals within the parameters of conservatively projected available revenues and a balanced budget.
- ❑ Assurance that current operating balances remain at least eight percent (8%) of current operating revenues.

Since the 1994 establishment of the requirement to end each year with balances at 8% or more, the District has successfully reached this goal each year. Balances in excess of the minimum required by the financial planning policy provide the District the ability to designate such excess to meet annual operational challenges with one-time budget allocations.

The District's responsibilities for stewardship, safeguarding of assets, and accountability to resource providers fall under the broad parameters spelled out by Board policies on Financial Condition and Asset Protection, and are carried out through several oversight activities, including:

- ❑ effective management of resources through internal controls
- ❑ budgetary controls
- ❑ cash management, and
- ❑ financial reporting.

These activities are described below, followed by a listing of financially related challenges and opportunities facing the District as it strives to carry out these policies.

Internal Controls

Management is responsible for establishing and maintaining internal controls designed to ensure that assets are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable—but not absolute—assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the evaluation of costs and benefits requires estimates and judgments by management.

The District Internal Auditor reports through the Executive Vice Chancellor for Human Services and Administration to the Audit and Finance Committee which consists of two Board members, the Chancellor, four Vice Chancellors, a college President, and a Skill Center Director. This

Fiscal Integrity and Oversight (continued)

position periodically reviews, reports on, and recommends improvements for internal controls in operational and financial areas.

The annual financial audit is conducted by the Office of the Auditor General. As part of that audit, tests are made to consider the adequacy of the internal controls and to determine that the District has complied with applicable laws and regulations. The results of these tests for the June 30, 2002, fiscal year end will be issued in a separate report at a later date.

Budgetary Controls

The District demonstrates budgetary compliance with the issuance of an annual budgeted expenditure limitation report audited by the Office of the Auditor General, State of Arizona. The expenditure limitation calculation determines the maximum allowable expenditure budget capacity supported by state appropriations and property tax levies.

The District also maintains an encumbrance accounting system as a budgetary control. Open encumbrances are not reported as reservations of net assets at year end, but are liquidated (lapse at year end) and reestablished at the beginning of the next fiscal year as an obligation against that year's adopted budget.

The District also routinely monitors and reports on revenue collections compared to budget and spending actuals at each college compared to budget. It carefully reviews variances and implements strategies to remedy variances.

Cash Management

In terms of the overall investment of available cash, the District is governed by the Arizona Revised Statutes relating to investment of public funds. The fiduciary responsibility for such investments is entrusted to the Board and facilitated through the Audit and Finance Committee.

Daily, weekly, monthly, and annual cash flows of revenues and expenses are projected and monitored to ensure that resources are available to meet operational needs for current and future years. The fungible nature of the District's financial resources allows for cash from all sources to be consolidated in bank accounts from which all obligations are paid. Earnings potential is maximized through daily investment of bank balances. The District's investment policy requires statutory compliance, safety of principal, and liquidity as priority criteria over yield for all investment decisions.

Certain cash is on deposit with the County Treasurer and is invested on a pooled basis with interest prorated back to the District. Amounts available are invested by the District in a prudent, conservative, and secure manner for the highest yield as prescribed by the District's investment policy and Arizona Revised Statutes.

Fiscal Integrity and Oversight (continued)

Financial Reporting

An automated financial record system captures all financial transactions and provides data for the preparation of the District's Comprehensive Annual Financial Report (CAFR), including the audited financial statements. These statements present information on the financial position of the District and whether resources were adequate to cover the costs of providing services during the reporting period. The District's award-winning CAFR is distributed to the Board and executive management, the state legislature, federal and state agencies, bond-rating agencies, and financial institutions as well as others throughout the general public. Internal management reports, customized to meet the information and decision-making needs at all levels of the organization, aid in the management of allocated resources.

Primary Challenges and Opportunities

In carrying out the policies on Financial Condition and Asset Protection, the primary challenges and opportunities for the District include:

- **Maintaining and promoting service levels even as the national and local economies experience slowdowns.** The local and national economy have been strong for most of the past decade, bestowing the Maricopa County Community College District with the financial resources to meet many operational and service goals and challenges, especially those related to the regular increase in demand for courses. The recent economic slowdown has impacted the District to some extent, mainly in the form of reductions in State appropriations and increased insurance costs. Many processes and financial controls are in place to ensure that spending stays within budgeted levels and in line with actual revenues and that the proposed budget is developed according to realistic and accurate assumptions. However, should the slowdown last for any significant period, it will become more of a challenge to meet service demands, which typically increase when the economy is weak.

- **Linking the Board goal-setting process with Strategic planning and the annual budget development process.** The goals adopted by the District Governing Board provide strategic direction to the District, which in turn must continue to establish performance measures for these goals and to assess budget requirements to better address them. The District is examining various methods that:
 - (1) provide more logic to the strategic planning process and link the District Office and college plans;
 - (2) provide a framework for the colleges to determine their efficiency and effectiveness; and
 - (3) provide funding approaches that link the results of data analysis, planning, and goal setting to resource allocations.

Fiscal Integrity and Oversight (continued)

- ❑ **Continuing to increase funding and allocations to meet planned operating costs as the capital development program advances and as enrollment continues to grow.** The District has maintained its commitment to funding the operational costs of the capital development program. As of FY 2002, only \$1.7 million in costs still are funded through a reserve that must be supplanted with permanent resources.
- ❑ **Continuing to fund enrollment growth.** Enrollment increases steadily each year, currently averaging 5%. The District should maintain its commitment to funding its tuition and fee rebate program, to help fund the costs of adding classes when enrollment increases. This will help the District maintain its mission to provide accessible learning opportunities.
- ❑ **Determining how to meet capital needs without the resources of a General Obligation bond program.** FY 2002 was the last year of annual allocations for information technology and occupational equipment, and by the end of FY 2003 most new building and remodeling projects will be complete. Yet, many needs remain as enrollment continues to grow and the demand for new courses, programs and technological currency grows. The District has reserved resources to help provide for these needs after bond proceeds have been exhausted, but they are limited in amount; and current plans indicate they will be consumed at the end of FY 2005. Significant efforts must be taken to determine the unmet needs and ways to provide necessary resources.
- ❑ **Continuing to enhance flexibility and maximize use of resources in the budgeting process, and improving collaboration and cooperation among colleges while promoting healthy competition.** The District Financial Advisory Council is called upon to review strategic plans related to the budgeting process in accordance with the strategic goals of the District and other priorities established by the Board. Such actions demonstrate the District's dedication to endorse and execute effective and efficient use of all resources—financial, human, physical plant, and technological.
- ❑ **Continuing to provide for inflationary and business cost increases.** Prior-year inflationary increases have eroded the District's available resources. Allocation of some resources to help cover inflation has been a priority in most budget development cycles and is expected to continue. Continued development of annual three-year financial plans, or the recently issued ten-year financial plan, is intended to anticipate and to provide a mechanism for planning for such events.

Fiscal Integrity and Oversight (continued)

- **Installing, developing and maintaining new software systems.** New information systems have been implemented over the past 5 years, providing the District with more information and analytic resources. However, in addition to the significant initial effort and cost to implement these systems, they require significant additional programming and functional staff to facilitate system upgrades, testing, development and maintenance. For example:
 - Continuing upgrades for the College Financial System (formerly Oracle Government Financials)
 - Continuing upgrades for the PeopleSoft Human Resource Management System
 - Implementing a student administration package inclusive of a single student record for attendance at all of the ten Maricopa Community Colleges. This will be the largest, most challenging and most costly of all implementations but is needed to replace the twenty year-old legacy system and to serve students in the new millennium.
 - Continuing upgrades and development of the budget development system
 - Implementing a document imaging system in the future
 - Expanding the Maricopa Electronic Messaging System (MEMO)
 - Implementing a web portal access for students and community use

Independent Audit

Audit services are provided to the Maricopa County Community College District by the Office of the Auditor General. Arizona Revised Statutes requires an annual audit of the District's financial statements. This requirement has been complied with and the Independent Auditors' Report is included in this document. The auditors' opinion is unqualified.

GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Maricopa County Community College District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2001. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government finance reports.

In order to be awarded a Certificate of Achievement, a college or university unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report with contents conforming to program standards. Such CAFR reports must satisfy both generally accepted accounting principles and applicable legal regulations.

A Certificate of Achievement is valid for a period of one year only. The Maricopa County Community College District has received a Certificate of Achievement for the last eleven consecutive years. Management believes the current report continues to conform to the Certificate of Achievement program requirements and is submitting it to the GFOA.

Acknowledgment

We wish to thank the members of the Board for their interest and support in planning and conducting the financial operations of the District in a highly responsible and progressive manner. The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Division of Business Services. Appreciation is expressed to the Office of the Auditor General for timely completion of the audit.

Respectfully submitted,

Rufus Glasper, Ph.D., CPA, CGFM
Executive Vice Chancellor for
Human Resources and Administration

Jeffrey J. West, MBA
Director of Financial Services and
Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Maricopa County
Community College District,
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

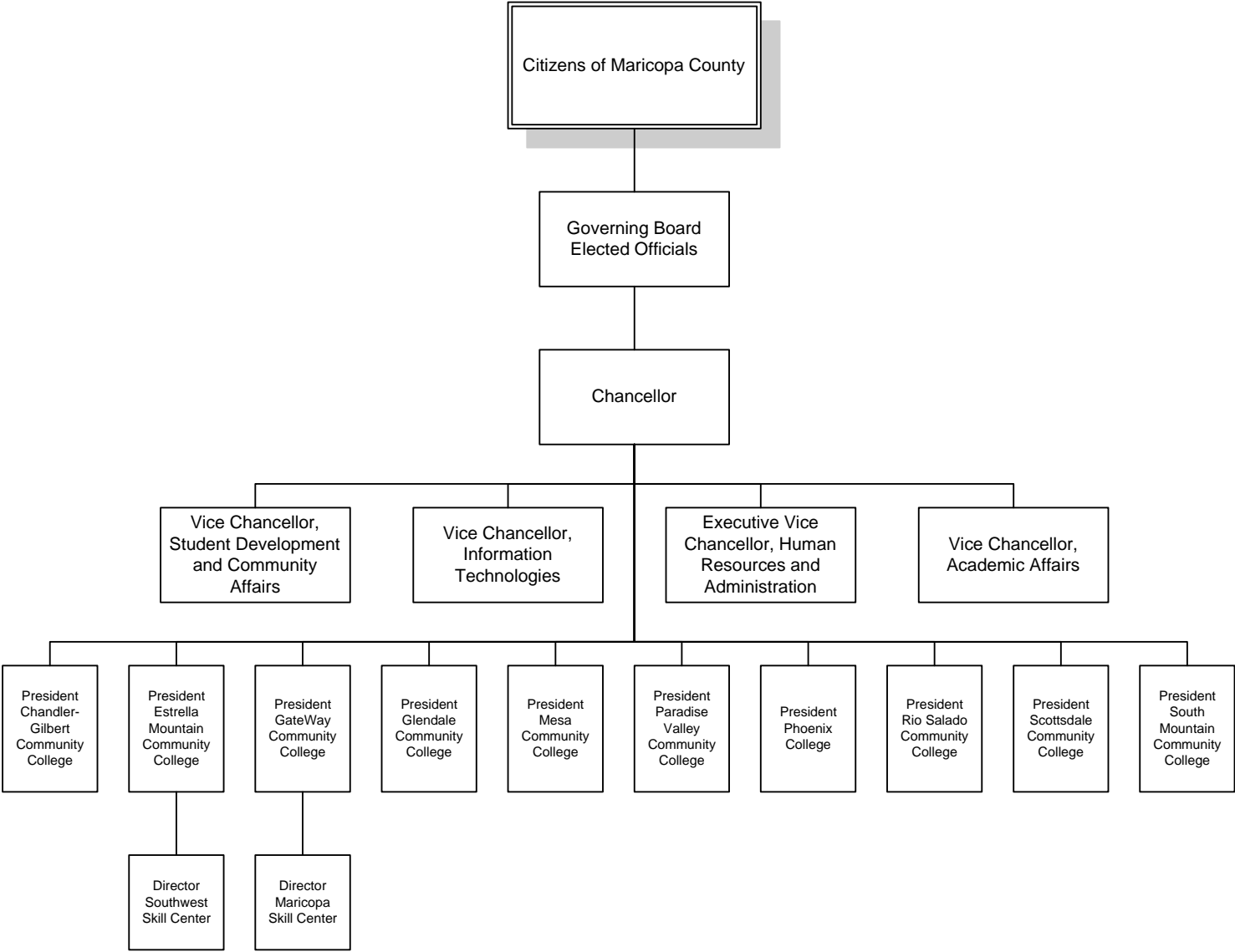


Smith A. Howe
President

Jeffrey L. Esser
Executive Director

Maricopa County Community College District

Organizational Chart



Maricopa County Community College District

Principal Officers

Governing Board

Mrs. Nancy Stein, *President*

Mr. Ed Contreras, *Secretary*

Dr. Donald R. Campbell, *Member*

Mr. Gene Eastin, *Member*

Mrs. Linda B. Rosenthal, *Member*

Administration

Dr. Fred Gaskin, *Chancellor*

Dr. Rufus Glasper, *Executive Vice Chancellor, Human Resources and Administration*

Dr. Anna Solley, *Vice Chancellor, Academic Affairs*

Dr. Steven Helfgot, *Vice Chancellor, Student Development and Community Affairs*

Mr. Ron Bleed, *Vice Chancellor, Information Technologies*

College Presidents & Directors

Ms. Maria Hesse, *President, Chandler-Gilbert Community College*

Dr. Homero Lopez, *President, Estrella Mountain Community College*

Dr. Eugene Giovannini, *President, GateWay Community College*

Dr. Phil Randolph, *Interim President, Glendale Community College*

Dr. Larry Christiansen, *President, Mesa Community College*

Dr. Gina Kranitz, *President, Paradise Valley Community College*

Dr. Corina Gardea, *President, Phoenix College*

Dr. Linda Thor, *President, Rio Salado Community College*

Dr. Art DeCabooter, *President, Scottsdale Community College*

Dr. Kenneth Atwater, *President, South Mountain Community College*

Mr. Stan Grossman, *Director, Maricopa Skill Center*

Mr. Adolfo Gamez, *Director, Southwest Skill Center*



Vision, Mission & Values

Vision

The Maricopa Community Colleges strive to exceed the changing expectations of our many communities for effective, innovative, student-centered, flexible and lifelong educational opportunities. Our employees are committed to respecting diversity, continuous quality improvement, and the efficient use of resources. We are a learning organization guided by our shared values.

Mission

The Maricopa Community Colleges create and continuously improve affordable, accessible, effective and safe learning environments for the lifelong educational needs of the diverse communities we serve.

Our Colleges Fulfill This Mission Through:

- ▲▲ University Transfer Education
- ▲▲ General Education
- ▲▲ Developmental Education
- ▲▲ Workforce Development
- ▲▲ Student Development Services
- ▲▲ Continuing Education
- ▲▲ Community Education

ADOPTED JULY 27, 1999, BY THE MARICOPA COMMUNITY COLLEGE DISTRICT GOVERNING BOARD

Statement of Values

We adhere to the philosophy that education thrives in a community bound by moral and ethical values and devotion to lifelong learning. We accept the responsibility to respond to the needs of the people in our communities who desire to fulfill their potential in life. Therefore, we operate on the basis of openness and trust, to nurture an environment where we all can be heard. We commit to living according to the following basic values which are vital to maintaining the integrity and vitality of our community of learners.

Value Education

We value lifelong learning opportunities that respond to the needs of our communities and are accessible, affordable and of the highest quality.

Value Students

We value students as the primary reason we exist. We respect their diverse life experiences, value their achievements, and appreciate their contributions to our learning community.

Value Employees

We value all our employees, respect their diverse life experiences, appreciate their contributions to our learning community, and encourage their individual professional development.

Value Excellence

We invite innovation, support creative problem-solving, and encourage risk-taking. We value teamwork, cooperation and collaboration as part of our continuous improvement efforts.

Value Diversity

We celebrate the diversity of our communities and pledge to promote and recognize the strengths as reflected in our employees and students. We believe no one is more important than another, each is important in a unique way, and we depend on each other to accomplish our mission.

Value Honesty and Integrity

We believe academic and personal honesty are essential elements in our learning environment. Employees and students must speak and act truthfully.

Value Freedom

To foster our learning environment, we respect individual rights and the privacy of our employees and students, and encourage dialogue and the free exchange of views.

Value Fairness

We advocate fairness and just treatment for all students and employees.

Value Responsibility

We believe employees are accountable for their personal and professional actions as they carry out their assignments. We are all responsible for making our learning experiences significant and meaningful. We are accountable to our communities for the efficient and effective use of resources.

Value Public Trust

We honor the trust placed in us by the community to prepare our students for their role as productive world citizens.





Financial Section



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Governing Board of
Maricopa County Community College District

We have audited the accompanying basic financial statements of Maricopa County Community College District as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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. 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 provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Maricopa County Community College District as of June 30, 2002, and the changes in financial position and cash flows of the District for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 2, the District adopted the provisions of GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, for the year ended June 30, 2002, to implement a new financial reporting model. Also as described in Note 2, the District increased the capitalization threshold for equipment. This represents a change in the application of an accounting principle.

The Management's Discussion and Analysis on pages 25 through 29 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 an opinion on the District's basic financial statements. The accompanying Statement of Revenues, Expenses, and Changes in Net Assets by College/Center listed as supplemental information in the table of contents is presented for purposes of additional analysis, 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.

The information included in the introductory and statistical sections listed in the table of contents has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on such information.

In accordance with *Government Auditing Standards* we will also issue our report on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants at a future date. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Debbie Davenport
Auditor General

January 17, 2003

**Maricopa County Community College District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2002**

Our discussion and analysis introduces the basic financial statements and provides an overview of the District's financial activities for the year ended June 30, 2002. Please read it in conjunction with the transmittal letter, which immediately precedes this section, and the financial statements, which immediately follows.

Basic Financial Statements

Beginning with FY 2002, the District is required to present annual financial statements in accordance with 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 new pronouncements permit public colleges and universities to use the guidance for special-purpose governments engaged only in business-type activities, in their separately issued financial statements. As such, the reader will observe 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. The basic financial statements consist of the following:

The *Statement of Net Assets* reflects the financial position of the District at June 30, 2002. 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 total assets of the District.

The *Statement of Revenues, Expenses, and Changes in Net Assets* reflects the results of operations and other changes for the year ended June 30, 2002. 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, 2002. 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 operating income/(loss) on the *Statement of Revenues, Expenses, and Changes in Net Assets* described above.

Since this is a transition year for the new reporting model, the District has elected to not restate prior periods for purposes of providing the comparative data for this Management's Discussion and Analysis (MD&A); therefore, only one year of financial data is presented. However, in future years, when prior-period information is available, a comparative analysis will be presented.

Basic Financial Statements (continued)

The condensed financial information below highlights the main categories of the *Statement of Net Assets*. Assets and liabilities are distinguished as to their current or noncurrent nature. Current liabilities are typically those obligations intended for liquidation or payment within the next fiscal year while current assets are those resources that are available for use in meeting the on-going operating needs of the institution, 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 institution 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 primary missions of the institution and the necessary support services. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

<i>Statement of Net Assets</i> <i>As of June 30, 2002</i>	
Current assets	\$183,093,565
Noncurrent assets, other than capital assets	97,531,357
Capital assets, net	<u>352,690,906</u>
Total assets	<u>633,315,828</u>
Current liabilities	57,045,200
Long-term liabilities	<u>315,397,726</u>
Total liabilities	<u>372,442,926</u>
Net assets:	
Invested in capital assets, net of related debt	93,610,164
Restricted net assets	63,491,408
Unrestricted net assets	<u>103,771,330</u>
Total net assets	<u>\$260,872,902</u>

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 allowance, in the amount of \$85,148,436 are included in operating revenues. In compliance with the new pronouncements issued by GASB, these are now recorded as an offset to revenue, instead of as an expense. Depreciation expense is recorded for the first time this fiscal year, in accordance with the adoption of the new reporting model. The construction and acquisition of capital assets, although budgeted and tracked as an expense in the accounting system, is not reflected as an expense in these statements. Rather, such transactions are 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, reflective of the fact the two largest revenue sources, property taxes and state appropriations,

Basic Financial Statements (continued)

are considered nonoperating revenues. For a description of the difference between operating and nonoperating, please refer to the Summary of Significant Accounting Policies (Note 1), which directly follows the presentation of the financial statements.

<i>Statement of Revenues, Expenses, and Changes in Net Assets</i>	
<i>For the Year Ended June 30, 2002</i>	
Operating revenues	\$147,409,864
Operating expenses:	
Education and general	383,085,729
Auxiliary enterprises	45,083,226
Depreciation	21,498,284
Other	220,557
Total operating expenses	<u>449,887,796</u>
Operating loss	<u>(302,477,932)</u>
Nonoperating revenues	297,196,804
Loss before other revenues, expenses, gains or losses	(5,281,128)
Other revenues, expenses, gains or losses	<u>8,931,673</u>
Increase in net assets	3,650,545
Net assets, June 30, 2001 (as restated)	<u>257,222,357</u>
Net assets, June 30, 2002	<u>\$260,872,902</u>

Financial Highlights and Analysis

Consistent with its mission to provide effective learning environments, instruction is the primary function of the Maricopa County Community College District. Major funding sources supporting instruction and other District functions include property taxes, tuition and fees, and state appropriations. The District exercises primary and secondary property tax levy authority for generation of funds for operating and debt-retirement purposes. Although total revenues have been increasing, in the past ten years the mix of funding sources has gradually been shifting. Tuition and fees as a percentage of total revenues has risen, while the proportionate share of property taxes and especially state appropriations has declined. During FY 2002, the State of Arizona experienced a shortfall in revenue projections; and, therefore, all entities receiving state aid underwent a budget rescission. The District's cut in state aid was 4.75%, but these cuts, along with planned spending for new initiatives and programs utilizing net assets as the funding source, were more than offset by growth in the property tax base of Maricopa County and growth in student enrollment throughout the District. Hence, the financial position of the District as a whole improved slightly when compared to last year.

Capital Assets and Debt Administration

This fiscal year represents the final year of the Capital Development Plan begun in 1995 to increase available classroom and support space throughout the District. The plan included provisions for remodeling and major maintenance, technology and occupational education equipment, and energy conservation. Funding for the Capital Development Plan came from general obligation bonded debt (discussed below), which has now been almost depleted. Consequently, large-scale capital acquisition and construction will dramatically fall off for the District in future years until such time as a new Capital Development Plan is set before the voters of Maricopa County and additional general obligation bonds are issued.

For moveable fixed assets (equipment) a new capitalization threshold was established as of July 1, 2001, raising the threshold to \$5,000 from \$1,000. As mentioned previously, equipment - along with all other capital assets (except land) - is reported net of accumulated depreciation for the first time this year in accordance with the new reporting standards issued by GASB. This has had the effect of reducing the book (carrying) value of overall assets. Depreciation totaled \$21,498,284 for the year, and is now shown as an operating expense on the *Statement of Revenues, Expenses, and Changes in Net Assets*. Additional information on the District's capital assets can be found in Note 5 to the basic financial statements.

Maricopa County Community College District's general obligation bond debt issues are rated Aaa by Moody's Investors Service, AAA by Fitch, and AA by Standard & Poor's. The District's revenue bond debt issues are rated Aa2 by Moody's, and AA by both Fitch and Standard & Poor's. These ratings indicate the high quality and strong credit attributes of District's obligations. During the fiscal year, there have been no changes in credit ratings nor debt limitations that may affect future debt financing for the District.

In February 1995, the District issued the first in a series of general obligation bonds to fund the Capital Development Plan mentioned above. Of the original \$385,799,000 total debt authorized by the voters of Maricopa County in 1994, \$4,000 remains unissued. In April 1998, the District issued \$65,145,000 in general obligation bonds to advance refund portions of the outstanding general obligation bonds issued in 1995. General obligation bonded debt is funded from secondary property tax levies collected by the Maricopa County Treasurer.

In May 1998, the District issued \$6,000,000 of revenue bonds to construct, furnish and equip a performing arts center at Chandler-Gilbert Community College. Repayment of revenue bonded debt is administered by the trust department of a local bank, and is repaid from student fee revenues and interest earnings on investments held by the trustee. Revenue bond proceeds and required reserves are deposited into trust accounts pursuant to the bond indentures.

No additional long-term debt was issued during the fiscal year ended June 30, 2002. Additional information on the District's long-term debt can be found in Note 6 to the basic financial statements.

Current Factors Having Probable Future Financial Significance

The District is laying the groundwork for a new capital development program, to be funded by a secondary assessment of county property taxes. Total proceeds needed to fund this program are currently estimated in the \$800-900 million range. The District is in the process of conducting the needs analysis necessary for such a program, with the goal of putting this bond initiative to the voters in the Fall of 2004.

Subsequent to year end, the District took advantage of lowered interest rates by refunding a portion of general obligation bonds, Series A (1995) and Series B (1997). This will have the effect of lowering the overall debt service requirements on general obligation bonds by approximately \$1.5 million over the life of the bonds.

Also subsequent to year end, the District put into place funding for a new student information system, which will require outlays of approximately \$10 million over the next five years for hardware, software, and consulting support, in addition to increased operational budget support of approximately \$8 million. This project has been funded by internal budget reallocations and by the issuance of \$8 million in revenue bonds. An additional \$6.5 million in revenue bonds has been issued to finance construction of a performing arts center at South Mountain Community College. Debt service on both bond issues is partially funded by an increase in student tuition and fee charges.

The financial support from the state continues to decline. In addition to the 4.75% cut in state aid from the FY 2002 budget, the Governor has indicated that an additional cut will need to occur in the FY 2003 budget. This back-to-back cut in State funding will have a significant effect on the District's ability to provide the level of faculty and administrative support that has been available in the past. To partially offset this effect, tuition and fee increases were approved of \$3 per credit hour - effective with FY 2003.

In a metropolitan area with an expanding population base and a rapidly growing enrollment, such measures, although helpful, fall short of providing the resources needed to adequately fund the cost increases associated with a vibrant, growing student base. The declining support for higher education by the State continues to be a factor of great significance, and presents challenging financial problems for the governing board and internal management in addressing the many and varied needs of the institution.

Requests for Information

This discussion and analysis is designed to provide a general overview of the Maricopa County Community College District's finances for all those with an interest in such matters. Questions concerning any of the information provided in this Comprehensive Annual Financial Report or requests for additional financial information should be addressed to the Office of Financial Services & Controller; The Maricopa Community Colleges; 2411 W. 14th Street; Tempe, AZ 85281.

Maricopa County Community College District
Statement of Net Assets
June 30, 2002

Assets

Current assets:

Cash and cash equivalents	\$ 165,186,200
Investments	115,884
Receivables (net of allowance of \$2,353,204)	16,535,778
Other	1,255,703
Total current assets	183,093,565

Noncurrent assets:

Receivables (net of allowance of \$791,164)	669,880
Restricted assets:	
Cash and cash equivalents	57,285,115
Investments	38,384,724
Receivables (net of allowance of \$139,126)	1,191,638
Capital assets, not being depreciated	57,188,289
Depreciable capital assets, net of depreciation	295,502,617
Total noncurrent assets	450,222,263
Total assets	633,315,828

Liabilities

Current liabilities:

Accounts payable	8,342,448
Accrued liabilities	8,322,667
Deposits held in custody for others	1,046,459
Interest payable	7,729,924
Deferred revenues	7,860,314
Long-term liabilities - current portion	23,743,388
Total current liabilities	57,045,200

Long-term liabilities

Total liabilities	372,442,926
-------------------	-------------

Net Assets

Invested in capital assets, net of related debt	93,610,164
---	------------

Restricted:

Nonexpendable:

Endowments	223,273
------------	---------

Expendable:

Scholarships	1,196,930
Grants and contracts	8,164,159
Loans	492,902
Debt service	7,650,618
Capital projects	45,763,526

Unrestricted

Total net assets	\$ 260,872,902
------------------	----------------

See accompanying notes to financial statements.

Maricopa County Community College District
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2002

Operating revenues:	
Tuition and fees (net of scholarship allowance of \$17,715,586), portion pledged as security for revenue bonds	\$ 85,148,436
Government grants and contracts	50,495,322
Private grants and contracts	3,051,229
Other, portion pledged as security for revenue bonds	8,714,877
Total operating revenues	<u>147,409,864</u>
Operating expenses:	
Educational and general:	
Instruction	175,597,529
Public service	12,162,870
Academic support	38,989,853
Student services	49,532,166
Institutional support	73,256,603
Operation and maintenance of plant	30,998,115
Scholarships	2,548,593
Auxiliary enterprises	45,083,226
Depreciation	21,498,284
Other	220,557
Total operating expenses	<u>449,887,796</u>
Operating income (loss)	<u>(302,477,932)</u>
Nonoperating revenues (expenses):	
Property taxes	242,127,290
State appropriations	48,294,298
State-shared sales tax	4,435,443
Private gifts	8,568,984
Investment income, net of investment expense	8,996,189
Interest expense on debt	(15,316,879)
Gain (loss) on sale/disposal of capital assets	91,479
Net nonoperating revenues (expenses)	<u>297,196,804</u>
Income (loss) before other revenues, expenses, gains or losses	(5,281,128)
Capital appropriations	8,237,400
Capital grants and gifts	694,273
Increase (decrease) in net assets	<u>3,650,545</u>
Total net assets, July 1, 2001, as restated	<u>257,222,357</u>
Total net assets, June 30, 2002	<u>\$ 260,872,902</u>

See accompanying notes to financial statements.

**Maricopa County Community College District
Statement of Cash Flows
For the Year Ended June 30, 2002**

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 85,074,094
Grants and contracts	51,754,260
Payments to employees	(299,916,753)
Payments to suppliers	(99,534,744)
Payments to students	(29,824,033)
Other receipts (payments)	10,053,096
Net cash provided (used) by operating activities	<u>(282,394,080)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property taxes	241,593,967
State appropriations	48,294,298
State-shared sales tax	4,301,096
Federal student loans received	32,933,197
Federal student loans disbursed	(32,933,197)
Gifts and grants received for other than capital purposes	8,568,984
Net cash provided (used) by noncapital financing activities	<u>302,758,345</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital appropriations	8,237,400
Proceeds from sale of capital assets	91,479
Purchase of capital assets	(30,892,576)
Principal paid on capital debt and leases	(18,935,132)
Interest paid on capital debt and leases	(15,170,541)
Net cash provided (used) by capital and related financing activities	<u>(56,669,370)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	47,916,341
Interest received on investments	9,202,702
Purchases of investments	(2,617,824)
Net cash provided (used) by investing activities	<u>54,501,219</u>
Net increase in cash	18,196,114
Cash and cash equivalents - beginning of year, as previously stated	135,194,620
Cash and cash equivalents - beginning of year, reclassified from investments	69,080,581
Cash and cash equivalents - end of year	<u>\$ 222,471,315</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (302,477,932)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	21,498,284
Changes in assets and liabilities:	
Receivables, net	(602,498)
Other assets	(528,094)
Student loans receivable	94,223
Accounts payable	(1,669,192)
Accrued liabilities	1,587,591
Deferred revenues	(396,139)
Other liabilities	(308,445)
Compensated absences	408,122
Net cash provided (used) by operating activities	<u>\$ (282,394,080)</u>
Noncash transactions: Capital assets acquired by capital leases	\$ 90,341

See accompanying notes to financial statements.

Maricopa County Community College District
Notes to Financial Statements
Fiscal Year Ended June 30, 2002

NOTE 1 - Summary of Significant Accounting Policies

The accounting policies of the Maricopa County Community College District (the District) conform to generally accepted accounting principles applicable to public institutions of higher education as set forth by the Governmental Accounting Standards Board (GASB). During the year ended June 30, 2002, the District implemented the remaining provisions of GASB Statement No. 33, as amended by Statement No. 36. It also implemented the provisions of GASB Statement No. 34, as amended by Statements Nos. 35 and 37. In addition, the District implemented GASB Statement No. 38. These standards represent significant changes in how the District recognizes revenues, displays financial information, and reflects its financial activities and condition. The District has the option to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989. The District has elected not to apply FASB pronouncements issued after the applicable date.

Reporting Entity - The District is a special-purpose government that is governed by a separately elected governing body (the Board). It is legally separate and fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental financial reporting entity.

The financial activities of the Maricopa County Community College District Foundation, Inc., are not included in the District's financial statements. The Foundation is a nonprofit corporation controlled by a separate board of directors. The goals of the Foundation are to promote educational programs and District objectives.

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.

The statement of net assets provides information about the assets, liabilities and net assets of the District at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified according to external donor restrictions or availability of assets to satisfy District obligations. Invested in capital assets net of related debt represents the net value of capital assets less the debt incurred to acquire or construct the asset. Nonexpendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. 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. When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources. The District eliminates all internal activity.

The statement of revenues, expenses, and changes in net assets provides information about the District's financial activities during the year. Revenues and expenses are classified as either

NOTE 1 - Summary of Significant Accounting Policies (continued)

operating or nonoperating, and all changes in net assets are reported, including capital contributions and additions to endowments. Operating revenues include activities that have the characteristics of exchange transactions, such as student tuition and fees, federal state and local grants and contracts, and sales and services of auxiliary enterprises. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB Statement No. 34, such as state appropriations, property taxes, and investment income.

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

The financial statements are reported 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.

Cash and Cash Equivalents - Cash and cash equivalents include petty cash on hand, cash in the bank, deposits in the cash sweep investment account, cash and investments held by the County Treasurer, and investments in the State Treasurer's Local Government Investment Pool. Cash equivalents are defined as investments with original maturities of three months or less from the date of acquisition.

Investments - Investments are reported at fair value at fiscal year-end.

Capital Assets – Capital assets of the District consist of land, buildings, improvements other than buildings, equipment and library books. Capital assets are stated at cost at date of acquisition, or fair market value at date of donation in the case of gifts. Major outlays for assets or improvements to assets are capitalized as projects are constructed. These are categorized as construction in progress until completed, at which time they are reclassified to the appropriate asset type. 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:

Asset Category	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	Not applicable	Not applicable	Not applicable
Buildings	\$100,000	Straight-line	40 years
Improvements other than buildings	\$5,000	Straight-line	20 years
Equipment	\$5,000	Straight-line	3-7 years
Library books	Not applicable	Straight-line	10 years

NOTE 1 - Summary of Significant Accounting Policies (continued)

Compensated Absences - Compensated absences consist of vacation and sick leave earned. Employees may accumulate vacation balances depending on years of service and employee group, but any vacation hours in excess of the maximum amount that are unused at fiscal year-end are forfeited. Sick leave benefits provide for ordinary sick pay and are cumulative. Sick leave balances accumulate to a maximum amount per employee and unused balances are paid at retirement or death for employees having at least 10 years of service.

Scholarship Allowances – Scholarship allowances represent 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.

Investment Income - Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

NOTE 2 – Restatement of Beginning Net Assets

In connection with the implementation of GASB Statement No. 35 and a change in internal capitalization policy, the following adjustments have been made to reflect the cumulative effect of these accounting changes:

Fund balances reported at June 30, 2001	\$483,468,863
Reductions:	
Adoption of depreciation on capital assets	166,545,619
Change in capitalization threshold	<u>59,700,887</u>
Net assets as of July 1, 2001, as restated	<u>\$257,222,357</u>

NOTE 3 – Deposits and Investments

Arizona Revised Statutes (A.R.S.) require certain public monies to be collected by the County Treasurer. Such monies are the special tax levy for the District's maintenance and operations and secondary levy collections for the District's principal and interest payments on general obligation bonded indebtedness.

The District acts as a prudent person dealing with the property of another by following the statutory guidelines for investment restrictions. The District may invest in U.S. government securities, repurchase agreements, insured or collateralized deposits, certificates of deposit, and interest-bearing savings accounts. Mutual funds held by the District are the result of donations by third parties.

NOTE 3 – Deposits and Investments (continued)

Deposits

At June 30, 2002, total petty cash on hand was \$227,800. The carrying amount of bank deposits on the District's accounting system was (\$690,089). The deficit balance occurs because cash is not transferred from investments to the bank account until outstanding checks are expected to be presented to the bank for payment. The District's bank balance was \$6,039,680: \$405,293 was covered in full by federal depository insurance and \$5,634,387 was collateralized by U.S. Government Treasury and Agency securities, held by the pledging financial institution's trust department or agent in the District's name.

Investments

The District's investments are categorized to give an indication of the level of risk assumed by the District at June 30, 2002. Category 1 includes investments that are insured or registered in the District's name, or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in the State and County Treasurers' investment pools represents shares in those pools' portfolios. The shares are not identified with specific investments and are not subject to custodial credit risk. The same is true for the District's investments in mutual funds. The repurchase agreements are limited to U.S. Treasury securities pursuant to provisions of a guaranteed investment contract.

The State Board of Deposit provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. No comparable oversight is provided for the County Treasurer's investment pool, and the structure of that pool does not provide for shares.

NOTE 3 – Deposits and Investments (continued)

Deposits and investments at June 30, 2002, consist of the following:

	Categories			Fair Value
	1	2	3	
U.S. Government securities			\$3,605,360	\$ 3,605,360
Repurchase agreements	\$38,193,724			38,193,724
Total by category	<u>\$38,193,724</u>		<u>\$3,605,360</u>	<u>\$41,799,084</u>
Cash and investments not subject to categorization:				
Cash and investments held by the County Treasurer				2,882,157
State Treasurer's investment pool				216,681,508
Mutual funds				71,463
Carrying value of cash deposits at banks, excluding overnight sweep investment				(690,089)
Petty cash				227,800
Total deposits and investments at June 30, 2002				<u>\$260,971,923</u>
Statement of Net Assets:				
Current: Cash and cash equivalents				\$ 165,186,200
Current: Investments				115,884
Noncurrent: Cash and cash equivalents				57,285,115
Noncurrent: Investments				38,384,724
Total				<u>\$260,971,923</u>

NOTE 4 – Current Receivables

A schedule of the District's current receivables by type, shown net of related allowances follows:

Property taxes	\$ 5,127,564
Government grants	5,619,098
Private grants and contracts	1,814,149
Student accounts	2,994,118
Other	980,849
Total receivables	<u>\$16,535,778</u>

Property taxes - The Maricopa County Treasurer is responsible for the collection of property taxes for all governmental entities within the county. The property taxes due the District are levied in August by the Maricopa County Treasurer. However, a lien assessed against real and personal property attaches on the first day of January preceding assessment and levy thereof. Property taxes are payable in two equal installments due in October and March. The delinquent tax dates are the second business days in November and May. Property taxes receivable consist of uncollected property taxes as determined from the records of the Maricopa County Treasurer's Office.

NOTE 5 – Capital Assets

The following is a summary of changes in capital assets during the fiscal year:

	Balance July 1, 2001 as restated	Additions	Deductions	Balance June 30, 2002
Capital assets not being depreciated:				
Land	\$28,498,447	\$2,917,839	-	\$31,416,286
Construction in progress (estimated cost to complete \$28,116,908)	29,030,876	18,384,712	\$21,643,585	25,772,003
Total capital assets not being depreciated	57,529,323	21,302,551	21,643,585	57,188,289
Capital assets being depreciated:				
Buildings	357,592,868	20,020,027	10,109	377,602,786
Equipment	57,297,265	8,220,778	1,489,556	64,028,487
Improvements other than buildings	27,982,774	2,932,010	-	30,914,784
Library books	8,655,389	846,659	206,359	9,295,689
Total capital assets being depreciated	451,528,296	32,019,474	1,706,024	481,841,746
Less accumulated depreciation for:				
Buildings	106,188,210	12,172,345	10,109	118,350,446
Equipment	41,238,916	7,627,130	1,488,306	47,377,740
Improvements other than buildings	13,316,934	1,081,249	-	14,398,183
Library books	5,801,559	617,560	206,359	6,212,760
Total accumulated depreciation	166,545,619	21,498,284	1,704,774	186,339,129
Total capital assets being depreciated, net	284,982,677	10,521,190	1,250	295,502,617
Capital assets, net	\$342,512,000	\$31,823,741	\$21,644,835	\$352,690,906

NOTE 6 – Long-term Liabilities

The following schedule details the long-term liability activity for the year ended June 30, 2002.

	Balance, July 1, 2001	Additions	Reductions	Balance June 30, 2002	Due within one year
Bonds payable:					
General obligation	\$ 322,535,000		\$ 16,785,000	\$ 305,750,000	\$ 20,935,000
Revenue	14,375,000		2,080,000	12,295,000	2,175,000
Capital leases	135,154	\$ 90,341	70,132	155,363	88,693
Rebatable arbitrage earnings	2,620,557	201,424	-	2,821,981	-
Compensated absences	17,710,649	1,387,860	979,739	18,118,770	544,695
Total long-term liabilities	\$ 357,376,360	\$1,679,625	\$ 19,914,871	\$ 339,141,114	\$ 23,743,388

NOTE 6 – Long-term Liabilities (continued)

Bonds Payable

The District's bonded debt consists of various issues of general obligation and revenue bonds. Bond proceeds primarily pay for improving, acquiring or constructing capital assets. Bonds have also been issued to advance refund previously issued bonds. Of the total general obligation bonds originally authorized in 1994, \$4,000 remain unissued. Bonds outstanding at June 30, 2002, were as follows:

<u>Description</u>	<u>Original Amount</u>	<u>Maturity Ranges</u>	<u>Interest Rates</u>	<u>Outstanding Principal</u>
General obligation bonds				
Project of 1994				
Series A (1995)	104,750,000	7/1/2004-09	5.80-6.00%	\$ 14,255,000
Series B (1997)	124,250,000	7/1/2002-13	5.00-6.50%	108,400,000
Series C (1999)	104,250,000	7/1/2002-15	3.25-5.25%	79,050,000
Series D (2001)	52,545,000	7/1/2002-05	4.00%	52,545,000
Refunding, Series A (1998)	65,145,000	7/1/2002-09	4.00-5.00%	51,500,000
Revenue bonds				
Refunding Bonds, Series 1993	14,995,000	7/15/2002-05	4.75-5.10%	7,435,000
Revenue Bonds, Series 1998	6,000,000	7/15/2002-10	4.25-5.75%	4,860,000
			Total	<u>\$ 318,045,000</u>

The following schedule details debt service requirements to maturity for the District's bonds payable at June 30, 2002.

Year Ending June 30:	General Obligation Bonds		Revenue Bonds		Total Debt Service Requirements
	Principal	Interest	Principal	Interest	
2003	\$20,935,000	\$14,251,681	\$2,175,000	\$538,586	\$37,900,267
2004	23,390,000	13,271,619	2,280,000	429,609	39,371,228
2005	25,690,000	12,146,404	2,390,000	316,193	40,542,597
2006	25,650,000	10,931,173	2,510,000	195,615	39,286,788
2007	20,480,000	9,784,019	535,000	121,900	30,920,919
2008-2012	124,120,000	31,334,828	2,405,000	228,915	158,088,743
2013-2016	<u>65,485,000</u>	<u>3,706,924</u>	<u>-</u>	<u>-</u>	<u>69,191,924</u>
Total	<u>\$305,750,000</u>	<u>\$95,426,648</u>	<u>\$12,295,000</u>	<u>\$1,830,818</u>	<u>\$415,302,466</u>

Description of Issues

General Obligation Bonds, Project of 1994 Series A (1995)

In February 1995, the District issued \$104,750,000 of general obligation bonds. The bonds were issued to acquire land, improve and expand existing facilities, finance various equipment purchases, and defease certain maturities of the District's outstanding debt. Bonds maturing on or after July 1, 2004, are subject to early redemption.

NOTE 6 – Long-term Liabilities (continued)

General Obligation Bonds, Project of 1994 Series B (1997)

In June 1997, the District issued \$124,250,000 of general obligation bonds. These bonds were issued to make certain improvements to the District's educational facilities and finance equipment purchases. Bonds maturing on or before July 1, 2006, are noncallable. Bonds maturing on or after July 1, 2007, are subject to early redemption.

General Obligation Bonds, Project of 1994 Series C (1999)

In February 1999, the District issued \$104,250,000 of general obligation bonds. These bonds were issued to make certain improvements to the District's educational facilities and finance equipment purchases. Bonds maturing on or before July 1, 2008, are noncallable. Bonds maturing on or after July 1, 2009, are subject to early redemption.

General Obligation Bonds, Project of 1994 Series D (2001)

In April 2001, the District issued \$52,545,000 of general obligation bonds. These bonds were issued to make certain improvements to the District's educational facilities and finance equipment purchases. The bonds are noncallable.

General Obligation Refunding Bonds, Series A (1998)

In April 1998, the District issued \$65,145,000 of general obligation bonds to advance refund \$65,780,000 of outstanding Series A (1995) general obligation bonds. The District defeased these bonds by placing the proceeds of the new bonds in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds of \$61,245,000 are not included in the District's financial statements. Refunding bonds maturing on or before July 1, 2007, are noncallable. Refunding bonds maturing on or after July 1, 2008, are subject to early redemption.

Revenue Refunding Bonds, Series 1993

In July 1993, the District issued \$14,995,000 of revenue refunding bonds to purchase securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$13,295,000 of refunded Series 1986 debt. The bonds are noncallable. The trustee has retired all of the defeased Series 1986 bond liability.

Revenue Bonds, Series 1998

In May 1998, the District issued \$6,000,000 of revenue bonds to construct, furnish, and equip a performing arts center and to make related site improvements. Bonds maturing on or before July 15, 2007, are noncallable. Bonds maturing on or after July 15, 2008, are subject to early redemption.

NOTE 7 – Operating Expenses

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

Salaries and benefits	\$301,699,426
Contract services	37,510,988
Financial aid	29,828,759
Depreciation	21,498,284
Communications, utilities and travel	16,747,159
Noncapitalized equipment	16,717,887
Supplies and materials	15,555,973
Subscriptions, dues, insurance, and rentals	6,320,125
Other payments	4,009,195
Total	<u>\$449,887,796</u>

NOTE 8 - Retirement Plan

Plan Description - The District contributes to a cost-sharing, multiple-employer defined benefit pension plan administered by the Arizona State Retirement System (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, PO Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the District's contribution rates. For the year ended June 30, 2002, active plan members and the District were each required by statute to contribute at an actuarially determined rate of 2.49 percent (2 percent retirement and 0.49 percent long-term disability) of the members' annual covered payroll. The District's contributions to the System for the years ended June 30, 2002, 2001, and 2000, were \$5.0 million, \$4.8 million, and \$4.6 million, respectively. These amounts were equal to the required contributions for the year.

NOTE 9 - 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; and natural disasters. The District carries commercial insurance for all such risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District is also exposed to various risks of loss related to claims for bodily injury by accident or occupational disease as described under the Workers' Compensation Liability Laws of the State of Arizona. Effective October 1, 1993, the District elected to establish a limited risk-management program to finance such uninsured risks of loss up to \$250,000 per occurrence, and an aggregate maximum annual liability of \$1,000,000. The District purchases commercial re-insurance to cover any additional Workers' Compensation claims above these amounts. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 10 - Subsequent Events

On July 16, 2002, the District sold \$48,605,000 of General Obligation (G.O.) Refunding Bonds with an average interest rate of 4.6 percent to advance refund \$11,020,000 of G.O. Bonds, Project of 1994, Series A (1995) and \$37,585,000 of Series B (1997) with an average interest rate of 5.8 percent. The General Obligation Bonds of 2002 are not subject to early redemption prior to their stated maturity dates. The net proceeds were used to purchase U.S. Government securities and these securities were deposited in an irrevocable trust with an escrow agent to provide debt service until G. O. Bonds Series A and Series B mature.

On October 1, 2002, the District sold \$14,480,000 of Revenue Bonds of which, \$6,500,000 will be used to construct, furnish, and equip a performing arts center and approximately \$8,000,000 will be used to acquire a new Student Information System. Bonds maturing on or before July 15, 2012, are noncallable. Bonds maturing on or after July 15, 2013, are subject to early redemption.

On December 4, 2002, the District was notified by the Arizona State Treasurer that the investment pool held asset-backed securities issued by NPF-12 trust. These securities have been downgraded by Moody's from a AAA to a Ba3 credit rating, due to possible fraud and violations of federal and state laws. The probability of collection on these asset-backed securities is not known at this time. In order to protect the pool participants' interests, the Arizona State Treasurer and the Arizona Attorney General are pursuing legal action to the fullest extent possible. As of December 4, 2002, these assets amount to approximately 3.2% of the total pool assets, and the District's share is \$6.7 million in cash equivalents on the Statement of Net Assets.



Supplemental Information

Maricopa County Community College District
Statement of Revenues, Expenses, and Changes in Net Assets
By College/Center
For the Year Ended June 30, 2002

	<u>Phoenix College</u>	<u>Glendale Community College</u>	<u>GateWay Community College</u>	<u>Mesa Community College</u>	<u>Scottsdale Community College</u>
Operating revenues:					
Tuition and fees	\$ 7,466,023	\$ 11,470,401	\$ 5,258,486	\$ 17,292,002	\$ 9,071,358
Government grants and contracts	6,773,041	7,762,926	5,189,119	9,580,849	3,055,950
Private grants and contracts	8,731	560,939	24,104	676,183	122,023
Other	664,691	1,130,405	1,181,428	1,362,877	1,627,519
Total operating revenues	<u>14,912,486</u>	<u>20,924,671</u>	<u>11,653,137</u>	<u>28,911,911</u>	<u>13,876,850</u>
Operating expenses:					
Educational and general:					
Instruction	20,947,463	30,003,374	16,071,087	36,365,698	19,149,868
Public service	402,664	1,157,992	239,571	1,980,223	437,923
Academic support	3,927,460	5,328,521	1,680,419	7,654,077	3,383,126
Student services	7,112,932	8,443,313	4,214,082	9,929,029	4,763,650
Institutional support	4,518,391	4,474,734	5,052,853	8,328,846	3,400,406
Operation and maintenance of plant	3,835,406	4,109,628	2,691,726	6,301,048	3,828,381
Scholarships	534,252	106,538	79,643	473,257	298,759
Auxiliary enterprises	3,685,338	5,419,245	2,113,214	7,510,563	4,789,491
Depreciation	2,225,212	2,786,388	1,984,609	3,253,966	2,206,800
Other	-	-	4,487	2,120	(2,436)
Total operating expenses	<u>47,189,118</u>	<u>61,829,733</u>	<u>34,131,691</u>	<u>81,798,827</u>	<u>42,255,968</u>
Operating income (loss)	<u>(32,276,632)</u>	<u>(40,905,062)</u>	<u>(22,478,554)</u>	<u>(52,886,916)</u>	<u>(28,379,118)</u>
Nonoperating revenues (expenses):					
Property taxes	26,284,247	32,715,547	18,535,707	41,412,411	23,165,992
State appropriations	5,013,341	7,838,868	3,343,819	10,655,638	4,604,917
State-shared sales tax	-	-	116,463	-	-
Private gifts	906,360	593,822	371,828	1,459,743	533,564
Investment income	75,004	5,085	293	1,531	378
Interest expense on debt	-	-	(6,992)	(2,530)	-
Gain (loss) on sale/disposal of capital assets	(2,320)	11,735	(589)	36,907	2,746
Net nonoperating revenues	<u>32,276,632</u>	<u>41,165,057</u>	<u>22,360,529</u>	<u>53,563,700</u>	<u>28,307,597</u>
Income (loss) before other revenues, expenses, gains or losses	-	259,995	(118,025)	676,784	(71,521)
Capital appropriations	-	-	-	-	-
Capital grants and gifts	-	66,485	118,025	163,423	71,521
Increase (decrease) in net assets	<u>-</u>	<u>326,480</u>	<u>-</u>	<u>840,207</u>	<u>-</u>

See accompanying notes to supplemental information.

<u>Rio Salado Community College</u>	<u>South Mountain Community College</u>	<u>Chandler/ Gilbert Community College</u>	<u>Paradise Valley Community College</u>	<u>Estrella Mountain Community College</u>	<u>District Support Services Center</u>	<u>Total Colleges/ Centers</u>
\$ 12,749,413	\$ 1,578,720	\$ 4,746,908	\$ 4,429,601	\$ 2,003,379	\$ 9,082,145	\$ 85,148,436
6,542,721	2,741,403	1,449,908	1,988,648	2,444,632	2,966,125	50,495,322
686,251	147,905	3,591	396,160	-	425,342	3,051,229
205,207	146,423	108,594	229,457	231,059	1,827,217	8,714,877
<u>20,183,592</u>	<u>4,614,451</u>	<u>6,309,001</u>	<u>7,043,866</u>	<u>4,679,070</u>	<u>14,300,829</u>	<u>147,409,864</u>
16,950,397	6,084,291	9,390,385	10,715,113	6,696,639	3,223,214	175,597,529
4,895,837	675,458	453,713	139,554	368,101	1,411,834	12,162,870
4,338,468	2,472,407	2,448,953	2,950,326	1,175,347	3,630,749	38,989,853
2,812,944	2,594,906	2,529,879	3,676,682	2,656,313	798,436	49,532,166
4,809,680	3,140,965	4,564,317	2,006,036	2,531,966	30,428,409	73,256,603
1,248,330	1,801,800	2,795,339	1,835,085	1,623,882	927,490	30,998,115
80,026	291,769	457,293	102,064	124,992	-	2,548,593
8,410,883	1,623,072	1,966,547	1,900,001	1,465,112	6,199,760	45,083,226
1,212,723	1,104,814	2,096,067	1,677,347	1,217,823	1,732,535	21,498,284
-	-	1,511	-	-	214,875	220,557
<u>44,759,288</u>	<u>19,789,482</u>	<u>26,704,004</u>	<u>25,002,208</u>	<u>17,860,175</u>	<u>48,567,302</u>	<u>449,887,796</u>
(24,575,696)	(15,175,031)	(20,395,003)	(17,958,342)	(13,181,105)	(34,266,473)	(302,477,932)
15,155,465	13,267,986	17,119,832	14,987,417	11,280,268	28,202,418	242,127,290
8,337,249	1,300,109	2,673,463	2,745,116	1,781,778	-	48,294,298
-	-	-	-	-	4,318,980	4,435,443
3,376,750	501,187	572,849	133,139	119,742	-	8,568,984
184,889	-	212	63,465	-	8,665,332	8,996,189
-	-	(1,853)	-	-	(15,305,504)	(15,316,879)
2,656	1,165	22,000	-	(683)	17,862	91,479
<u>27,057,009</u>	<u>15,070,447</u>	<u>20,386,503</u>	<u>17,929,137</u>	<u>13,181,105</u>	<u>25,899,088</u>	<u>297,196,804</u>
2,481,313	(104,584)	(8,500)	(29,205)	-	(8,367,385)	(5,281,128)
-	-	-	-	-	8,237,400	8,237,400
2,545	104,584	8,500	29,205	-	129,985	694,273
<u>2,483,858</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,650,545</u>
						257,222,357
						\$ <u>260,872,902</u>

Maricopa County Community College District
Notes to Supplemental Information
Fiscal Year Ended June 30, 2002

NOTE 1 – Statement of Purpose

The Maricopa County Community College District Statement of Revenues, Expenses, and Changes in Net Assets by College/Center for the Year Ended June 30, 2002, is required by the terms of a Memorandum of Understanding (MOU) between the Maricopa County Community College District (the District) and the North Central Association of Colleges and Schools Commission on Institutions of Higher Education (NCA). The MOU outlines an appropriate pattern of evidence to be made available by the District for purposes of meeting certain NCA Criteria for Accreditation related to financial resources/uses and other assurances. This schedule presents revenues and expenses for each college/center within the District.

NOTE 2 – Basis of Allocation

The District receives and records property taxes and state appropriations revenues on behalf of the colleges. For the purpose of this schedule, these revenues are allocated to the colleges on the basis of full-time-student equivalents.



Statistical Section

**Maricopa County Community College District
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year	Total Primary Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections (1)	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes (2)	Ratio of Delinquent Taxes to Total Tax Levy
1992-93	\$108,000,734	\$102,814,923	95.20 %	\$ 5,498,986	\$108,313,909	100.29 %	\$ 5,755,264	5.33 %
1993-94	113,438,216	109,538,404	96.56	3,720,515	113,258,919	99.84	3,868,899	3.41
1994-95	118,830,665	113,568,756	95.57	2,550,033	116,118,789	97.72	3,642,646	3.07
1995-96	127,583,438	125,004,270	97.98	2,365,494	127,369,764	99.83	3,640,693	2.85
1996-97	136,915,672	133,679,652	97.64	2,641,902	136,321,554	99.57	3,399,451	2.48
1997-98	146,266,234	143,074,486	97.82	2,625,323	145,699,809	99.61	3,564,529	2.44
1998-99	158,025,622	155,061,199	98.12	2,411,702	157,472,901	99.65	3,859,439	2.44
1999-00	171,524,256	167,695,007	97.77	3,457,923	171,152,930	99.78	4,230,766	2.47
2000-01	186,543,632	182,251,528	97.70	3,737,948	185,989,476	99.70	4,784,922	2.57
2001-02	202,409,157	196,807,522	97.23	4,216,776	201,024,298	99.32	6,169,781	3.05

Fiscal Year	Maximum Primary Tax Levy (3)	Tax Revenue Recognized (4)
1992-93	\$108,558,401	\$106,246,700
1993-94	113,429,840	110,885,431
1994-95	119,654,428	115,439,066
1995-96	127,583,281	128,030,334
1996-97	136,570,230	137,000,323
1997-98	147,151,489	146,648,910
1998-99	158,026,342	157,558,395
1999-00	170,115,611	169,540,072
2000-01	187,642,684	185,770,777
2001-02	204,648,094	201,488,138

Source: Arizona State Property Tax Oversight Commission and District records.

Note 1: Cash basis; excludes payments in lieu of taxes.

Note 2: Delinquencies for unsecured personal property are not included since collections often vary from the levy amount. This variance is due to the fact that the unsecured personal property tax levy is based on a conservative estimate of the assessed value.

Note 3: Pursuant to Arizona Revised Statutes, the amount of total primary property taxes levied is limited. The levy limit grows by 2% each year plus new construction. Starting in fiscal year 1997-98, the District was required to publish notice of its interest to raise taxes to the levy limit and also to hold a public hearing on this proposal.

Note 4: Accrual basis; excludes payments in lieu of taxes.

**Maricopa County Community College District
 Secondary Assessed Value and Current Market Value
 of All Taxable Property
 Last Ten Fiscal Years
 (Dollars in Thousands)**

Fiscal Year	Secured Property Values		Unsecured Property Values		Total Property Values		Total Secondary Assessed Value as a Percent of Total Market Value
	Secondary Assessed	Current Market	Secondary Assessed	Current Market	Secondary Assessed	Current Market	
1992-93	\$ 12,445,915	\$ 91,766,875	\$ 1,362,899	\$ 5,043,287	\$ 13,808,814	\$ 96,810,162	14.3 %
1993-94	12,300,837	90,277,507	1,203,271	5,328,743	13,504,108	95,606,250	14.1
1994-95	12,072,197	91,542,251	1,448,978	6,344,921	13,521,175	97,887,172	13.8
1995-96	13,322,347	100,603,839	797,088	4,722,441	14,119,435	105,326,280	13.4
1996-97	13,568,692	103,760,455	774,464	4,173,257	14,343,156	107,933,712	13.3
1997-98	14,854,238	115,551,926	869,260	4,724,629	15,723,498	120,276,555	13.1
1998-99	15,891,850	122,914,557	921,167	5,256,748	16,813,017	128,171,305	13.1
1999-00	17,749,278	137,565,447	927,553	5,226,790	18,676,831	142,792,237	13.1
2000-01	19,813,298	155,135,573	1,064,418	5,771,414	20,877,716	160,906,987	13.0
2001-02	21,748,902	174,348,240	1,164,233	6,304,806	22,913,135	180,653,046	12.7

Source: Maricopa County Department of Finance.

Note: Primary assessed values are used to determine primary levy for maintenance and operations; secondary assessed values are used to determine secondary levy for general obligation bond debt service.

**Maricopa County Community College District
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years
(Per \$100 Assessed Valuation)**

Fiscal Year	Maricopa County Community College District			Maricopa County	State of Arizona	Education Equalization	Central Arizona Water Conservation District	Other Special Districts	School Districts	Cities
	Primary Levy	Secondary Levy	Total							
1992-93	\$.7938	\$.0572	\$.8510	\$ 1.65	\$.47	\$.53	\$.14	\$ 0 - 3.94	\$.09 - 9.57	\$ 0 - 2.18
1993-94	.8532	-	.8532	1.65	.47	.53	.14	0 - 3.93	.13 - 18.99	0 - 2.39
1994-95	.8934	-	.8934	1.65	.47	.53	.14	0 - 3.93	.14 - 10.27	0 - 2.95
1995-96	.9455	.1675	1.1130	1.65	.47	.53	.14	0 - 3.93	.08 - 11.98	0 - 2.90
1996-97	.9772	.0704	1.0476	1.65	.00	.53	.14	1 - 6.46	.11 - 10.22	0 - 2.21
1997-98	.9747	.1599	1.1346	1.65	.00	.53	.14	0 - 4.35	.83 - 12.04	0 - 2.20
1998-99	.9866	.1259	1.1125	1.65	.00	.53	.14	0 - 3.49	.11 - 10.64	0 - 2.20
1999-00	.9741	.1544	1.1285	1.62	.00	.52	.14	0 - 2.99	.28 - 10.05	0 - 2.25
2000-01	.9691	.1503	1.1194	1.57	.00	.51	.13	0 - 3.33	.12 - 9.49	0 - 2.08
2001-02	.9583	.1524	1.1107	1.54	.00	.50	.13	0 - 4.00	.11 - 9.76	0 - 2.24

Source: District records and Maricopa County Department of Finance.

Note: Tax rates for overlapping governments are rounded to the nearest cent.

**Maricopa County Community College District
Principal Taxpayers
June 30, 2002**

<u>Taxpayer</u>	<u>Type of Property/Business</u>	<u>2001-2002 Secondary Assessed Value</u>	<u>Percentage of 2001-02 Secondary Assessed Value</u>
Arizona Public Service	gas and electric	\$ 692,140,346	3.02 %
U.S. West New Vector Group, Inc.	TV system	365,985,185	1.60
Southern California Edison Company	utility property	169,400,620	0.74
Motorola Computer Group, SPS, GEG	commercial buildings	142,149,454	0.62
El Paso Electric Co.	utility property	142,067,483	0.62
Southwest Gas Corporation	gas and electric	121,237,144	0.53
Intel Corporation	industrial park	108,498,798	0.47
Public Service Company of New Mexico	utility property	80,746,508	0.35
A T & T / Wireless Service	TV system	77,432,255	0.34
Cox Communication	TV system	65,991,170	0.29
Southern California Public Power Authority	utility property	65,570,107	0.29
Scottsdale Fashion Square Partnership	shopping centers	49,837,135	0.22
MCI Telecommunications Corp.	TV system	44,653,734	0.19
Safeway, Inc.	shopping centers	42,791,179	0.19
Wal Mart	shopping centers	41,375,709	0.18
Target	shopping centers	41,312,611	0.18
Sheraton, The Phoenician	resort	37,484,477	0.16
Albertson's	shopping centers	36,233,223	0.16
Wells Fargo	banking	35,717,589	0.16
Arizona MSA #26	TV system	34,472,010	0.15
City of Los Angeles Dept. of Water & Power	utility property	33,974,368	0.15
Honeywell	industrial park	27,624,413	0.12
First American Tax Valuation	resort	27,538,052	0.12
Arizona Mills	shopping center	25,283,920	0.11
First American Title	vacant land	23,111,258	0.10
Phoenix Newspapers, Inc.	industrial park	19,453,817	0.08
Phoenix SP Hilton LLC	resort	14,982,812	0.07
Total Principal Taxpayers		\$ 2,567,065,377	11.21 %
Countywide Secondary Valuation		\$ 22,913,134,480	100.00 %

Source: Maricopa County Treasurer's Office.

Note: Salt River Project, a local utility, pays an in-lieu tax based on an estimated assessed valuation. The net assessed valuation for tax year 2002 is \$442,400,000.

**Maricopa County Community College District
Computation of Legal Debt Margin
Fiscal Year Ended June 30, 2002**

Secondary Assessed Value of Real and Personal Property	<u>\$ 22,913,134,480</u>
Debt Limit, 15% of Secondary Assessed Value	<u>\$ 3,436,970,172</u>
Amount of Debt Applicable to Debt Limit:	
General Obligation Bonded Debt	305,750,000
Amount Available for Debt Repayment	<u>(20,935,000)</u>
Total Debt Applicable to Debt Limit	<u>284,815,000</u>
 Legal Debt Margin	 <u><u>\$ 3,152,155,172</u></u>

Source: Maricopa County Department of Finance and District records.

**Maricopa County Community College District
Ratio of Net General Obligation Bonded Debt to
Secondary Assessed Value and
Net General Bonded Debt Per Capita
Last Ten Fiscal Years**

Fiscal Year	Population (1)	Secondary Assessed Value of Real Estate (2)	General Obligation Bonds Payable	Amount Available For Retirement of General Obligation Bonded Debt	General Obligation Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1992-93	2,233,700	\$ 13,808,814,077	\$ 7,515,000	\$ 7,515,000	\$ -	- %	\$ -
1993-94	2,291,200	13,504,107,816	-	-	-	-	-
1994-95	2,355,900	13,521,174,915	104,750,000	-	104,750,000	0.77	44.46
1995-96	2,551,765	14,119,434,946	104,750,000	18,000,000	86,750,000	0.61	34.00
1996-97	2,634,625	14,343,156,861	211,000,000	5,915,000	205,085,000	1.43	77.84
1997-98	2,720,575	15,723,498,194	205,085,000	9,065,000	196,020,000	1.25	72.05
1998-99	2,806,100	16,813,017,261	300,270,000	17,235,000	283,035,000	1.68	100.86
1999-00	2,879,492	18,676,830,848	283,035,000	13,045,000	269,990,000	1.45	93.76
2000-01	3,072,149	20,877,715,546	322,535,000	16,785,000	305,750,000	1.46	99.52
2001-02	3,194,798	22,913,134,480	305,750,000	20,935,000	284,815,000	1.24	89.15

Source: Arizona Department of Economic Security, Maricopa County Department of Finance, and District records.

Note 1: Population figures are estimates as of July 1 of each fiscal year except for FY 1995-96 which reflects the actual population determined from a special census taken in October 1995.

Note 2: Primary assessed values are used to determine primary levy for maintenance and operations; secondary assessed values are used to determine secondary levy for general obligation bond debt service.

**Maricopa County Community College District
 Computation of Direct and Overlapping Bonded Debt
 General Obligation Bonds
 June 30, 2002**

Direct Debt:

Maricopa County Community College District	\$ 305,750,000
Less: Amount available for retirement	<u>20,935,000</u>

Net general obligation debt	284,815,000
------------------------------------	--------------------

Overlapping Debt:

Maricopa County	57,596,083
School Districts	2,508,156,305
Cities and Towns	1,654,589,233
Special Districts	<u>424,613,674</u>

Overlapping debt	<u>4,644,955,295</u>
-------------------------	-----------------------------

Total direct general obligation and overlapping debt	<u><u>\$ 4,929,770,295</u></u>
---	---------------------------------------

Source: District records and Maricopa County Department of Finance.

Note: All jurisdictions are within the boundaries of the District.

**Maricopa County Community College District
Revenue Bond Coverage
Last Ten Fiscal Years**

Fiscal Year	Gross Revenues	Debt Service Requirements			Gross Coverage
		Principal	Interest	Total	
1992-93	\$ 20,473,908	\$ 975,000	\$ 1,681,092	\$ 2,656,092	7.7
1993-94	23,403,968	1,060,000	1,325,540	2,385,540	9.8
1994-95	27,367,717	945,000	1,063,858	2,008,858	13.6
1995-96	30,405,422	1,035,000	809,596	1,844,596	16.5
1996-97	31,368,758	1,365,000	736,046	2,101,046	14.9
1997-98	34,432,022	1,435,000	708,966	2,143,966	16.1
1998-99	34,665,465	1,820,000	873,827	2,693,827	12.9
1999-00	39,835,460	1,980,000	796,007	2,776,007	14.3
2000-01	44,346,859	2,080,000	699,732	2,779,732	16.0
2001-02	45,973,895	2,175,000	538,586	2,713,586	16.9

Source: District records.

Note: Repayment of revenue bond debt is secured by a pledge of a portion of the District's gross revenues as defined by the bond indentures.

**Maricopa County Community College District
Historic Enrollment
Last Ten Fiscal Years**

Historic Headcount

<u>College/Center</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>	<u>1994-95</u>	<u>1993-94</u>	<u>1992-93</u>
Phoenix	22,289	21,463	21,533	20,660	19,342	19,441	20,387	20,142	20,143	21,220
Glendale	33,259	33,174	32,965	30,975	29,180	29,205	30,056	30,402	29,057	29,963
GateWay	15,954	17,117	15,525	14,860	15,185	14,097	13,730	12,512	12,485	13,976
Mesa	39,869	38,542	38,270	38,589	37,247	36,185	36,300	33,902	32,842	32,588
Scottsdale	19,380	18,095	17,763	16,817	16,074	16,260	17,005	16,742	15,797	17,019
Rio Salado	36,097	34,198	30,410	31,072	25,733	24,717	21,807	21,797	21,913	22,920
South Mountain	6,163	5,764	5,286	5,105	4,470	4,457	4,110	4,069	4,868	5,157
Chandler-Gilbert	10,712	10,038	9,377	7,975	6,872	6,113	5,764	5,419	5,156	5,540
Paradise Valley	12,687	11,600	11,020	10,355	9,965	9,937	9,341	9,048	8,577	8,734
Estrella Mountain	8,291	7,441	7,303	6,836	5,338	4,676	3,836	3,653	3,060	2,405
Skill Centers	2,917	2,197	1,961	1,868	1,505	3,137	3,150	3,039	1,784	1,346
Adult Basic Education	16,401	15,875	21,288	24,368	12,649	-	-	-	-	-
Total	224,019	215,504	212,701	209,480	183,560	168,225	165,486	160,725	155,682	160,868

Historic FTSE

<u>College/Center</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>	<u>1994-95</u>	<u>1993-94</u>	<u>1992-93</u>
Phoenix	6,297	6,015	5,998	5,826	5,592	5,704	5,908	5,936	6,267	6,755
Glendale	9,760	9,685	9,391	9,070	8,707	8,702	8,718	8,816	8,912	9,342
GateWay	3,046	2,881	2,647	2,601	2,576	2,438	2,516	2,418	2,455	2,534
Mesa	13,375	12,510	12,294	12,341	11,822	11,506	11,258	10,770	10,666	10,794
Scottsdale	5,784	5,316	5,049	4,819	4,624	4,643	4,716	4,773	4,638	4,890
Rio Salado	8,201	8,176	7,310	7,196	6,076	5,647	4,807	4,289	4,078	3,439
South Mountain	1,633	1,515	1,446	1,440	1,367	1,348	1,249	1,283	1,368	1,438
Chandler-Gilbert	3,358	2,927	2,503	2,172	1,913	1,740	1,649	1,596	1,565	1,643
Paradise Valley	3,448	3,275	3,087	2,819	2,571	2,565	2,395	2,239	2,202	2,194
Estrella Mountain	2,116	1,881	1,772	1,641	1,243	1,010	794	728	621	462
Skill Center	1,276	969	962	831	885	832	901	810	734	960
Adult Basic Education	1,485	1,284	1,174	1,115	500	-	-	-	-	-
Total	59,779	56,434	53,633	51,871	47,876	46,135	44,911	43,658	43,506	44,451

Source: District records.

Note: FTSE refers to Full-Time Student Equivalent which is calculated by dividing total enrollment credit hours per semester by 15 credit hours (the number of hours considered to be a full-time student).

**Maricopa County Community College District
Student Enrollment Demographic Statistics
Last Ten Fiscal Years**

Fiscal Year	Attendance		Enrollment Status			Residency			
	FT	PT	Continuing	First Time	Readmit	Resident	Out of County	Out of State	Foreign
1992-93	22 %	78 %	48 %	36 %	16 %	95 %	1 %	3 %	1 %
1993-94	22	78	46	38	16	95	1	3	1
1994-95	22	78	44	39	17	94	1	4	1
1995-96	22	78	44	39	17	94	2	3	1
1996-97	22	78	44	39	17	94	2	3	1
1997-98	22	78	44	40	16	94	2	3	1
1998-99	22	78	43	41	16	94	2	3	1
1999-00	22	78	43	42	15	94	2	3	1
2000-01	21	79	42	42	16	93	2	3	2
2001-02	22	78	43	41	16	93	3	2	2

Fiscal Year	Gender		Ethnic Background						Median Age
	M	F	Native American	Asian	African American	Hispanic	Anglo	Other	
1992-93	42 %	58 %	2 %	3 %	4 %	11 %	75 %	5 %	26
1993-94	43	57	2	3	4	12	74	5	26
1994-95	43	57	2	3	4	12	73	6	26
1995-96	43	57	3	3	4	13	71	6	26
1996-97	43	57	3	3	4	14	70	6	25
1997-98	44	56	3	3	4	15	68	7	25
1998-99	44	56	3	3	4	16	66	8	24
1999-00	44	56	3	4	4	16	64	9	24
2000-01	44	56	3	4	4	17	62	10	24
2001-02	44	56	3	4	4	17	61	11	24

Source: District records.

**Maricopa County Community College District
Historic Tuition and Fees
Last Ten Fiscal Years**

District Historic Tuition and Fees

Fiscal Year	Per Credit Hour			Annual Cost Per Full-time Student	Increase	
	General Tuition	Fees	Combined Total		Dollars	Percent
1992-93	\$ 20.50	\$ 8.50	\$ 29.00	\$ 870.00	\$ 90.00	11.54 %
1993-94	22.50	9.50	32.00	960.00	90.00	10.34
1994-95	22.50	9.50	32.00	960.00	-	-
1995-96	24.00	10.00	34.00	1,020.00	60.00	6.25
1996-97	24.00	10.00	34.00	1,020.00	-	-
1997-98	26.00	11.00	37.00	1,110.00	90.00	8.82
1998-99	27.00	11.00	38.00	1,140.00	30.00	2.70
1999-00	28.00	12.00	40.00	1,200.00	60.00	5.26
2000-01	28.50	12.50	41.00	1,230.00	30.00	2.50
2001-02	30.50	12.50	43.00	1,290.00	60.00	4.88

**National and Statewide Comparisons
(Based on Full-time Enrollment for the Academic Year)**

Fiscal Year	Maricopa District		National Community College Average (1)		Arizona Universities Average	
	Annual Cost	Percent Change	Annual Cost	Percent Change	Annual Cost	Percent Change
1992-93	\$ 870.00	11.54 %	\$ 1,025.00	9.51 %	\$ 1,528.00	- %
1993-94	960.00	10.34	1,125.00	9.76	1,778.00	16.36
1994-95	960.00	-	1,192.00	5.96	1,828.00	2.81
1995-96	1,020.00	6.25	1,239.00	3.94	1,884.00	3.06
1996-97	1,020.00	-	1,276.00	2.99	1,940.00	2.97
1997-98	1,110.00	8.82	1,314.00	2.98	1,988.00	2.47
1998-99	1,140.00	2.70	1,323.00	0.68	2,088.00	5.03
1999-00	1,200.00	5.26	1,336.00	0.98	2,188.00	4.79
2000-01	1,230.00	2.50	1,359.00	1.72	2,272.00	3.84
2001-02	1,290.00	4.88	1,413.36 (2)	4.00	2,412.00	6.16

Source: District records.

Note 1: U.S. Department of Education, National Center for Education Statistics -- Higher Education Statistics: Student Charges (Digest of Education Statistics 2001)

Note 2: Estimated.

Maricopa County Community College District
Maricopa County Property Values, Construction, and Bank Deposits
Last Ten Fiscal Years
(Dollars in Millions)

Fiscal Year	Current Market Property Values (1)				Construction (2)						Bank Deposits (3)
					Commercial		Industrial		Residential		
	Commercial	Industrial	Residential	Total	# of Units	Value	# of Units	Value	# of Permits	Value	
1992-93	\$ 19,536	\$ 32,862	\$ 44,412	\$ 96,810	1,946	\$ 550	107	\$ 39	26,085	\$ 2,160	\$ 19,358
1993-94	19,379	31,044	45,183	95,606	4,170	548	129	50	28,409	2,433	19,486
1994-95	18,996	30,884	48,007	97,887	3,205	960	132	145	35,458	3,209	20,017
1995-96	20,260	32,029	53,038	105,327	2,741	1,044	201	414	37,474	3,200	21,172
1996-97	20,497	32,153	55,284	107,934	3,371	1,422	356	788	38,129	3,509	17,806
1997-98	21,976	32,858	65,443	120,277	4,325	1,840	242	234	40,561	3,944	20,297
1998-99	24,210	34,870	69,091	128,171	3,606	2,230	264	378	45,712	4,779	24,940
1999-00	27,959	38,517	76,316	142,792	3,939	1,879	198	211	47,106	5,143	22,331
2000-01	33,130	42,950	84,827	160,907	4,099	2,145	209	253	42,205	4,774	27,337
2001-02	36,021	48,866	95,766	180,653	3,793	2,257	143	346	42,847	5,088	27,859

- Sources: (1) Maricopa County Department of Finance.
(2) "Arizona Business" Arizona Real Estate Center, Arizona State University.
(3) Arizona Bankers' Association.

Note 1: Construction figures exclude Other Construction, such as sheds, fences, signs, and other land improvements.

Note 2: All data is as of December 31.

**Maricopa County Community College District
Economic Indicators for the Metro Phoenix Area
June 30, 2002**

**Phoenix-Mesa Metropolitan Area Employment (1)
(In Thousands)**

<u>Type of Industry</u>	<u>September 2002</u>	<u>September 2001</u>	<u>Percent Change</u>
Manufacturing	144.8	158.7	(8.8) %
Mining and Quarrying	2.3	2.5	(8.0)
Construction	119.1	121.6	(2.1)
Transportation, Communications, and Public Utilities	80.9	84.6	(4.4)
Trade	377.7	379.3	(0.4)
Finance, Insurance, and Real Estate	123.7	123.6	0.1
Services and Miscellaneous	512.3	510.4	0.4
Government	214.3	208.3	2.9
Total Wage and Salary Employment	<u>1,575.1</u>	<u>1,589.0</u>	(0.9)

<u>Metropolitan Statistical Area</u>	<u>Civilian Labor Force Data (2) (In Thousands)</u>			<u>Unemployment Rate (2)</u>	
	<u>June 2002 Employment</u>	<u>June 2001 Employment</u>	<u>Percent Change</u>	<u>June 2002</u>	<u>June 2001</u>
Phoenix-Mesa Metro Area	1,678.3	1,634.1	2.7 %	5.6 %	3.7 %
Albuquerque, NM	388.3	381.4	1.8	6.2	5.3
Dallas, TX	2,080.5	2,084.2	(0.2)	7.5	5.0
Denver, CO	1,190.1	1,195.3	(0.4)	5.5	3.4
Los Angeles-Long Beach, CA	4,828.4	4,807.7	0.4	7.3	5.5
Salt Lake City-Ogden, UT	736.1	732.5	0.5	5.5	4.2
San Diego, CA	1,475.4	1,435.9	2.8	4.2	3.3
Seattle-Bellvue-Everett, WA	1,370.0	1,408.4	(2.7)	6.5	4.8
United States	142,476.0	141,354.0	0.8	5.9	4.5

Sources: (1) Arizona Department of Economic Security.
(2) U.S. Department of Labor, Bureau of Labor Statistics.

**Maricopa County Community College District
Top 25 Employers in Maricopa County
(Ranked by the number of full-time equivalent employees in Arizona)
June 30, 2002**

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Full-Time Equivalent Employees in Arizona</u>
State of Arizona	state government	49,973
Wal-Mart Stores, Inc.	retail stores	17,500
Honeywell International Inc.	aerospace systems, transportation products	16,000
Maricopa County	county government	15,523
Motorola Inc.	electronic systems and services	15,100
Banner Health Systems	health care	14,000
The Kroger Co.	grocery retailer, supermarkets	13,500
City of Phoenix	city government	13,298
American Express	worldwide travel, financial and network services	11,000
America West Holdings	airline, tour operator	10,270
Raytheon Missile Systems	missile manufacturer	10,100
U.S. Postal Service - Arizona District	mail delivery	10,012
Intel Corp.	microcomputer components and related products	10,000
Banc One Corp.	banking and financial services	9,100
Safeway, Inc.	grocery retailer, supermarkets	8,995
Wells Fargo Bank	banking and financial services	8,900
Arizona State University	university	8,852
Qwest Communications International Inc.	telecommunications	8,302
Target Corp.	retail stores	8,068
Mesa Public Schools	education	7,815
Bashas' Inc.	grocery retailer, supermarkets	7,350
Tosco Marketing Co.	convenience-store chain, Circle K	6,536
Albertson's Inc.	grocery retailer, supermarkets	6,500
Walgreen Co.	drug stores	6,225
Bank of America Corp.	banking and financial services	6,023

Source: The Business Journal Phoenix 2002 Book of Lists, page 106.

**Maricopa County Community College District
Miscellaneous Statistics
June 30, 2002**

Established:	1962	
Geographical location:	South-central portion of the State of Arizona	
Altitude:	1,117 feet	
Acreage:	1,316	(includes District Offices and ten campuses)
Students served:	224,019	(County Population: 3,194,798)
Number of faculty:	Full time	1,203
	Part time	3,414
Number of administrative and support staff:	2,560	
Average class size:	17 students	
Degrees and certificates awarded:		
Degrees:	Associate of Arts	900
	Associate of Applied Science	1,516
	Associate of Business	53
	Associate of General Studies	1,402
	Associate in Science	28
	Associate of Transfer Partnership	388
	Certificates of Completion in Occupational Programs:	7,283
Accredited by:	North Central Association of Colleges and Schools Commission on Institutions of Higher Education	

Source: District records and the Arizona Department of Economic Security.



Comprehensive Annual Financial Report

Published and distributed by the District Support Services Center, Business Services Division

2411 West 14th Street, Tempe, Arizona 85281-6942

<http://www.maricopa.edu>

(480) 731-8554

The Maricopa Community College District does not discriminate on the basis of race, color, religion, national origin, sex, sexual orientation, handicap/disability, age, or Vietnam-era/disabled veteran status in employment or in the application, admission, participation, access and treatment of persons in instructional programs, activities, and employment practices.