



Mesa Community College — Red Mountain Campus

Maricopa
County
Community
College
District

Phoenix, Arizona



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2004

Chandler-Gilbert
Estrella Mountain
GateWay
Glendale
Mesa
Paradise Valley
Phoenix
Rio Salado
Scottsdale
South Mountain



Mesa Community College — Southern and Dobson Campus



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2004

**Maricopa County Community College District
Phoenix, Arizona**

Prepared by
Division of Business Services



Maricopa County Community College District Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2004

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Introductory Section



www.maricopa.edu

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CHANCELLOR

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November 22, 2004

To the Residents of the Maricopa County Community College District:

Providing higher education opportunities for the growing population of Maricopa County is our most important ongoing work. Planning to meet the needs of young people, of adults seeking new careers, of retraining and of older adults involved in lifelong learning requires a college system that responds quickly to the changing workplace and meets the training needs of emerging industry and growing corporations. While Maricopa County's population growth is very strong, our full-time student equivalent enrollment growth *exceeds* the general population growth.

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. The Maricopa Community Colleges are, first and foremost, learning centered. Our campuses, our schedules, our course offerings and our training are designed to encourage students of all ages and all skill levels to increase their knowledge, upgrade their skills and expand their personal horizons. Providing a superior and affordable education coupled with up-to-date training is what the Maricopa Community Colleges do best.

The demographics of our student body continue to become increasingly diverse. The Maricopa Community Colleges take a proactive stance in providing quality programs and services for a changing student population and in selecting new faculty and staff who are reflective of our student diversity and serve as role models.

We have so much to offer our students and the communities we serve. Our 1994 capital projects are now all completed and we are embarking on a new decade of capital expansion and improvement to meet student growth demands. The Maricopa Community Colleges will continue to explore and form new and enhanced partnerships with businesses, educational institutions, governmental and not-for-profit institutions. Existing partnerships such as the Arizona State University-Maricopa Community Colleges Alliance and the TGen/Downtown Alliance will, when fully implemented, expand academic opportunities for our students and enhance the quality of the workforce that Arizona businesses demand. New partnerships will provide expanded opportunities for students.

The promises we made in 1994 have been kept, our fiscal and bond ratings reflect our prudent capital program management and our capital needs continue to be addressed with the support of the citizens of Maricopa County.

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. The Maricopa Community Colleges are working with the International Genomics Consortium through the Translational Genomics Research Institute (TGen) partnership to meet the business demands for education and training in these fields. The Maricopa Community Colleges will continue to be a key player with the State's public universities in providing a well-trained workforce to meet the needs of the emerging industries.

In addition, the Maricopa Community Colleges are taking leadership in the training of new, highly qualified teachers for the K-12 system and working with business and high school partnerships to reduce the state's dropout rate through our Achieving a College Education (ACE) program. The Maricopa Community Colleges are committed to working with government and the K-12 system in reducing artificial barriers which may keep qualified students and adults from receiving the education or training they need to reach their full potential.

Our fast-growing district strives to keep pace with the ever-expanding population by 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 and we continue to promote inclusiveness of our varied internal and external communities in our decision-making processes. Working with the citizens of Maricopa County, the Maricopa Community Colleges will continue to meet the challenges facing our students and our community, today and in the future.

Sincerely,

Rufus Glasper, Ph.D., CPA
Chancellor





www.maricopa.edu

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CHANCELLOR

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85281-6942

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November 22, 2004

To the Residents of the Maricopa County Community College District:

We are pleased to provide you with the Comprehensive Annual Financial Report (CAFR) of the Maricopa County Community College District (MCCCD; the District) for the fiscal year ended June 30, 2004 (FY 2004).

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 status and 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 subject to the oversight of 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. The Board is granted full authority from the Arizona Revised Statutes to manage the business and educational needs of the District.

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 five Vice-Chancellors: Vice Chancellor for Student Development & Community Affairs, Vice Chancellor for Information Technologies, Vice Chancellor for Business Services, Vice Chancellor for Academic Affairs, and Vice Chancellor for Human Resources.

Reporting 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). According to GASB Statement No. 14, the financial reporting entity consists of “a primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.” 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”. Although the District shares the same geographic boundaries with Maricopa County, financial accountability for all activities related to public community college education in Maricopa County is exercised solely by the District. In accordance with GASB Statement No. 39, the financial activity of the Maricopa County Community College District Foundation is presented as a component unit of the District. The District is not included in any other governmental financial reporting entity.

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.

The District delivers effective teaching and learning through modern occupational programs and training, through extensive partnerships with business and industry, as well as through a vast array of classes that transfer to four-year institutions. There are currently 9,643 credit-course offerings: 3,114 academic courses and 6,529 occupational courses included in 831 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: 59% Anglo, 17% Hispanic, 5% African American, 4% Asian, 3% Native American and 12% other.

The District is a major part of the community and continues to be a pipeline for the State’s four-year universities, primarily Arizona State University (ASU). In the Fall of 2003, 22,352 ASU undergraduates had transferred MCCCDC credits (representing 49% of the total ASU undergraduate enrollment).

Service to the Community (continued)

The District also provides a variety of direct services to the community. 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.

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's population increased by 45% in the 10 year period between the official census dates of April 1990 to 2000, and is the fourth most populated county in the nation. As of June 2003, the Department of Economic Security estimated the County's population to be 3,396,875, which represents an 11% increase from the official April 2000 census. That translates into slightly under 300 people a day moving to Maricopa County in the past three years.

The County has slightly over 60% of the State's total population and over 64% of the total labor force. The majority of the County's labor force (78%) are employed in the service markets. These include trade, transportation and utilities, professional business services, government, educational and healthcare, and leisure/hospitality.

The District has become well known both locally and nationally as the largest provider of job training in Arizona for new and expanding companies and enjoys ongoing success in forging partnerships with business and industry. The District as well as the State's other community colleges, public universities, and multiple private colleges, universities and technical institutes play a key role in providing the necessary workforce development and job training offerings to meet the current and burgeoning state employment markets. This solid infrastructure of educational institutions significantly contributes to the dynamic performance of the Arizona workforce and its economy.

Overview of State and Local Economic Forecasts

According to the Arizona Department of Economic Security Research Administration (DES/RA), Arizona's economy has been adding jobs for nearly two years at a rate that ranks it among the top ten states in the nation, in terms of annual percentage growth. It is anticipated that Arizona's economy will continue on a path of modest growth that will accelerate well into 2005. Growth during this period would be stronger, if not restrained by higher-than-anticipated energy costs and the upward spiral of health care costs.

Overview of State and Local Economic Forecasts (continued)

Specifically, Arizona's non-farm jobs are forecasted to grow by 2.4% in 2004 and 3.0% in 2005, which is ahead of the national level of 1.0% in 2004 and 1.7% in 2005. Over the two year forecast period DES/RA expects non-farm jobs to grow by 125,000. This job growth will by and large be in the service markets, most notably in construction, educational and health services, and professional and business services.

Maricopa Governance

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 District 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 District's Governing Board and many faculty and staff met in retreat to discuss a proposal to align Board goals with strategic directions developed from district-wide strategic planning activities. A second proposal is a revised process for monitoring. Both initiatives are moving forward and are expected to be in place in FY 2005.

Strategic and Long Term Operational Planning

The District engages in an annual strategic and operational planning cycle that involves all levels of the organization. This planning process provides a framework to advance the District's vision, mission and goals in order to meet the needs of the students and community.

Specifically, the strategic plan of the District and its colleges notes the overarching strategic directions and goals of the District and how the District intends to advance those priorities through operational planning. Operational planning is the implementation of the strategic plan and involves setting work plans and schedules necessary to implement the objectives. Strategic and operational planning and the linkage between the two help leadership at the district-wide and college levels set and focus resources to achieve strategic directions.

In essence, the cycle starts with strategic planning/directions, which drives fiscal planning; that, in turn, supports annual budget development and finishes with a review of actual measured outcomes and accountability. Once that review is completed, the strategic planning begins again.

This information is also used to develop the District's long-term operational planning, which is finalized each year in the Maricopa Community College's 15-Year Financial Plan. This plan helps the District align its key components of the strategic and financial planning with estimated trends in funding as well as linking long-term strategic directions with estimated long-term budget resources.

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 requires that the institution 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 and fees and it is the District's constant challenge to ensure that the State commits the necessary appropriation to fund higher education needs.

2004 General Obligation (GO) Bond Program

At the November 2, 2004 General Election, by a margin of 3 to 1, the voters of Maricopa County authorized the District to issue and sell general obligation bonds in the amount of \$951,359,000 in order to fund a new capital improvement plan. This plan is designed to provide education and job training and to meet the needs of current and future community college students through improved institutional facilities and support.

It will reach all colleges and skill centers in the District and call for improvements in the following areas:

- Enhancing computer, educational and institutional technologies
- Improving safety and security at all campuses and educational centers
- Constructing new or acquiring existing buildings
- Constructing additions and improvements or remodeling and modernizing buildings
- Removing old buildings when necessary
- Purchasing or leasing land
- Completing on-site and off-site improvements
- Constructing additional or improving existing parking facilities
- Installing new and upgrading existing utilities
- Installing new, upgrading or increasing central plant equipment capacity and efficiency

Revenue Bond Projects

In an effort to make all of our colleges more comprehensive in their course offerings, the District initiated a project to add several performing arts centers (PAC) on campuses that lack these facilities. To fund the construction of a PAC at Chandler-Gilbert Community College 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. Revenue bonds were issued in October 2002 for the South Mountain PAC and in September 2003 for the Paradise Valley PAC. The District is exploring the need for similar or other facilities at other colleges and locations and the remodeling of long-standing performing arts centers. Remaining new facility and remodeling projects may also rely on future revenue bond issues.

ASU-Maricopa Alliance

Arizona State University (ASU) and the Maricopa County Community College District have formed a partnership to enhance and increase the number of associate and baccalaureate degrees awarded to its students. The new “ASU-Maricopa Alliance” will move the institutions far beyond the traditional transfer model by offering new options to eligible students in where and how they learn. By working collaboratively, the institutions will provide these co-enrolled students with programs and flexibility that take advantage of the benefits of each institution. A pilot program began in Fall of 2004 and efforts are underway to build new opportunities for this partnership.

Risk Assessment and Management

The District employs a two-pronged approach to risk assessment and management. One is the Maricopa Integrated Risk Assessment (MIRA) project, or enterprise risk management, and the other is traditional risk management.

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.

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 \$250,000 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 \$50,000 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 assessment and 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, the 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, budget and financial policies approved by the Board guide the District's financial management by providing guidance for sufficient planning of resources, appropriate divisions between operational and capital activity and adequate reserve levels for revenue shortfalls or expenditure needs.

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.

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

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.

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. 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.

Fiscal Integrity and Oversight (continued)

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

Financial Reporting

An automated financial record system captures all financial transactions and provides data for the preparation of this 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 financial resources.

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 for the fiscal year ended June 30, 2003. This was the 13th consecutive year that the District has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal regulations.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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,

Debra Thompson
Vice Chancellor for Business Services

Andrew Huhn, CPA
Director of Finance

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, 2003

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.

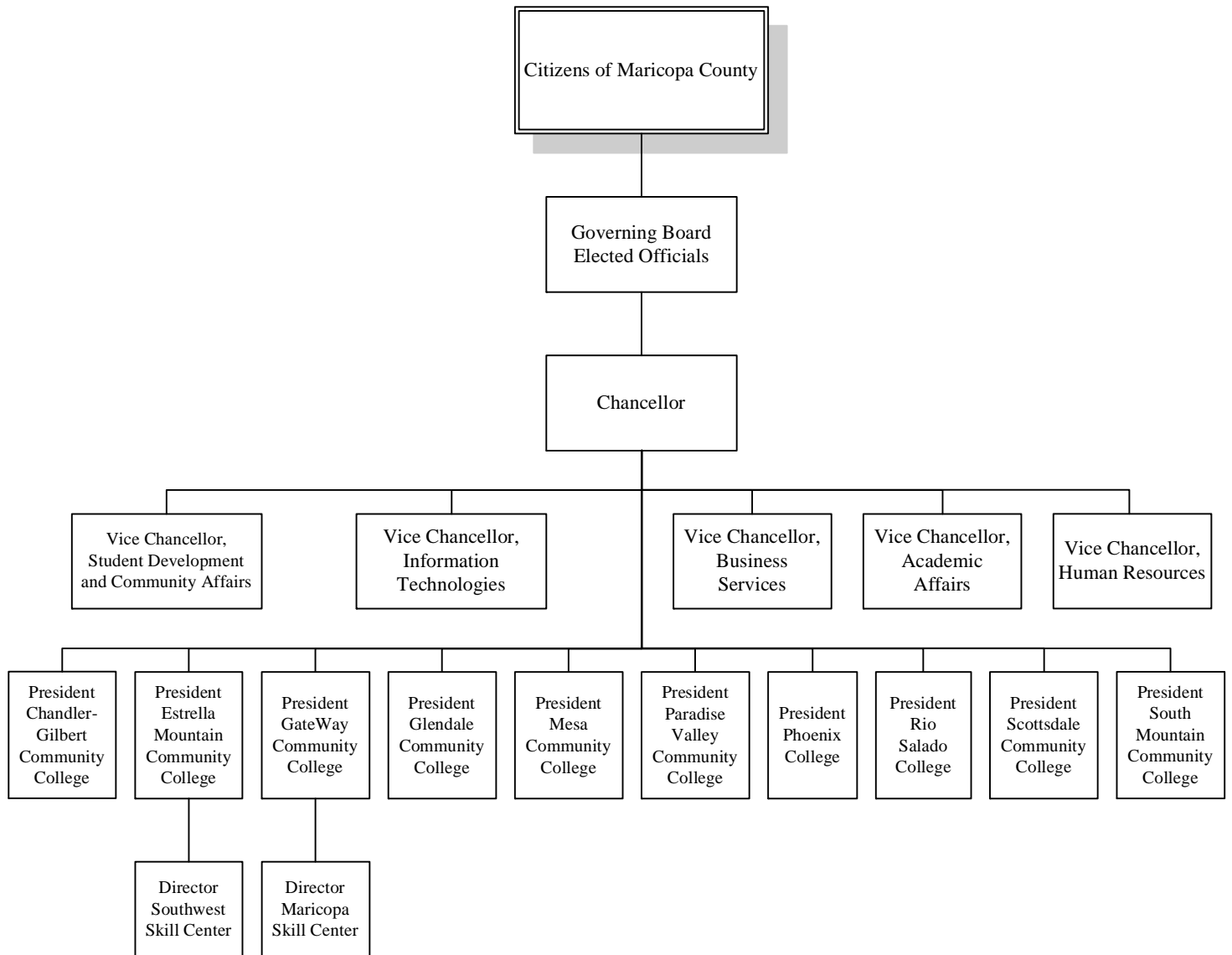


President

Executive Director

Maricopa County Community College District

Organizational Chart



Maricopa County Community College District

Principal Officers

Governing Board

Mrs. Linda B. Rosenthal, *President*

Dr. Donald R. Campbell, *Secretary*

Mr. Ed Contreras, *Member*

Ms. Nancy Stein, *Member*

Mr. Scott Crowley, *Member*

Administration

Dr. Rufus Glasper, *Chancellor*

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

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

Ms. Debra Thompson, *Vice Chancellor, Business Services*

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

Dr. Jose Leyba, *Acting Vice Chancellor, Human Resources*

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, *President, Glendale Community College*

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

Dr. Mary Kathryn Kickels, *President, Paradise Valley Community College*

Dr. Corina Gardea, *President, Phoenix College*

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

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

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

Mr. John Underwood, *Director, Maricopa Skill Center*

Mr. Adolfo Gámez, *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
- ▲▲ Workforce Development
- ▲▲ General Education
- ▲▲ Student Development Services
- ▲▲ Developmental Education
- ▲▲ Continuing Education
- ▲▲ Community Education

ADOPTED JULY 27, 1999, BY THE MARICOPA COUNTY 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 residential faculty, adjunct faculty, administration, professional support staff, and crafts, and maintenance and operations personnel, 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.



CHANDLER-GILBERT
COMMUNITY COLLEGE

ESTRELLA MOUNTAIN
COMMUNITY COLLEGE



"Your Success is Our Success"
A Maricopa Community College





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 financial statements of the business-type activities and discretely presented component unit of Maricopa County Community College District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the amounts for the discretely presented component unit, is based solely on the report of the other auditors.

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. The financial statements of the discretely presented component unit were not audited by the other auditors in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Maricopa County Community College District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the District implemented the provisions of the Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, for the year ended June 30, 2004, which requires reporting as a component unit those organizations that raise and hold economic resources for the direct benefit of the District or its constituents.

The Management's Discussion and Analysis on pages 18 through 23 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying 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 taken as a whole.

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 on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Debbie Davenport
Auditor General

November 22, 2004

Maricopa County Community College District Management's Discussion and Analysis Fiscal Year Ended June 30, 2004

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, 2004. Please read it in conjunction with the transmittal letter, which precedes this section, and the financial statements, which immediately follow.

Basic Financial Statements

Beginning with fiscal year 2001-02, the District has presented annual financial statements in accordance with then-newly effective pronouncements issued by the Governmental Accounting Standards Board (GASB), the authoritative body for establishing generally accepted accounting principles (GAAP) for state and local governments, including public institutions of higher education. These pronouncements permit public colleges and universities to use the guidance for special-purpose governments engaged only in business-type activities, in 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, 2004. 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, 2004. 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, 2004. 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.

Although the primary focus of this document is on the results of activity for fiscal year 2003-04, comparative data is presented for the previous fiscal year 2002-03. This Management's Discussion and Analysis (MD&A) uses the prior fiscal year as a reference point in illustrating issues and trends for determining whether the institution's financial health may have improved or deteriorated.

Basic Financial Statements (continued)

Condensed Financial Information

<i>Statement of Net Assets</i>	<i>As of June 30, 2004</i>	<i>As of June 30, 2003</i>
Current assets	\$186,230,073	\$178,677,690
Noncurrent assets, other than capital assets	88,146,734	89,250,196
Capital assets, net	359,107,752	360,314,433
Total assets	633,484,559	628,242,319
Current liabilities	63,173,935	58,221,998
Long-term liabilities	282,139,297	302,656,834
Total liabilities	345,313,232	360,878,832
Net assets:		
Invested in capital assets, net of related debt	123,050,966	104,497,784
Restricted net assets	58,030,946	58,739,623
Unrestricted net assets	107,089,415	104,126,080
Total net assets	\$288,171,327	\$267,363,487

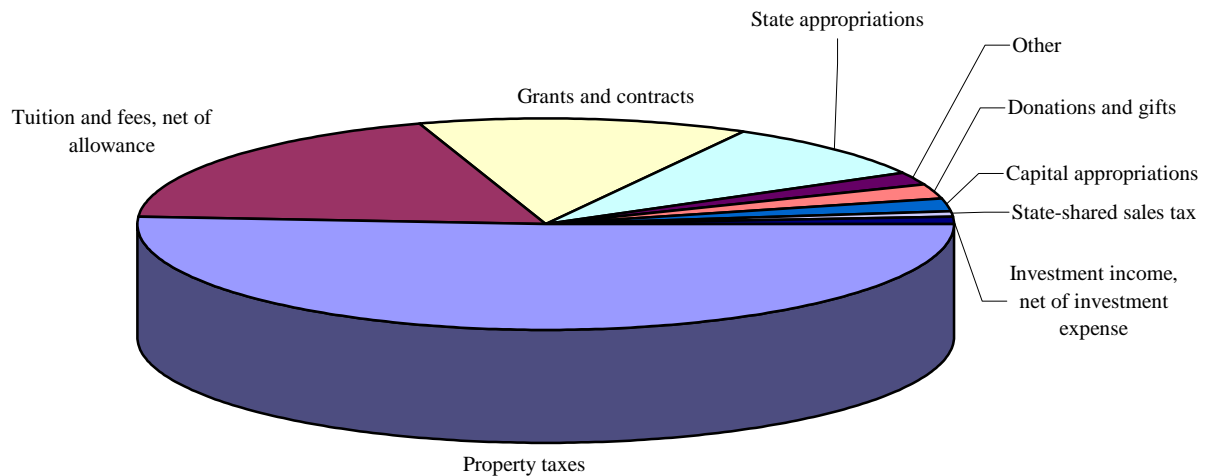
<i>Statement of Revenues, Expenses, and Changes in Net Assets</i>	<i>For the Year Ended June 30, 2004</i>	<i>For the Year Ended June 30, 2003</i>
Operating revenues	\$190,087,690	\$169,825,194
Operating expenses:		
Education and general	434,295,284	402,417,334
Auxiliary enterprises	54,795,258	44,912,139
Depreciation	21,192,543	24,236,012
Other	5,540,421	5,910,273
Total operating expenses	515,823,506	477,475,758
Operating loss	(325,735,816)	(307,650,564)
Nonoperating revenues and expenses	336,084,346	305,552,710
Income (loss) before other revenues, expenses, gains, or losses	10,348,530	(2,097,854)
Other revenues, expenses, gains, or losses	10,459,310	8,588,439
Increase in net assets	20,807,840	6,490,585
Net assets, Beginning of year	267,363,487	260,872,902
Net assets, End of year	\$288,171,327	\$267,363,487

Basic Financial Statements (continued)

The following schedule presents a summary and comparison of revenues for the fiscal years ended June 30, 2004 and June 30, 2003.

<i>Revenues by Source</i>	FY 2004		FY 2003		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
<u>Operating revenues</u>						
Tuition and fees, net of scholarship allowance	\$102,640,548	19%	\$ 91,854,595	18%	\$10,785,953	12%
Grants and contracts	76,584,658	14	67,326,294	14	9,258,364	14
Other operating revenues	10,862,484	2	10,644,305	2	218,179	2
Total operating revenues	<u>190,087,690</u>	<u>35</u>	<u>169,825,194</u>	<u>34</u>	<u>20,262,496</u>	<u>12</u>
<u>Nonoperating revenues</u>						
Property taxes	281,830,695	51	259,813,133	52	22,017,562	8
State appropriations	46,613,700	8	46,890,513	9	(276,813)	(1)
State-shared sales tax	5,926,090	1	5,208,050	1	718,040	14
Donations and gifts	12,744,254	2	10,165,797	2	2,578,457	25
Investment income, net of investment expense	3,710,455	1	(1,626,924)	-	5,337,379	328
Gain on sale/disposal of capital assets	26,380	-	-	-	26,380	-
Total nonoperating revenues	<u>350,851,574</u>	<u>63</u>	<u>320,450,569</u>	<u>64</u>	<u>30,401,005</u>	<u>9</u>
Capital appropriations	<u>8,309,800</u>	<u>2</u>	<u>8,309,800</u>	<u>2</u>	<u>0</u>	<u>-</u>
Total revenues	<u>\$549,249,064</u>	<u>100%</u>	<u>\$498,585,563</u>	<u>100%</u>	<u>\$50,663,501</u>	<u>10%</u>

Revenues by Source FY 2004

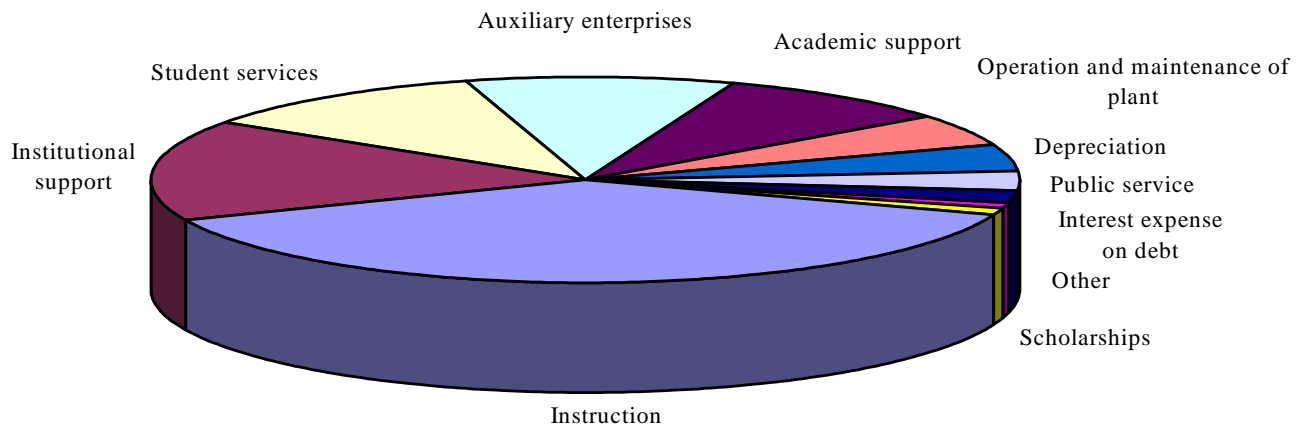


Basic Financial Statements (continued)

The following schedule presents a summary and comparison of expenses for the fiscal years ended June 30, 2004 and June 30, 2003.

<i>Expenses by Function</i>	FY 2004		FY 2003		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
<u>Operating expenses</u>						
Educational and general						
Instruction	\$ 201,072,401	38%	\$ 187,295,780	38%	\$13,776,621	7%
Public service	13,464,797	3	13,906,786	3	(441,989)	(3)
Academic support	45,753,391	9	39,681,096	8	6,072,295	15
Student services	60,189,214	11	53,499,292	11	6,689,922	13
Institutional support	84,004,224	16	75,376,932	15	8,627,292	11
Operation and maintenance of plant	26,709,085	5	30,377,436	6	(3,668,351)	(12)
Scholarships	3,102,172	1	2,280,012	1	822,160	36
Auxiliary enterprises	54,795,258	10	44,912,139	9	9,883,119	22
Depreciation	21,192,543	4	24,236,012	5	(3,043,469)	(13)
Other	5,540,421	1	5,910,273	1	(369,852)	(6)
Total operating expenses	<u>515,823,506</u>	<u>98</u>	<u>477,475,758</u>	<u>97</u>	<u>38,347,748</u>	<u>8</u>
<u>Nonoperating expenses</u>						
Interest expense on debt	12,617,718	2	14,420,800	3	(1,803,082)	(13)
Loss on disposal of capital assets	-	-	198,420	-	(198,420)	(100)
Total nonoperating expenses	<u>12,617,718</u>	<u>2</u>	<u>14,619,220</u>	<u>3</u>	<u>(2,001,502)</u>	<u>(14)</u>
Total expenses	<u>\$ 528,441,224</u>	<u>100%</u>	<u>\$ 492,094,978</u>	<u>100%</u>	<u>\$36,346,246</u>	<u>7%</u>

Expenses by Function/Program FY 2004



Financial Highlights and Analysis

Revenues from donations and gifts increased 25% this year, primarily due to the donation of equipment and other items to the District. Grants and contracts revenue and scholarship expense both increased in FY 2004 as financial aid awards continue to grow with increased enrollment. Property tax revenue increased \$22 million, an increase of 8% from the prior year, due to increases in property valuations and population growth. Increased enrollment and a \$5 per credit hour increase in tuition created an increase in tuition and fees, net of scholarship allowance, of \$10 million from FY 2003. Investment income revenues increased 328%, primarily due the recognition of a loss of market value in FY 2003 for investments held by the Arizona State Treasurer's Local Government Investment Pool, totaling \$6.8 million. Additional information on the District's deposits and investments can be found in Note 2 to the basic financial statements.

An increase in student enrollment necessitated an increase in related operating expenses. Additionally, increases in salaries, employee-related expenses, and non-capitalized equipment contributed to the increases in expenses for instruction, academic support, student services, institutional support, and auxiliary enterprises.

Overall, the District recognized an increase in net assets of \$20.8 million. Revenues increased \$50.6 million from the prior year, while expenses increased only \$36.3 million, resulting in an increase of \$14.3 million in net assets from FY 2003. The District's financial position remains strong, with adequate resources and reserves to meet all current obligations.

Capital Assets and Debt Administration

The District's investment in capital assets as of June 30, 2004 totaled \$359,107,752 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements other than buildings, equipment, and library books. The change in the District's investment in capital assets for the current year was less than one percent. Additional information on capital assets can be found in detail in Note 4 to the District's 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 or debt limitations that may affect future debt financing for the District.

The District sold \$7,655,000 of revenue bonds for the construction of a performing arts center on the Paradise Valley Community College campus. The District also sold \$66,610,000 of general obligation refunding bonds to advance refund Series A and B General Obligation Bonds, thus reducing its debt service payments by \$4.2 million and obtaining an economic gain of \$3.7 million. These bond issues are discussed in greater detail in Note 5 to the 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 estimated to be \$951 million. The voters of Maricopa County approved a bond initiative on November 2, 2004. These general obligation bonds will be used for improvements on or adjacent to existing campuses and skill and education centers and on additional land to be acquired to accommodate current and future student enrollment.

The financial support from the state has stabilized at the present time. Recent budget cuts for state aid in previous years required a tuition and fee increase of \$5 per credit hour, effective in FY 2004. An additional increase of \$4 per credit hour has been approved for FY 2005.

The approval of the 2004 bond measure, combined with increases in tuition charges, will allow the District to address the demand for curriculum and course offerings of its growing enrollment.

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 and Controller; The Maricopa Community Colleges; 2411 W. 14th Street; Tempe, AZ 85281.

Maricopa County Community College District
Statement of Net Assets -- Primary Government
June 30, 2004

Assets

Current assets:

Cash and cash equivalents	\$ 165,939,998
Investments	152,560
Receivables (net of allowance of \$3,757,339)	18,917,857
Other	1,219,658
Total current assets	<u>186,230,073</u>

Noncurrent assets:

Receivables (net of allowance of \$741,083)	629,195
Restricted assets:	
Cash and cash equivalents	85,001,307
Investments	82,000
Receivables (net of allowance of \$227,261)	1,042,521
Other	1,391,711
Capital assets, not being depreciated	40,277,910
Depreciable capital assets, net of depreciation	318,829,842
Total noncurrent assets	<u>447,254,486</u>
Total assets	<u>633,484,559</u>

Liabilities

Current liabilities:

Accounts payable	5,384,728
Accrued liabilities	13,235,461
Deposits held in custody for others	955,072
Interest payable	6,216,470
Deferred revenues	6,618,711
Long-term liabilities - current portion	30,763,493
Total current liabilities	<u>63,173,935</u>

Long-term liabilities

Total liabilities	<u>282,139,297</u>
	<u>345,313,232</u>

Net Assets

Invested in capital assets, net of related debt	123,050,966
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Restricted:

Nonexpendable:

Endowments	220,987
Loans	672,115

Expendable:

Scholarships	1,474,966
Grants and contracts	10,961,672
Loans	54,304
Debt service	6,917,887
Capital projects	37,729,015

Unrestricted	<u>107,089,415</u>
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Total net assets	<u>\$ 288,171,327</u>
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See accompanying notes to financial statements.

Maricopa County Community College District
Statement of Financial Position -- Component Unit
June 30, 2004

Assets

Current assets:

Cash and cash equivalents	\$	252,703
Pledges receivable, net		251,664
Interest receivable		69,670
Total current assets		574,037

Pledges receivable, net of current portion		481,766
Investments		9,680,773
Cash surrender value of life insurance		443,499
Cash held for endowment purposes		451,350
Other assets		2,300
Total assets		\$ 11,633,725

Liabilities and Net Assets

Current liabilities:

Accounts payable		\$ 29,579
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Net assets

Unrestricted		547,969
Temporarily restricted		3,338,675
Permanently restricted		7,717,502
Total net assets		11,604,146
Total liabilities and net assets		\$ 11,633,725

See accompanying notes to financial statements.

Maricopa County Community College District
Statement of Revenues, Expenses, and Changes in Net Assets --
Primary Government
For the Year Ended June 30, 2004

Operating revenues:	
Tuition and fees (net of scholarship allowance of \$32,127,952), portion pledged as security for revenue bonds	\$ 102,640,548
Government grants and contracts	73,149,655
Private grants and contracts	3,435,003
Other, portion pledged as security for revenue bonds	10,862,484
Total operating revenues	<u>190,087,690</u>
Operating expenses:	
Educational and general:	
Instruction	201,072,401
Public service	13,464,797
Academic support	45,753,391
Student services	60,189,214
Institutional support	84,004,224
Operation and maintenance of plant	26,709,085
Scholarships	3,102,172
Auxiliary enterprises	54,795,258
Depreciation	21,192,543
Other	5,540,421
Total operating expenses	<u>515,823,506</u>
Operating loss	<u>(325,735,816)</u>
Nonoperating revenues (expenses):	
Property taxes	281,830,695
State appropriations	46,613,700
State-shared sales tax	5,926,090
Private gifts	10,594,744
Investment income, net of investment expense	3,710,455
Interest expense on debt	(12,617,718)
Gain on sale/disposal of capital assets	26,380
Total nonoperating revenues	<u>336,084,346</u>
Income before other revenues, expenses, gains, or losses	10,348,530
Capital appropriations	8,309,800
Capital grants and gifts	2,149,510
Increase in net assets	<u>20,807,840</u>
Total net assets, July 1, 2003	<u>267,363,487</u>
Total net assets, June 30, 2004	<u>\$ 288,171,327</u>

See accompanying notes to financial statements.

Maricopa County Community College District
Statement of Activities -- Component Unit
For the Year Ended June 30, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Contributions	\$ -	\$ 2,607,321	\$ 659,213	\$ 3,266,534
Contributed services	91,172	-	-	91,172
Investment return	(32,285)	-	619,160	586,875
Increase in cash surrender value of life insurance	-	-	12,500	12,500
Total support and revenue before net assets released from restrictions	58,887	2,607,321	1,290,873	3,957,081
Net assets released from restrictions	1,808,187	(1,808,187)	-	-
Total support and revenue	1,867,074	799,134	1,290,873	3,957,081
Expenses				
Program expenses				
Scholarships and other programs	1,740,608	-	-	1,740,608
Supporting services				
General and administrative	239,944	-	-	239,944
Fundraising	134,357	-	-	134,357
Total supporting services	374,301	-	-	374,301
Total expenses	2,114,909	-	-	2,114,909
Change in net assets	(247,835)	799,134	1,290,873	1,842,172
Transfers	(5,087)	84,582	(79,495)	-
Net assets, beginning of year	800,891	2,454,959	6,506,124	9,761,974
Net assets, end of year	\$ 547,969	\$ 3,338,675	\$ 7,717,502	\$ 11,604,146

See accompanying notes to financial statements.

**Maricopa County Community College District
Statement of Cash Flows -- Primary Government
For the Year Ended June 30, 2004**

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 103,198,925
Grants and contracts	75,218,373
Payments to employees	(351,913,877)
Payments to suppliers	(99,949,146)
Payments to students	(38,231,536)
Other receipts	10,862,484
Other payments	(442,016)
Net cash used for operating activities	<u>(301,256,793)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Property taxes	281,076,881
State appropriations	46,613,700
State-shared sales tax	5,914,857
Federal student loans received	67,373,672
Federal student loans disbursed	(67,373,672)
Gifts received for other than capital purposes	10,594,744
Net cash provided by noncapital financing activities	<u>344,200,182</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from issuance of bonds	7,765,667
Capital appropriations	8,309,800
Proceeds from sale of capital assets	17,134
Purchase of capital assets	(17,604,509)
Principal paid on capital debt and leases	(27,626,990)
Interest paid on capital debt and leases	(13,820,202)
Net cash used for capital and related financing activities	<u>(42,959,100)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	88,707,514
Interest received on investments	3,700,888
Purchases of investments	(65,403,353)
Net cash provided by investing activities	<u>27,005,049</u>
Net increase in cash	26,989,338
Cash and cash equivalents - beginning of year	223,951,967
Cash and cash equivalents - end of year	<u>\$ 250,941,305</u>

(continued)

See accompanying notes to financial statements.

Statement of Cash Flows (continued)

Reconciliation of operating loss to net cash used for operating activities:

Operating loss	\$ (325,735,816)
Adjustments to reconcile net loss to net cash used for operating activities:	
Depreciation expense	21,192,543
Changes in assets and liabilities:	
Increase in:	
Receivables, net	(981,698)
Other assets	(989,906)
Accrued liabilities	5,537,918
Deposits held in custody for others	5,888
Deferred revenues	37,230
Long-term liabilities - compensated absences	1,309,467
Decrease in:	
Accounts payable	(1,632,419)
Net cash used for operating activities	<u>\$ (301,256,793)</u>

Significant noncash transactions:

Advance refunding of bonds. In February 2004, the District sold \$66,610,000 of General Obligation Refunding Bonds to advance refund \$3,235,000 of Series A (1995) and \$63,375,000 of Series B (1997) General Obligation Bonds.

Gifts of depreciable and non-depreciable assets. The District recorded the receipt of gifts of depreciable and non-depreciable assets of \$2,149,510.

See accompanying notes to financial statements.

Maricopa County Community College District
Notes to Financial Statements
Fiscal Year Ended June 30, 2004

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 engaged only in business-type activities adopted by the Governmental Accounting Standards Board (GASB). The District follows Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The District has chosen the option not to follow FASB Statements and Interpretations issued after November 30, 1989.

During the year ended June 30, 2004, the District implemented the provisions of the Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which requires reporting as a component unit those organizations that raise and hold economic resources for the direct benefit of the District.

Reporting Entity - The District is a special-purpose government that is governed by a separately elected governing body (the Board). It is legally separate and fiscally independent of other state and local governments. The District is not included in any other governmental reporting entity. The accompanying financial statements present the activities of the District (the primary government) and its discretely presented component unit, the Maricopa County Community College District Foundation (the Foundation).

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

For financial reporting purposes, the Foundation follows the FASB statements for not-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information included in the District's financial report. Accordingly, those financial statements have been reported on separate pages following the respective counterpart financial statements of the District. The Foundation has a June 30 year end.

NOTE 1 - Summary of Significant Accounting Policies (continued)

During the year ended June 30, 2004, the Foundation made distributions of \$1,808,187 to the District for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Foundation Office at 2411 W. 14th Street, Tempe, AZ 85281.

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 value of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the asset. Nonexpendable restricted net assets include gifts that have been received for endowment purposes and federal contributions for the Federal Perkins Loan Program, 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 use unrestricted resources, and then 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 operating or nonoperating, and all changes in net assets are reported, including capital contributions and additions to endowments. Operating revenues and expenses generally result from providing instructional, public, and auxiliary services, which is consistent with the District's mission. Accordingly, revenues such as tuition, educational grants, and sales of auxiliary services are considered to be operating revenues. Other revenues, such as property taxes and state appropriations, are not generated from operations and are considered to be nonoperating revenues. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense on debt, are considered to be nonoperating expenses.

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 presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property

NOTE 1 - Summary of Significant Accounting Policies (continued)

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 cash on hand, cash in the bank, 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 maturities of three months or less from the date of acquisition by the District.

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	All	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	3-10 years
Library books	All	Straight-line	10 years

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 calendar 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.

Deferred Charges – For advance refunding resulting in defeasance of debt, the difference between the reacquisition price and net carrying amount of the old debt is deferred and amortized as a component of interest expense over the life of the refunded debt or the refunding debt, whichever is shorter. This deferred amount is reported as a deduction from the new debt liability on the statement of net assets.

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

NOTE 1 - Summary of Significant Accounting Policies (continued)

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 – Deposits and Investments

Arizona Revised Statutes (A.R.S.) require certain public monies to be collected by and deposited with the Maricopa County Treasurer. Such monies are the special tax levy for the District's maintenance and operation 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.

Deposits

At June 30, 2004, total cash on hand was \$247,400. The carrying amount of bank deposits on the District's accounting system was \$2,537,008. The District's bank balance was \$8,078,969; \$418,093 was covered by federal depository insurance and \$7,660,876 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, 2004. 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 a proportionate interest in those pools' portfolios; however, the District's portion is not identified with specific investments and is not subject to custodial credit risk. The same is true for the District's investments in mutual funds.

NOTE 2 – Deposits and Investments (continued)

The State Board of Investment 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 Maricopa County Treasurer’s investment pool, and the structure of that pool does not provide for shares.

Deposits and investments at June 30, 2004, consist of the following:

	Categories			Fair Value
	1	2	3	
U.S. Government securities			\$13,224,903	\$ 13,224,903
Total by category			<u>\$13,224,903</u>	<u>\$ 13,224,903</u>
Cash and investments not subject to categorization:				
Cash and investments held by the County Treasurer				3,982,678
State Treasurer’s investment pool				231,003,998
Mutual funds				179,878
Carrying value of cash deposits at banks				2,537,008
Cash on hand				247,400
Total deposits and investments at June 30, 2004				<u>\$ 251,175,865</u>
Statement of Net Assets:				
Current: Cash and cash equivalents				\$ 165,939,998
Current: Investments				152,560
Noncurrent: Cash and cash equivalents				85,001,307
Noncurrent: Investments				82,000
Total				<u>\$ 251,175,865</u>

NOTE 3 – Current Receivables

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

Property taxes	\$ 5,579,393
Government grants	7,702,517
Private grants and contracts	2,172,005
Student accounts	2,190,462
Other	<u>1,273,480</u>
Total receivables	<u>\$ 18,917,857</u>

NOTE 3 – Current Receivables (continued)

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 4 – Capital Assets

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

	<u>Balance July 1, 2003, as restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2004</u>
Capital assets not being depreciated:				
Land	\$ 31,416,286	\$ 579,824	-	\$ 31,996,110
Construction in progress (estimated cost to complete \$20,796,482)	<u>22,793,170</u>	<u>12,563,788</u>	<u>\$ 27,075,158</u>	<u>8,281,800</u>
Total capital assets not being depreciated	<u>54,209,456</u>	<u>13,143,612</u>	<u>27,075,158</u>	<u>40,277,910</u>
Capital assets being depreciated:				
Buildings	394,705,431	26,129,449	1,772,712	419,062,168
Equipment	66,543,051	5,607,125	3,455,256	68,694,920
Improvements other than buildings	40,775,997	1,560,908	-	42,336,905
Library books	<u>9,835,349</u>	<u>787,745</u>	<u>253,315</u>	<u>10,369,779</u>
Total capital assets being depreciated	<u>511,859,828</u>	<u>34,085,227</u>	<u>5,481,283</u>	<u>540,463,772</u>
Less accumulated depreciation for:				
Buildings	133,160,862	8,933,713	1,501,645	140,592,930
Equipment	49,742,635	7,832,535	3,558,504	54,016,666
Improvements other than buildings	16,272,362	3,742,377	-	20,014,739
Library books	<u>6,578,992</u>	<u>683,918</u>	<u>253,315</u>	<u>7,009,595</u>
Total accumulated depreciation	<u>205,754,851</u>	<u>21,192,543</u>	<u>5,313,464</u>	<u>221,633,930</u>
Total capital assets being depreciated, net	<u>306,104,977</u>	<u>12,892,684</u>	<u>167,819</u>	<u>318,829,842</u>
Capital assets, net	<u>\$ 360,314,433</u>	<u>\$ 26,036,296</u>	<u>\$ 27,242,977</u>	<u>\$ 359,107,752</u>

The District reclassified \$6,835,636 of buildings at June 30, 2003, to improvements other than buildings at July 1, 2003, along with related accumulated depreciation of \$636,208.

NOTE 5 – Long-term Liabilities

The following schedule details the long-term liability activity for the year ended June 30, 2004.

	<u>Balance, July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2004</u>	<u>Due within one year</u>
Bonds payable:					
General obligation bonds	\$ 284,815,000	\$ 66,610,000	\$ 90,410,000	\$ 261,015,000	\$ 26,575,000
Revenue bonds	24,600,000	7,655,000	3,250,000	29,005,000	3,030,000
Premium on general obligation bonds	3,551,050	6,037,164	1,114,677	8,473,537	-
Premium on revenue bonds	242,280	110,667	18,285	334,662	-
Deferred charges on refunding	(3,085,536)	(5,374,688)	(982,879)	(7,477,345)	-
Capital leases	66,671	383,511	115,284	334,898	108,194
Rebatable arbitrage earnings	1,328,550	17,525	1,135,013	211,062	-
Compensated absences	19,696,509	2,531,485	1,222,018	21,005,976	1,050,299
Total long-term liabilities	<u>\$ 331,214,524</u>	<u>\$ 77,970,664</u>	<u>\$ 96,282,398</u>	<u>\$ 312,902,790</u>	<u>\$ 30,763,493</u>

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. Federal arbitrage regulations are applicable to all of the District's bond issues. Interest payments are due on a semi-annual basis. Bonds outstanding at June 30, 2004, 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 B (1997)	\$ 124,250,000	7/1/2004-07	6.00-6.50%	\$ 6,290,000
Series C (1999)	104,250,000	7/1/2004-15	3.25-5.25%	65,000,000
Series D (2001)	52,545,000	7/1/2004-05	4.00%	26,495,000
Refunding, Series A (1998)	65,145,000	7/1/2004-09	4.10-5.00%	48,425,000
Refunding, Series A&B (2002)	48,605,000	7/1/2004-11	4.25-5.25%	48,195,000
Refunding, Series A&B (2004)	66,610,000	7/1/2004-13	2.00-5.00%	66,610,000
Revenue bonds				
Refunding Bonds, Series 1993	14,995,000	7/15/2004-05	5.05-5.10%	3,895,000
Revenue Bonds, Series 1998	6,000,000	7/15/2004-10	4.30-4.70%	3,945,000
Revenue Bonds, Series 2002	14,480,000	7/15/2004-22	2.00-4.63%	13,510,000
Revenue Bonds, Series 2003	7,655,000	7/15/2004-23	2.00-5.00%	7,655,000
			Total	<u>\$ 290,020,000</u>

NOTE 5 – Long-term Liabilities (continued)

The following schedule details debt service requirements to maturity for the District's bonds payable at June 30, 2004.

Year Ending June 30:	General Obligation Bonds		Revenue Bonds		Total Debt Service Requirements
	Principal	Interest	Principal	Interest	
2005	\$ 26,575,000	\$ 10,969,549	\$ 3,030,000	\$ 1,145,310	\$ 41,719,859
2006	24,905,000	10,089,608	2,615,000	1,017,282	38,626,890
2007	20,485,000	9,014,039	2,755,000	899,566	33,153,605
2008	21,930,000	7,938,319	2,305,000	806,652	32,979,971
2009	22,000,000	6,897,901	2,395,000	728,534	32,021,435
2010-2014	124,350,000	16,967,684	5,800,000	2,733,390	149,851,074
2015-2019	20,770,000	691,439	4,805,000	1,795,795	28,062,234
2020-2023	-	-	5,300,000	600,755	5,900,755
Total	<u>\$ 261,015,000</u>	<u>\$ 62,568,539</u>	<u>\$ 29,005,000</u>	<u>\$ 9,727,284</u>	<u>\$ 362,315,823</u>

Description of Issues

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.

NOTE 5 – Long-term Liabilities (continued)

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. In accordance with the refunding plan, the trustee retired the remaining liability for the defeased bonds of \$61,245,000 on July 1, 2003. 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.

General Obligation Refunding Bonds, Series A and B (2002)

In July 2002, the District issued \$48,605,000 of general obligation bonds to advance refund \$11,020,000 of General Obligation (G.O.) Bonds, Series A (1995) and \$37,585,000 of Series B (1997). 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 as of June 30, 2004, for the defeased bonds of \$37,585,000 are not included in the District's financial statements. This issue of refunding bonds is not subject to early redemption.

General Obligation Refunding Bonds, Series A and B (2004)

On February 3, 2004, the District issued \$66,610,000 of general obligation refunding bonds with an average interest rate of 2.7 percent to advance refund \$3,235,000 of G.O. Bonds, Series A (1995) and \$63,375,000 of Series B (1997) with an average interest rate of 5.6 percent. The General Obligation Refunding Bonds of 2004 are not subject to early redemption prior to their stated maturity dates. The net proceeds were used to purchase U.S. Government securities which were deposited in an irrevocable trust with an escrow agent to provide debt service until G.O. bonds Series A and Series B mature. As a result, the refunded debt is considered to be defeased, and the liability as of June 30, 2004, for those defeased bonds of \$63,375,000 is not included in the financial statements. The District in effect reduced its aggregate debt service payments by almost \$4.2 million over the next ten years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$3.7 million.

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 of the refunded Series 1986 debt. The bonds are noncallable. The trustee has retired all of the defeased Series 1986 bond liability.

NOTE 5 – Long-term Liabilities (continued)

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.

Revenue Bonds, Series 2002

In October 2002, the District issued \$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.

Revenue Bonds, Series 2003

On October 1, 2003, the District issued \$7,655,000 of revenue bonds to design, construct, furnish and purchase equipment for a Performing Arts Center located at the Paradise Valley Community College campus. Bonds maturing on or before July 15, 2013, are noncallable. Bonds maturing on or after July 15, 2014, are subject to early redemption.

NOTE 6 – 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	\$357,983,329
Contract services	39,950,601
Financial aid	38,714,264
Depreciation	21,192,543
Communications, utilities, and travel	17,212,585
Noncapitalized equipment	12,002,862
Supplies and materials	18,202,519
Subscriptions, dues, insurance, and rentals	6,963,792
Other expenses	3,601,011
Total	<u>\$515,823,506</u>

NOTE 7 - Retirement Plan

Plan Description - The District contributes to a cost-sharing, multiple-employer defined benefit pension plan administered by the Arizona State Retirement System (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, 2004, active plan members and the District were each required by statute to contribute at an actuarially determined rate of 5.7 percent (5.2 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll. The District's contributions to the System for the years ended June 30, 2004, 2003, and 2002, were \$13.3 million, \$5.4 million, and \$5.0 million, respectively. These amounts were equal to the required contributions for the year.

NOTE 8 - 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 9 - Contingencies and Litigation

The District is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of business. A reasonable estimate of the probable losses, based on information currently available is \$455,028. This amount has been recognized as an expense and is included in accrued liabilities in the Statement of Net Assets. Other reasonably possible claims have been estimated to be \$461,000. Management and legal counsel will seek denial of the claims and believe that the loss, if any, resulting from these claims will not have a material impact on the District's financial position, results of operations, or cash flows in future years.

NOTE 10 - Subsequent Events

On November 2, 2004, the voters of Maricopa County approved a bond measure authorizing the District to issue \$951,359,000 in general obligation bonds over the next 20 years. The bond proceeds will be used to construct, remodel, renovate, and improve buildings to purchase equipment.

NOTE 11 – Discretely Presented Component Unit Disclosures

The District's discretely presented component unit is comprised of the Maricopa County Community College District Foundation.

NOTE 11 a - Organization Operations and Summary of Significant Accounting Policies

The significant accounting policies followed by the Foundation are as follows:

Basis of presentation - The financial statements are presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions - The Foundation accounts for contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted support, where restrictions are met in the same period as the donation is made, is shown as additions to unrestricted net assets.

Unrestricted contributions are distributed as scholarships, as designated by the Board of Directors of the Foundation, or used to further the objectives of the Foundation and to secure current or future endowments through fundraising activities and programs. Temporarily restricted contributions are distributed according to donor specification, generally as scholarships, to attendees of Maricopa County Community Colleges or to support projects to advance these colleges. Permanently restricted contributions require the principal be invested in perpetuity, the income from which is reflected as unrestricted or temporarily restricted in the statement of activities as specified by the donor.

NOTE 11 a - Organization Operations and Summary of Significant Accounting Policies (continued)

Unconditional promises to give (pledges receivable) are recognized as revenues in the period pledges are made. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. An allowance for unrealizable pledges is provided based on management's evaluation of potential unrealizable pledges receivable at year-end. Long-term pledges receivable are carried at net present value.

Endowment funds - Endowment funds investment earnings and fees are held in the endowment funds. The Foundation's policy is to distribute, for the stated purpose of each fund, 5% of a three-year average of the market value of each endowed fund as calculated at the end of each year. Actual investment earnings, in excess of (or less than) this 5% distribution, are added to (subtracted from) the endowment principal, according to the policy disclosed to the endowment donors. If these 5% transfers are not fully disbursed within a two-year period, the remaining amounts are transferred back to the endowment funds. The transfers noted on the statement of activities are a result of the application of this policy.

Temporarily restricted funds - Since temporarily restricted funds are generally small in amount and/or expected to be disbursed within a relatively short time frame, earnings are unrestricted unless otherwise stipulated by the donor.

Investments - In accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, the Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Realized and unrealized gains and losses are reflected in the change in net assets in the accompanying statement of activities.

The combined individual funds participate in a common equity investment pool (the Pool) by contributing their investable assets and receiving an ownership interest in the Pool. The ownership interest in the Pool is based on the ratio of the market value of the individual fund's investable assets to the total market value of the Pool. The ratio is used to allocate earnings activities among individual endowment funds.

Income tax status - The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, there is no provision for income taxes for the entity. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170 of the code and has been deemed not to be a private foundation. Income determined to be unrelated business taxable income (UBTI) would be taxable. None of the income has been determined to be unrelated.

NOTE 11 b - Investments

Investments consist of the following:

Corporate bonds	\$ 3,220,749
Government securities	2,606,081
Equity securities	<u>3,853,943</u>
Total investments	<u>\$ 9,680,773</u>

The following summarizes investment returns included in the statement of activities:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 188,029	\$ -	\$ 155,586	\$ 343,615
Realized gains (losses)	11,596	-	18,817	30,413
Unrealized gains (losses)	(210,067)	-	459,924	249,857
Brokerage fees	<u>(21,843)</u>	<u>-</u>	<u>(15,167)</u>	<u>(37,010)</u>
Total	<u>\$ (32,285)</u>	<u>\$ -</u>	<u>\$ 619,160</u>	<u>\$ 586,875</u>

NOTE 11 c - Restricted Net Assets

Temporarily restricted net assets are available primarily for scholarship awards.

Permanently restricted net assets are to provide a permanent endowment, with the investment income restricted primarily for scholarship awards (see Note 11a – Endowment funds).

NOTE 11 d - Contributed Services

The Maricopa County Community College District provides administration services consisting of office space and administrative salaries, to the Foundation without charge. The fair value of these contributed services is reflected in the statement of activities as general and administrative expenses.

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, 2004

	<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, net of scholarship allowance	\$ 8,084,801	\$ 12,722,054	\$ 5,378,783	\$ 20,687,750	\$ 10,653,401
Government grants and contracts	9,841,481	11,630,507	7,173,742	14,355,956	4,155,681
Private grants and contracts	4,215	658,923	175,320	550,706	78,328
Other	541,291	1,135,347	859,917	1,775,644	2,017,844
Total operating revenues	<u>18,471,788</u>	<u>26,146,831</u>	<u>13,587,762</u>	<u>37,370,056</u>	<u>16,905,254</u>
Operating expenses:					
Educational and general:					
Instruction	23,561,375	35,051,918	13,700,608	43,634,114	22,248,194
Public service	767,722	994,732	140,652	1,040,784	232,683
Academic support	4,886,638	6,264,025	2,542,557	9,000,301	4,072,685
Student services	8,447,279	10,032,986	5,358,240	13,012,138	5,484,250
Institutional support	5,906,609	5,090,835	4,631,354	10,228,697	3,721,708
Operation and maintenance of plant	3,933,695	3,875,396	1,684,526	4,144,592	3,693,942
Scholarships	575,070	314,826	162,025	748,298	252,031
Auxiliary enterprises	3,341,371	5,536,948	7,215,094	8,223,155	5,447,151
Depreciation	1,320,662	1,776,193	2,224,803	2,361,020	1,597,462
Other	291,963	806,082	416,103	1,604,447	196,626
Total operating expenses	<u>53,032,384</u>	<u>69,743,941</u>	<u>38,075,962</u>	<u>93,997,546</u>	<u>46,946,732</u>
Operating loss	(34,560,596)	(43,597,110)	(24,488,200)	(56,627,490)	(30,041,478)
Nonoperating revenues (expenses):					
Property taxes	28,905,023	37,402,818	20,668,254	49,434,569	24,188,120
State appropriations	4,693,844	7,544,528	3,034,796	10,276,319	4,345,322
State-shared sales tax	7,756	-	48,347	-	-
Private gifts	1,102,979	717,817	453,395	1,734,677	721,888
Investment income, net of investment expense	15,582	2,531	49	591	72
Interest expense on debt	-	-	(175)	(3,414)	(1,641)
Gain (loss) on sale/disposal of capital assets	(164,588)	181,303	34,529	2,375	(47,283)
Total nonoperating revenues and expenses	<u>34,560,596</u>	<u>45,848,997</u>	<u>24,239,195</u>	<u>61,445,117</u>	<u>29,206,478</u>
Income (loss) before other revenues, expenses, gains, or losses	-	2,251,887	(249,005)	4,817,627	(835,000)
Capital appropriations	-	-	-	-	-
Capital grants and gifts	-	316,859	249,005	-	835,000
Increase in net assets	<u>-</u>	<u>2,568,746</u>	<u>-</u>	<u>4,817,627</u>	<u>-</u>

See accompanying notes to supplemental information.

<u>Rio Salado 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>
\$ 17,887,056	\$ 1,373,469	\$ 6,178,882	\$ 5,338,423	\$ 2,915,902	\$ 11,420,027	\$ 102,640,548
8,181,136	4,332,384	2,555,418	3,226,593	4,241,367	3,455,390	73,149,655
492,038	96,364	40,988	993,999	-	344,122	3,435,003
169,108	185,228	113,748	315,607	393,809	3,354,941	10,862,484
<u>26,729,338</u>	<u>5,987,445</u>	<u>8,889,036</u>	<u>9,874,622</u>	<u>7,551,078</u>	<u>18,574,480</u>	<u>190,087,690</u>
20,865,458	7,829,351	12,023,467	12,800,557	8,212,277	1,145,082	201,072,401
4,295,707	841,105	170,112	64,232	684,784	4,232,284	13,464,797
4,757,181	2,739,936	2,941,972	3,188,798	2,067,786	3,291,512	45,753,391
3,256,721	3,114,769	3,092,221	4,285,757	3,209,135	895,718	60,189,214
5,433,364	3,559,708	6,118,014	2,441,444	3,058,467	33,814,024	84,004,224
1,100,414	1,256,828	2,917,192	1,609,853	1,468,481	1,024,166	26,709,085
23,762	347,313	321,137	37,108	77,448	243,154	3,102,172
10,461,803	1,623,095	1,952,295	2,252,469	2,953,185	5,788,692	54,795,258
1,452,279	695,411	1,935,755	1,216,338	1,315,983	5,296,637	21,192,543
221,716	307,025	18,074	286,930	135,203	1,256,252	5,540,421
<u>51,868,405</u>	<u>22,314,541</u>	<u>31,490,239</u>	<u>28,183,486</u>	<u>23,182,749</u>	<u>56,987,521</u>	<u>515,823,506</u>
(25,139,067)	(16,327,096)	(22,601,203)	(18,308,864)	(15,631,671)	(38,413,041)	(325,735,816)
26,668,758	14,245,196	18,790,993	15,474,123	13,503,944	32,548,897	281,830,695
7,863,158	1,368,274	2,873,782	2,697,143	1,916,534	-	46,613,700
-	-	-	-	-	5,869,987	5,926,090
3,965,620	716,092	778,150	152,196	168,230	83,700	10,594,744
62,137	-	17	(31,172)	-	3,660,648	3,710,455
-	-	-	-	-	(12,612,488)	(12,617,718)
<u>861</u>	<u>(2,466)</u>	<u>53,551</u>	<u>1,324</u>	<u>7,963</u>	<u>(41,189)</u>	<u>26,380</u>
<u>38,560,534</u>	<u>16,327,096</u>	<u>22,496,493</u>	<u>18,293,614</u>	<u>15,596,671</u>	<u>29,509,555</u>	<u>336,084,346</u>
13,421,467	-	(104,710)	(15,250)	(35,000)	(8,903,486)	10,348,530
-	-	-	-	-	8,309,800	8,309,800
-	-	104,710	15,250	35,000	593,686	2,149,510
<u>13,421,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,807,840</u>
						267,363,487
						\$ <u>288,171,327</u>
						Net assets - July 1, 2003
						Total net assets, June 30, 2004

Maricopa County Community College District
Notes to Supplemental Information
Fiscal Year Ended June 30, 2004

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, 2004, 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
Operating Expenses by Function
Last Three Fiscal Years**

(Dollars in Thousands)

	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
Instruction	\$ 201,072	\$ 187,296	\$ 175,598
Public service	13,465	13,907	12,163
Academic support	45,753	39,681	38,990
Student services	60,189	53,499	49,532
Institutional support	84,004	75,377	73,257
Operation and maintenance of plant	26,709	30,377	30,998
Scholarships	3,102	2,280	2,549
Auxiliary enterprises	54,795	44,912	45,083
Depreciation	21,193	24,236	21,498
Other	5,541	5,910	221
Total expenses	<u>\$ 515,823</u>	<u>\$ 477,475</u>	<u>\$ 449,889</u>

(Percent of Total Operating Expenses)

	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
Instruction	39.0 %	39.2 %	39.0 %
Public service	2.6	2.9	2.7
Academic support	8.9	8.3	8.7
Student services	11.6	11.2	11.0
Institutional support	16.3	15.8	16.3
Operation and maintenance of plant	5.2	6.4	6.9
Scholarships	0.6	0.5	0.5
Auxiliary enterprises	10.6	9.4	10.0
Depreciation	4.1	5.1	4.8
Other	1.1	1.2	0.1
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

Source: Annual Reports on Financial Statements for years presented

Note: For comparability purposes, only the fiscal years that have been reported by GASB 34/35 criteria are displayed. Additional information will be presented as it becomes available.

**Maricopa County Community College District
Revenues by Source
Last Three Fiscal Years**

(Dollars in Thousands)

	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
Property taxes	\$ 281,831	\$ 259,813	\$ 242,128
State appropriations	54,923	55,201	56,531
State-shared sales tax	5,926	5,208	4,435
Government grants and contracts	73,150	64,190	50,495
Private gifts, grants, and contracts	16,180	13,301	12,314
Tuition and fees, net of scholarship allowance	102,641	91,855	85,148
Investment income, net of investment expense	3,710	(1,627)	8,996
Other	10,888	10,644	8,806
 Total revenues	 <u>\$ 549,249</u>	 <u>\$ 498,585</u>	 <u>\$ 468,853</u>

(Percent of Total Revenues)

	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
Property taxes	51.3 %	52.1 %	51.6 %
State appropriations	10.0	11.1	12.1
State-shared sales tax	1.1	1.0	0.9
Government grants and contracts	13.3	12.9	10.8
Private gifts, grants, and contracts	2.9	2.7	2.6
Tuition and fees, net of scholarship allowance	18.7	18.4	18.2
Investment income, net of investment expense	0.7	(0.3)	1.9
Other	2.0	2.1	1.9
 Total	 <u>100.0 %</u>	 <u>100.0 %</u>	 <u>100.0 %</u>

Source: Annual Reports on Financial Statements for years presented

Note: For comparability purposes, only the fiscal years that have been reported by GASB 34/35 criteria are displayed. Additional information will be presented as it becomes available.

**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
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
2002-03	220,275,099	215,031,398	97.62	5,437,401	220,468,799	100.09	5,976,081	2.71
2003-04	238,881,107	233,249,543	97.64	4,338,952	237,588,495	99.46	7,268,693	3.04

Fiscal Year	Maximum Primary Tax Levy (3)	Tax Revenue Recognized (4)
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
2002-03	221,156,802	218,867,745
2003-04	239,464,278	238,949,997

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	
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
2002-03	23,303,140	188,031,160	1,153,907	6,204,162	24,457,047	194,235,322	12.6
2003-04	26,405,899	221,009,106	1,072,089	5,284,462	27,477,988	226,293,568	12.1

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							
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
2002-03	.9634	.1493	1.1127	1.54	.00	.49	.13	0 - 5.10	.47 - 13.65	0 - 2.04
2003-04	.9410	.1375	1.0785	1.54	.00	.47	.12	0 - 3.65	.77 - 11.81	0 - 2.67

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, 2004**

<u>Taxpayer</u>	<u>Type of Property/Business</u>	<u>2003-2004 Secondary Assessed Value</u>	<u>Percentage of 2003-04 Secondary Assessed Value</u>
Arizona Public Service	gas and electric	\$ 773,981,629	2.82 %
Qwest/US West	TV system	454,550,692	1.65
Southern California Edison Company	utility property	170,916,915	0.62
El Paso Electric Co.	utility property	141,854,336	0.52
Southwest Gas Corporation	gas and electric	129,855,468	0.47
Intel Corporation	industrial park	114,669,306	0.42
Motorola Computer Group, SPS, GEG	commercial buildings	101,342,861	0.37
A T & T / Wireless Service	TV system	89,751,292	0.33
Public Service Company of New Mexico	utility property	81,352,985	0.30
Target	shopping centers	72,721,962	0.26
Cox Communication	TV system	70,377,334	0.26
Southern California Public Power Authority	utility property	64,777,927	0.24
Honeywell	industrial park	55,009,011	0.20
Scottsdale Fashion Square Partnership	shopping centers	53,982,908	0.20
Safeway, Inc.	shopping centers	52,162,814	0.19
MCI Worldcom Network Services, Inc.	TV system	46,702,706	0.17
Arizona MSA #26	TV system	43,693,293	0.16
Albertson's	shopping centers	43,313,063	0.16
Wal-Mart Stores Inc.	shopping centers	42,502,624	0.15
Wells Fargo	banking	37,029,932	0.13
Total Principal Taxpayers		\$ 2,640,549,058	9.62 %
Countywide Secondary Valuation		\$ 27,477,987,528	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 2004 is \$557,861,000.

**Maricopa County Community College District
Computation of Legal Debt Margin
Fiscal Year Ended June 30, 2004**

Secondary Assessed Value of Real and Personal Property	<u>\$ 27,477,987,528</u>
Debt Limit, 15% of Secondary Assessed Value	<u>\$ 4,121,698,129</u>
Amount of Debt Applicable to Debt Limit:	
General Obligation Bonded Debt	261,015,000
Amount Available for Debt Repayment	<u>(26,575,000)</u>
Total Debt Applicable to Debt Limit	<u>234,440,000</u>
 Legal Debt Margin	 <u><u>\$ 3,887,258,129</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
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
2002-03	3,296,250	24,457,047,282	284,815,000	23,800,000	261,015,000	1.07	79.19
2003-04	3,396,875	27,477,987,528	261,015,000	26,575,000	234,440,000	0.85	69.02

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, 2004**

Direct Debt:

Maricopa County Community College District	\$ 261,015,000
Less: Amount available for retirement	<u>26,575,000</u>

Net general obligation debt	234,440,000
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Overlapping Debt:

Maricopa County	20,165,000
School Districts	2,474,133,949
Cities and Towns	2,191,688,774
Special Districts	<u>416,470,915</u>

Overlapping debt	<u>5,102,458,638</u>
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Total direct general obligation and overlapping debt	<u><u>\$ 5,336,898,638</u></u>
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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	
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
2002-03	49,802,554	3,250,000	952,916	4,202,916	11.8
2003-04	58,563,224	3,030,000	1,145,310	4,175,310	14.0

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>2003-04</u>	<u>2002-03</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>
Phoenix	22,480	22,296	22,289	21,463	21,533	20,660	19,342	19,441	20,387	20,142
Glendale	34,360	33,888	33,259	33,174	32,965	30,975	29,180	29,205	30,056	30,402
GateWay	15,918	16,251	15,954	17,117	15,525	14,860	15,185	14,097	13,730	12,512
Mesa	43,931	41,941	39,869	38,542	38,270	38,589	37,247	36,185	36,300	33,902
Scottsdale	19,639	20,028	19,380	18,095	17,763	16,817	16,074	16,260	17,005	16,742
Rio Salado	41,280	38,419	36,097	34,198	30,410	31,072	25,733	24,717	21,807	21,797
South Mountain	7,200	6,587	6,163	5,764	5,286	5,105	4,470	4,457	4,110	4,069
Chandler-Gilbert	12,416	12,179	10,712	10,038	9,377	7,975	6,872	6,113	5,764	5,419
Paradise Valley	13,004	12,480	12,687	11,600	11,020	10,355	9,965	9,937	9,341	9,048
Estrella Mountain	9,040	8,922	8,291	7,441	7,303	6,836	5,338	4,676	3,836	3,653
Skill Centers	3,019	2,599	2,917	2,197	1,961	1,868	1,505	3,137	3,150	3,039
Adult Basic Education	14,636	17,747	16,401	15,875	21,288	24,368	12,649	-	-	-
Total	<u>236,923</u>	<u>233,337</u>	<u>224,019</u>	<u>215,504</u>	<u>212,701</u>	<u>209,480</u>	<u>183,560</u>	<u>168,225</u>	<u>165,486</u>	<u>160,725</u>

Historic FTSE

<u>College/Center</u>	<u>2003-04</u>	<u>2002-03</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>
Phoenix	6,908	6,761	6,297	6,015	5,998	5,826	5,592	5,704	5,908	5,936
Glendale	11,017	10,681	9,760	9,685	9,391	9,070	8,707	8,702	8,718	8,816
GateWay	3,703	3,441	3,046	2,881	2,647	2,601	2,576	2,438	2,516	2,418
Mesa	15,116	14,410	13,375	12,510	12,294	12,341	11,822	11,506	11,258	10,770
Scottsdale	6,396	6,210	5,784	5,316	5,049	4,819	4,624	4,643	4,716	4,773
Rio Salado	9,939	8,771	8,201	8,176	7,310	7,196	6,076	5,647	4,807	4,289
South Mountain	2,014	1,838	1,633	1,515	1,446	1,440	1,367	1,348	1,249	1,283
Chandler-Gilbert	4,230	3,849	3,358	2,927	2,503	2,172	1,913	1,740	1,649	1,596
Paradise Valley	3,970	3,724	3,448	3,275	3,087	2,819	2,571	2,565	2,395	2,239
Estrella Mountain	2,587	2,461	2,116	1,881	1,772	1,641	1,243	1,010	794	728
Skill Center	998	1,114	1,276	969	962	831	885	832	901	810
Adult Basic Education	1,734	1,566	1,485	1,284	1,174	1,115	500	-	-	-
Total	<u>68,612</u>	<u>64,826</u>	<u>59,779</u>	<u>56,434</u>	<u>53,633</u>	<u>51,871</u>	<u>47,876</u>	<u>46,135</u>	<u>44,911</u>	<u>43,658</u>

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
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
2002-03	23	77	45	40	15	92	4	3	1
2003-04	25	75	47	38	15	92	3	4	1

Fiscal Year	Gender		Ethnic Background						Median Age
	M	F	Native American	Asian	African American	Hispanic	Anglo	Other	
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
2002-03	44	56	3	4	5	17	60	11	24
2003-04	43	57	3	4	5	17	59	12	23

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
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
2002-03	33.50	12.50	46.00	1,380.00	90.00	6.98
2003-04	38.50	12.50	51.00	1,530.00	150.00	10.87

**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
1994-95	\$ 960.00	- %	\$ 1,192.00	5.96 %	\$ 1,894.00	2.71 %
1995-96	1,020.00	6.25	1,239.00	3.94	1,950.00	2.96
1996-97	1,020.00	-	1,276.00	2.99	2,009.00	3.03
1997-98	1,110.00	8.82	1,314.00	2.98	2,058.00	2.44
1998-99	1,140.00	2.70	1,327.00	0.99	2,158.00	4.86
1999-00	1,200.00	5.26	1,338.00	0.83	2,259.00	4.68
2000-01	1,230.00	2.50	1,333.00	(0.37)	2,344.00	3.76
2001-02	1,290.00	4.88	1,379.00	3.45	2,486.00	6.06
2002-03	1,380.00	6.98	1,475.00 (2)	6.96 (2)	2,583.00	3.90
2003-04	1,530.00	10.87	1,635.00 (2)	10.85 (2)	3,593.00	39.10

Source: District records.

Note 1: U.S. Department of Education, National Center for Education Statistics -- Higher Education Statistics: Student Charges (Digest of Education Statistics, April 2003)

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	
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
2002-03	38,761	55,417	100,057	194,235	3,406	1,621	97	86	45,783	5,751	31,629
2003-04	42,522	61,623	122,148	226,293	3,888	1,542	110	88	51,269	7,039	35,085

- 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, unless otherwise noted.

**Maricopa County Community College District
Economic Indicators for the Metro Phoenix Area
June 30, 2004**

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

<u>Type of Industry</u>	<u>August 2004</u>	<u>August 2003</u>	<u>Percent Change</u>
Manufacturing	127.9	128.9	(0.8) %
Mining and Quarrying	2.0	2.0	0.0
Construction	147.3	132.7	11.0
Transportation, Communications, and Public Utilities	93.8	96.0	(2.3)
Trade	269.8	265.8	1.5
Finance, Insurance, and Real Estate	135.8	134.8	0.7
Services and Miscellaneous	654.1	634.9	3.0
Government	212.0	207.4	2.2
 Total Wage and Salary Employment	 <u>1,642.7</u>	 <u>1,602.5</u>	 2.5

<u>Metropolitan Statistical Area</u>	<u>Civilian Labor Force Data (2) (In Thousands)</u>			<u>Unemployment Rate (2)</u>	
	<u>June 2004 Employment</u>	<u>June 2003 Employment</u>	<u>Percent Change</u>	<u>June 2004</u>	<u>June 2003</u>
Phoenix-Mesa Metro Area	1,778.2	1,699.3	4.6 %	4.2 %	5.3 %
Albuquerque, NM	378.4	379.7	(0.3)	5.5	6.1
Dallas, TX	1,920.0	1,925.1	(0.3)	6.7	8.0
Denver, CO	1,212.9	1,186.7	2.2	5.3	6.2
Los Angeles-Long Beach, CA	4,467.0	4,429.6	0.8	6.9	7.1
Salt Lake City-Ogden, UT	722.8	723.4	(0.1)	5.2	6.1
San Diego, CA	1,457.6	1,426.8	2.2	4.2	4.5
Seattle-Bellvue-Everett, WA	1,338.4	1,287.3	4.0	5.9	7.2
United States	147,279.0	146,917.0	0.2	5.6	6.3

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, 2004**

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Full-Time Equivalent Employees in Arizona</u>
State of Arizona	state government	50,363
Wal-Mart Stores, Inc.	retail stores	18,677
Banner Health System	health care	13,756
Maricopa County	county government	13,482
City of Phoenix	city government	13,095
Honeywell International Inc.	aerospace systems, transportation products	12,000
U.S. Postal Service - Arizona District	mail delivery	11,406
Raytheon Co.	electronics and technology	10,200
Arizona State University	university	10,005
Albertson's-Osco	grocery retailer, supermarkets and pharmacies	9,500
Intel Corp.	microcomputer components and related products	9,500
Bashas' Inc.	grocery retailer, supermarkets	9,374
Safeway Stores	grocery retailer, supermarkets	9,100
Fry's Food & Drug Stores	grocery retailer, supermarkets	9,053
Target Corp.	retail stores	9,021
Wells Fargo & Company	banking and financial services	9,000
Mesa Public Schools	education	8,348
Luke Air Force Base	military installation, USAF	7,836
America West Holdings Corp.	airline, tour operator	7,280
Qwest Communications	telecommunications	6,900
Bank One	banking and financial services	6,794
American Express Co.	worldwide travel, financial and network services	6,670
Pinnacle West Capital Corp.	energy service, real estate development	6,100
Bank of America	banking and financial services	6,035
Motorola Inc.	electronic systems and services	5,840

Source: The Business Journal Phoenix 2004 Book of Lists, page 166.

**Maricopa County Community College District
Miscellaneous Statistics
June 30, 2004**

Established:	1962	
Geographical location:	South-central portion of the State of Arizona	
Altitude:	1,117 feet	
Acreage:	1,310	(includes District Offices and ten campuses)
Students served:	236,923	(County Population: 3,396,875)
Number of faculty:	Full time	1,275
	Part time	4,487
Number of administrative and support staff:	2,763	
Average class size:	18 students	
Degrees and certificates awarded:		
Degrees:	Associate of Arts	825
	Associate of Applied Science	1,954
	Associate of Business	139
	Associate of General Studies	1,626
	Associate in Science	66
	Associate of Transfer Partnership	568
	Certificates of Completion in Occupational Programs:	8,647
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.



CHANDLER-GILBERT
COMMUNITY COLLEGE

ESTRELLA MOUNTAIN
COMMUNITY COLLEGE



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