

Maricopa County Community College District

Phoenix, Arizona

Chandler-Gilbert

Estrella Mountain

GateWay

Glendale

Mesa

Paradise Valley

Phoenix

Rio Salado

Scottsdale

South Mountain



Phoenix College

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2012





Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2012

**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, 2012

Table of Contents

Introductory Section

Message from the Chancellor	1
Letter of Transmittal	2
Certificate of Achievement for Excellence in Financial Reporting	10
Organizational Chart.....	11
Principal Officers.....	12
Vision, Mission, and Statement of Values.....	13

Financial Section

Independent Auditors' Report.....	15
Management's Discussion and Analysis.....	17
Basic Financial Statements:	
Statement of Net Assets – Primary Government	25
Statement of Financial Position – Component Unit.....	26
Statement of Revenues, Expenses, and Changes in Net Assets – Primary Government.....	27
Statement of Activities – Component Unit	28
Statement of Cash Flows – Primary Government.....	29
Notes to Financial Statements.....	31
Supplemental Information:	
Schedule of Revenues, Expenses, and Changes in Net Assets by College/Center	51
Notes to Supplemental Information.....	53

Statistical Section

Financial Trends:	
Schedule of Net Assets by Component – Last Ten Fiscal Years	54
Schedule of Expenses by Identifiable Activity – Last Ten Fiscal Years.....	55
Schedule of Expenses by Use – Last Ten Fiscal Years.....	56
Schedule of Revenues by Source – Last Ten Fiscal Years	57
Schedule of Other Changes in Net Assets – Last Ten Fiscal Years.....	58
Revenue Capacity:	
Assessed Value and Estimated Market Value of Taxable Property – Last Ten Fiscal Years	59
Property Tax Rates, Direct and Overlapping Governments – Last Ten Fiscal Years	60
Principal Taxpayers – Current Year and Nine Years Ago	61
Property Tax Levies and Collections – Last Ten Fiscal Years	62
Historic Tuition and Fees – Last Ten Fiscal Years	63
Debt Capacity:	
Schedule of Ratios of Outstanding Debt – Last Ten Fiscal Years	64
Revenue Bond Coverage – Last Ten Fiscal Years	65
Computation of Legal Debt Margin – Last Ten Fiscal Years	66
Demographic and Economic Information:	
Schedule of Demographic and Economic Statistics – Last Ten Fiscal Years	67
Top 10 Employers in Maricopa County – Current Year and Nine Years Ago	68
Operating Information:	
Employee Statistics – Last Ten Fiscal Years	69
Enrollment and Degree Statistics – Last Ten Fiscal Years	70
Student Enrollment Demographic Statistics – Last Ten Fiscal Years.....	71
Schedule of Capital Asset Information – Last Seven Fiscal Years	72



Introductory Section



www.maricopa.edu

DR. RUFUS GLASPER
CHANCELLOR

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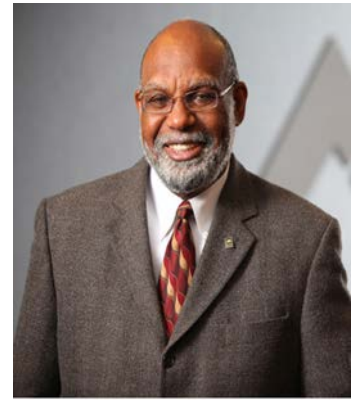
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November 27, 2012

To the Citizens of Maricopa County:

I am pleased to present the Maricopa Community Colleges' Comprehensive Annual Financial Report (CAFR) for fiscal year 2012 (FY 2012). Each year, this report gives us the opportunity to demonstrate our fiscal responsibility and I believe that this year's report will demonstrate our continued commitment to responsible stewardship to you, our taxpayers.



Early in FY 2012, Arizona began to show signs of emerging from the severe recession that had affected its economy for several years. Some analysts suggested that the state's housing market had reached a "bottom," and in fact, housing prices have begun to increase and the inventory of unsold houses has declined. The drop in business activity leveled off and unemployment dropped from 9.1% in July 2011 to 8.3% in July 2012, with 50,000 fewer Arizonans unemployed.

Against that modestly positive backdrop, the number of students enrolled in the Maricopa Community Colleges during the same period decreased slightly after several semesters of significant increases. Community college enrollment tends to relate inversely to the economy, increasing during difficult times and decreasing as conditions improve; the numbers reported in FY 2012 would support this observation. During 2012, the District's Governing Board held the line on tuition and tax increases, thus ensuring that our colleges remain the best educational value in Arizona.

The Maricopa Community Colleges' collaboration with Arizona State University on the Maricopa-to-ASU Pathways Program (MAPP) continued to grow in 2012. MAPP gives students who fulfill specific academic requirements guaranteed admission to the ASU program of their choice. By the end of the spring semester, about 8,000 students had enrolled in this program. More students are seeing the benefits that come from taking two years of courses at a Maricopa Community College with the ability to transfer into the ASU program of their choice.

I am pleased to report that the District's finances remained strong in FY 2012. The three major national bond rating agencies, Standard & Poor's Financial Services, Moody's Investors Service, and Fitch Ratings, reaffirmed the District's 'Triple A' ratings for general obligation bonds. These high ratings translate directly into benefits for our taxpayers as we pay less interest when we issue bonds to borrow money.

The District continues to use proceeds from its 2004 bond initiative to provide new and renovated facilities on our campuses. With the funds from this \$951 million program, we have constructed and renovated major science and health buildings, additional classroom areas, one-stop enrollment services facilities and other facilities that will allow our colleges to provide more efficient services to students.

This CAFR is a statement of our commitment to provide quality educational services by effectively using tax resources. I hope that as you read it you agree that our stewardship of the resources you have committed to us, and our commitment to promoting student success, add up to good value for you, our taxpayers. If you have further questions about our financial management of the District, please contact us for more information.

Sincerely,

Rufus Glasper, Ph.D., CPA, CGFM
Chancellor



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CHANCELLOR

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November 27, 2012

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, 2012 (FY 2012).

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. Disclosures necessary to enable the reader to gain an understanding of the District's financial status and activities have been included.

Management is responsible for establishing and maintaining internal controls, which ensure that assets are protected from loss, theft, or misuse, and ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

Audit services are provided to the MCCCD by the State of Arizona Office of the Auditor General. Arizona Revised Statutes require 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.

Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditor's Report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

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." MCCCD 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

Reporting Entity (continued)

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.

Profile of Maricopa County Community College District

As a political subdivision of the State of Arizona, the MCCCCD 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 in the county. Board member's terms are staggered. Some of the current board members are serving a six year term, while others are serving a four year term reflective of a statutory change that reduced term length. The Board is granted full authority from the Arizona Revised Statutes to oversee 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: Executive Vice Chancellor and Provost, Vice Chancellor for Business Services, Vice Chancellor for Human Resources, Vice Chancellor for Information Technology Services, and Vice Chancellor for Resource Development & Community Relations.

History

The 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 regionally accredited colleges, comprising one of the nation's largest multi-college community college systems.

Geography/Population

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, Gilbert, and other smaller cities and towns in addition to all the unincorporated areas of the County. Encompassing over 9,200 square miles, Maricopa County is the fourteenth largest county in land area in the continental U.S. and larger than seven states.

Maricopa County continues to have one of the fastest growing populations in the United States. According to the U.S. Census Bureau Population Division, the County's population increased by 24% in the 10-year period between the official census dates of April 2000 and April 2010. As of July 2011, the Office of Employment and Population Statistics of the Arizona Department of

Profile of Maricopa County Community College District (continued)

Administration estimated the County's population to be 3,843,370, making it the fourth most populated county in the nation.

Maricopa County has slightly less than 60% of the State's total population and 63% of the total labor force. A majority of the County's labor force (79%) is employed in the service markets. These include trade, transportation and utilities; professional and business services; educational and health services; government; leisure and hospitality; and financial activities.

Types of Services

The District is the largest single provider of post-secondary education in Arizona – offering affordable education to more than 265,000 individuals year-round in both credit and special-interest/non-credit classes.

The District offers a wide range of quality academic, career and technical, and personal interest programs to meet the needs of students throughout Maricopa County. Students planning to transfer may earn the 35-credit hour Arizona General Education Curriculum core or one of the following transfer degrees: Associate in Arts, Associate in Business, Associate in Science, Associate in General Studies, or specialized degrees in Elementary Education and Fine Arts. Numerous Associate of Applied Science degrees and Certificates of Completion are designed for students seeking technical expertise or upgrading skills in a specific career area. Non-credit personal interest courses are available in many areas including the arts, computer technology, personal development, and financial management. As indicated by racial category, the student enrollment data mirrors the population of Maricopa County: 53% Anglo, 22% Hispanic, 9% African American, 5% Asian, 3% Native American and 8% 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 academic year 2011-12, approximately 31,000 undergraduates enrolled at the three state universities had transferred 12 or more credits from MCCC.

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.

State and Local Economy

The District is the largest provider of workforce training in Arizona, with programs in areas such as nursing and allied health, information technologies, business, construction and manufacturing, public services (police and fire science), and design fields. Through its Center for Workforce Development, 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

State and Local Economy (continued)

success in forging partnerships with business and industry. The District, the State's other community college districts and public universities, and private colleges, universities and technical institutes, play a key role in providing the necessary workforce development and job training offerings to meet the needs of the state's employment markets. This solid infrastructure of educational institutions significantly contributes to the dynamic performance of the Arizona workforce and its economy.

According to the Office of Employment and Population Statistics within the Arizona Department of Administration, Arizona's economy is forecasted to experience gradual gains in nonfarm employment for the calendar years 2012-2013 (CY 2012 – CY 2013). Specifically, Arizona's nonfarm jobs are projected to increase by 2.1% in CY 2012 and 2.5% in CY 2013. This translates into an estimated gain of 112,200 nonfarm jobs over the two-year period. The overall employment situation in Arizona is improving, with ten of the eleven major sectors of the Arizona economy projected to gain jobs, suggesting the positive signs of economic improvement outweigh the risks associated with any uncertainties. As of September 2012, Arizona's seasonally adjusted unemployment rate was 8.2%.

Long-term Financial and Operational Planning

The District engages in an annual financial 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.

Budget and financial policies, approved by the Board, provide guidance for sufficient planning of resources, appropriate divisions between operational and capital activity, and adequate reserve levels for revenue shortfalls or expenditure needs. 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 the annual 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 quality of service needed to respond to its customers.

This planning process and policy guidance support the development of the District's long-term operational planning which is finalized each year in the "Maricopa Financial Plan". This 15-year plan helps the District align its key components of strategic and financial planning with estimated trends in funding as well as linking long-term strategic directions with estimated long-term budget resources.

Budget Process

The District's elected Governing Board establishes policy and sets spending priorities through the strategic planning process. The Financial Advisory Council (FAC), which has broad-based membership representing executive leadership, faculty, employee group representatives, and college vice presidents, is responsible for the supervision and coordination of the district-wide

Long-term Financial and Operational Planning (continued)

budget process. The FAC thoroughly reviews program needs and available resources before making budget recommendations to the Chancellor’s Executive Council (CEC). The CEC in turn makes recommendations to the Chancellor who ultimately presents a fiscally stable and balanced budget to the Governing Board. At a public meeting in April, the Governing Board adopts a preliminary budget with final budget adoption occurring in May or June.

Financial Reporting

An automated financial accounting 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 confirm that 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, executive management, the state legislature, federal and state agencies, bond-rating agencies, financial institutions and 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. The District also routinely monitors and reports on revenue collections and actual expenses compared to budget at each college. It carefully reviews fluctuations and implements strategies to remedy variances throughout the year.

Major Initiatives

The Governing Board adopted a goal to increase student completion rates by 50% by the year 2020; this is complemented by the Chancellor’s three pillars for the District to focus on: Student Success, One Maricopa, and Public Stewardship. As a community of colleges serving a large and diverse metropolitan area, collaboration and cooperation for the benefit of students is a primary objective. Moreover, we continue to strive for a “Maricopa experience” that reflects common values and service standards at every college. We are committed to ensuring that students have full access to the learning opportunities they seek and that they are successful in their endeavors, regardless of the college(s) they attend. Described here are a few of the initiatives undertaken to achieve those objectives.

Seamless Student Experience

The Seamless Student Experience (SSE) project will eventually provide students a single point of access/process for admissions, registration, financial aid, and related student services across all MCCCDC colleges. SSE will allow students to seamlessly move from one MCCCDC college to another without repeating or duplicating the processes of admission, financial aid, academic transcript, payment of fees, etc. From a service point of view, students would access the “One Maricopa” system (online and face to face) just once with the information applicable universally at any of the colleges. SSE will yield the following: student access is improved to all of the Maricopa colleges; student movement from one MCCCDC College to another becomes seamless and transparent; consistency of the student experience is achieved – same experience regardless of College location; and degree/certificate completion is enhanced with a single transcript.

Major Initiatives (continued)

Public University Partnerships

Maricopa has invested significantly in enhancing transfer partnerships with Arizona State University (ASU), Northern Arizona University (NAU), and the University of Arizona (UofA). All the partnerships are intended to increase the number of students who complete Associate and Baccalaureate degrees. The Maricopa/ASU Alliance has grown steadily with 125 university majors outlined through degree-to-degree pathways. The NAU Connection partnership includes selected high demand baccalaureate degree programs offered on site at all ten colleges. A new agreement with the UofA includes a joint admissions program for students who meet specified criteria and development of program pathways. All the programs provide university transfer advisors located onsite at the community colleges and other student benefits such as expanded transfer support services.

Book Advances

In an effort to provide students with the maximum choice regarding the purchase of books and supplies, MCCCDC began issuing book advances to eligible financial aid recipients beginning with the Fall 2011 semester. Each eligible student is able to select the preferred method of payment (a prepaid card, direct deposit to a bank account of the student's choice, or a check) and at a predetermined time prior to the start of classes, the advance is processed and sent to the student. As a result of the new book advance program, students are able to purchase books and supplies with their advances at the on-campus bookstore, neighborhood bookstores, or online.

2004 Capital Development Program

As a result of a referendum approved by 76% of voters in 2004, the District embarked on a \$951 million capital program financed by General Obligation bonds. The Capital Development Program provides the physical environment, occupational and instructional equipment, and technology to support education and job training and to meet the needs of current and future community college students through new and improved institutional facilities, support spaces, equipment, and technology. The bond reaches all colleges and skill centers in the District and funds improvements in educational and institutional technologies as well as student and community safety and security. However, inflation rates in the construction industry, which had been at historically high rates from late 2004 through early 2008, altered our ability to develop this program as planned. Project size/scope reductions or cancellations during the early portion of the program cannot be recovered fully and may result in as much as a 20% reduction in the originally planned amount of space. The major impact has been that many projects were reduced in size or modified in scope, with some projects planned for late in the bond being canceled in order to fund early, higher priority projects. Parallel to the collapse of the local economy, the construction industry saw prices drop back to near 2007 levels. Since the beginning of 2011, construction prices are rising again, but very slowly through 2011 and 2012. There are signs of construction cost inflation returning as the national and international economies recover. As the local economy recovers through 2014-15, higher inflation rates are anticipated. With the very low inflation rates in 2010 and 2011, the projects started during this period were constructed as

Major Initiatives (continued)

originally planned, and in a few cases, slightly larger than originally planned. The District also benefited by the collapse of the local real estate market, enabling the purchase and remodeling of existing properties for less than the cost to construct an equal amount of new space. To date, 883,000 square feet of new space has been constructed and 566,000 square feet has been remodeled. District and College capital plans continue to be revised to optimize the use of remaining bond funds in this economic environment.

Since the inception of the 2004 Capital Development Program, eight new or substantially remodeled science instruction buildings, totaling 337,000 square feet have been completed. The purchase of sixteen existing buildings added 439,800 square feet of space. There are seven projects currently in or scheduled to start construction that will add or remodel 206,800 square feet of building space. Another six projects, which are currently in project initiation, consultant selection, or design, will add or remodel 204,000 square feet of space in the next few years. For future growth, the District purchased six parcels of undeveloped land adding 232 acres. In addition to the construction and remodeling, the District continues significant maintenance and energy conservation work across all existing locations.

The District also continues to foster and develop partnerships. Funds from the 2004 General Obligation Bond Funds constructed the Communiversity on property owned by the City of Surprise, Arizona. Construction in a similar partnership with the town of Queen Creek will begin soon. Three Maricopa colleges and two universities have combined to offer more than 20 Bachelor's and Master's degree programs at the Communiversity in Surprise. Two additional buildings funded by the 2004 G.O. bond will also host partnerships. The PVCC Black Canyon Center was completed in 2009 and operates in partnership with a YMCA Community Center; the SMCC Community Library Building with the City of Phoenix, Arizona was opened in June 2011.

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, 2011. This was the 21st 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 the 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 guidance 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 and the College Business Offices. Appreciation is expressed to the State of Arizona Office of the Auditor General for timely completion of the audit.

Respectfully submitted,

Debra Thompson
Vice Chancellor for Business Services

Kimberly Brainard Granio, CPA
Associate Vice Chancellor for Business Services
and Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Maricopa County
Community College District
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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.



Linda C. Danison

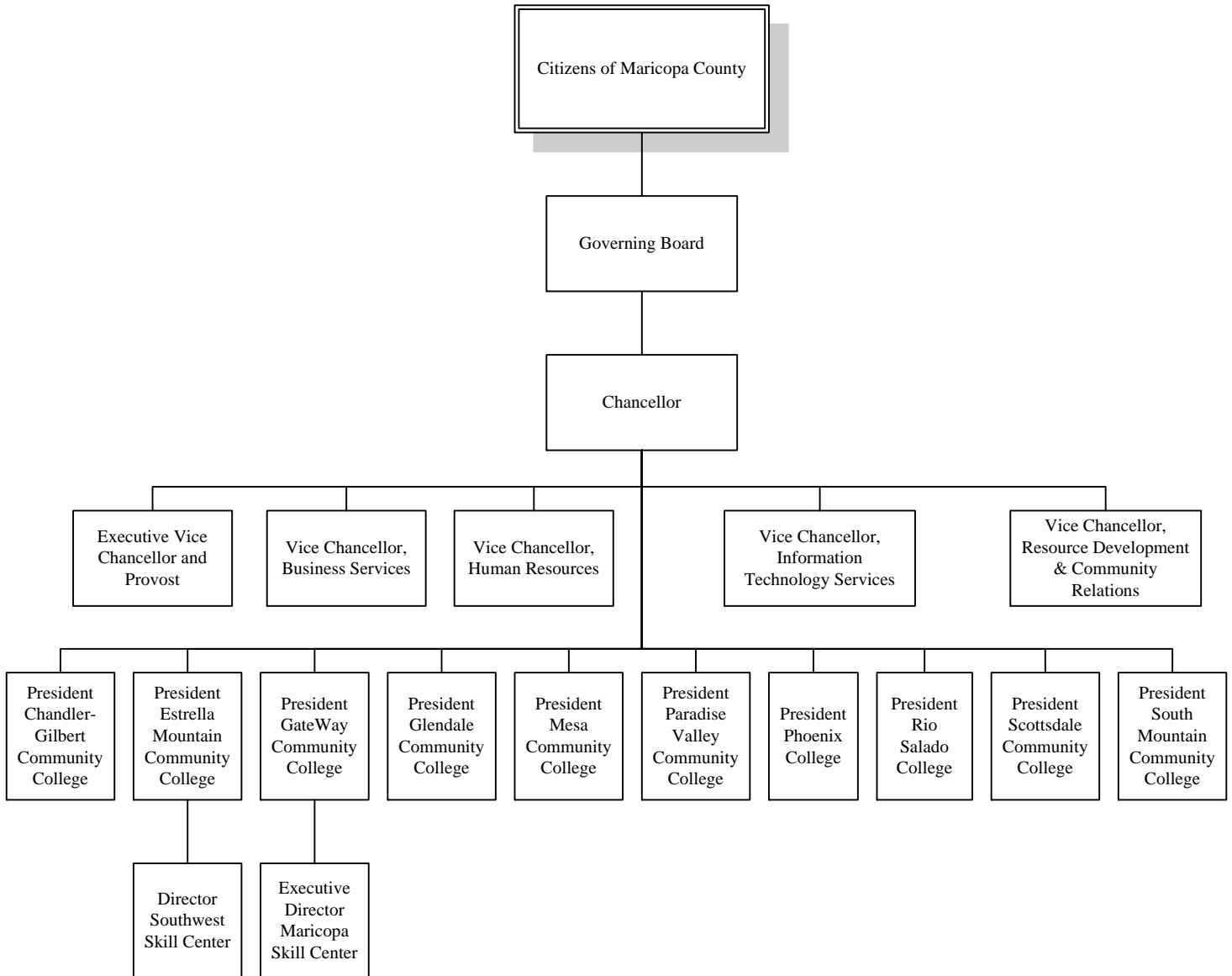
President

Jeffrey R. Emer

Executive Director

Maricopa County Community College District

Organizational Chart



Maricopa County Community College District

Principal Officers

Governing Board

Mr. Doyle W. Burke, *President*

Mr. Dana G. Saar, *Secretary*

Dr. Donald R. Campbell

Mr. Randolph Elias Lumm

Mrs. Debra Pearson

Administration

Dr. Rufus Glasper, *Chancellor*

Dr. Maria Harper-Marinick, *Executive Vice Chancellor and Provost*

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

Ms. Nikki R. Jackson, *Vice Chancellor, Human Resources*

Mr. George Kahkedjian, *Vice Chancellor, Information Technology Services*

Dr. Steven Helfgot, *Vice Chancellor, Resource Development & Community Relations*

College Presidents and Directors

Dr. Linda Lujan, *President, Chandler-Gilbert Community College*

Dr. Ernie Lara, *President, Estrella Mountain Community College*

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

Dr. Irene Kovala, *President, Glendale Community College*

Dr. Shouan Pan, *President, Mesa Community College*

Dr. Paul Dale, *President, Paradise Valley Community College*

Dr. Anna Solley, *President, Phoenix College*

Dr. Chris Bustamante, *President, Rio Salado College*

Dr. Jan Gehler, *President, Scottsdale Community College*

Dr. Shari Olson, *President, South Mountain Community College*

Dr. Janet K. Langley, *Vice President of Organizational Effectiveness, Gateway
C.C./Maricopa Skill Center*

Mr. Thomas Cotner, *Director, Southwest Skill Center*



Vision, Mission & Values

Vision

A Community of Colleges...Colleges for the Community

... working collectively and responsibly to meet the life-long learning needs of our diverse students and communities.

Mission

The Maricopa Community Colleges provide access to higher education for diverse students and communities.

We Focus On Learning Through:

- ▲▲ University Transfer Education
- ▲▲ General Education
- ▲▲ Developmental Education
- ▲▲ Community Education
- ▲▲ Workforce Development
- ▲▲ Student Development Services
- ▲▲ Continuing Education
- ▲▲ Civic Responsibility
- ▲▲ Global Engagement

As amended December 14, 2004 and December 13, 2005 by the Maricopa County Community College District Governing Board

Statement of Values

The Maricopa Community Colleges are committed to:

Community

We value all people – our students, our employees, their families, and the communities in which they live and work. We value our global community of which we are an integral part.

Excellence

We value excellence and encourage our internal and external communities to strive for their academic, professional and personal best.

Honesty and integrity

We value academic and personal honesty and integrity and believe these elements are essential in our learning environment. We strive to treat each other with respect, civility and fairness.

Inclusiveness

We value inclusiveness and respect for one another. We believe that team work is critical, that each team member is important and we depend on each other to accomplish our mission.

Innovation

We value and embrace an innovative and risk-taking approach so that we remain at the forefront of global educational excellence.

Learning

We value lifelong learning opportunities that respond to the needs of our communities and are accessible, affordable, and of the highest quality. We encourage dialogue and the freedom to have an open exchange of ideas for the common good.

Responsibility

We value responsibility and believe that we are each accountable for our personal and professional actions. We are responsible for making our learning experiences significant and meaningful.

Stewardship

We value stewardship and honor the trust placed in us by the community. We are accountable to our communities for the efficient and effective use of resources as we prepare our students for their role as productive world citizens.

As amended December 13, 2005 by the Maricopa County Community College District Governing Board



Financial Section



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

We conducted our audit in accordance with 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 17 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of

preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Revenues, Expenses, and Changes in Net Assets by College/Center and the introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information is the responsibility of the District's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Revenues, Expenses, and Changes in Net Assets by College/Center has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedule of Revenues, Expenses, and Changes in Net Assets by College/Center is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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 27, 2012

**Maricopa County Community College District
Management's Discussion and Analysis
For the Year Ended June 30, 2012**

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, 2012. It should be read in conjunction with the transmittal letter, which precedes this section, and the financial statements, which immediately follow.

Basic Financial Statements

The District's financial statements are presented in accordance with 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 is 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 as of June 30, 2012. It shows the assets owned or controlled, related liabilities and other obligations, and the 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, 2012. It shows 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, 2012. It shows the 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 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 and activity for fiscal year 2011-12 (FY 2012), comparative data is presented for the previous fiscal year, 2010-11 (FY 2011). 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, 2012</i>	<i>As of June 30, 2011</i>
Current assets	\$527,750,218	\$490,914,582
Noncurrent assets, other than capital assets	310,197,052	430,910,332
Capital assets, net	754,325,396	702,765,718
Total assets	1,592,272,666	1,624,590,632
Other liabilities	66,180,165	68,165,944
Long-term liabilities	714,262,428	792,820,426
Total liabilities	780,442,593	860,986,370
Net assets:		
Invested in capital assets, net of related debt	246,510,883	208,096,242
Restricted net assets	135,519,306	158,015,616
Unrestricted net assets	429,799,884	397,492,404
Total net assets	\$811,830,073	\$763,604,262

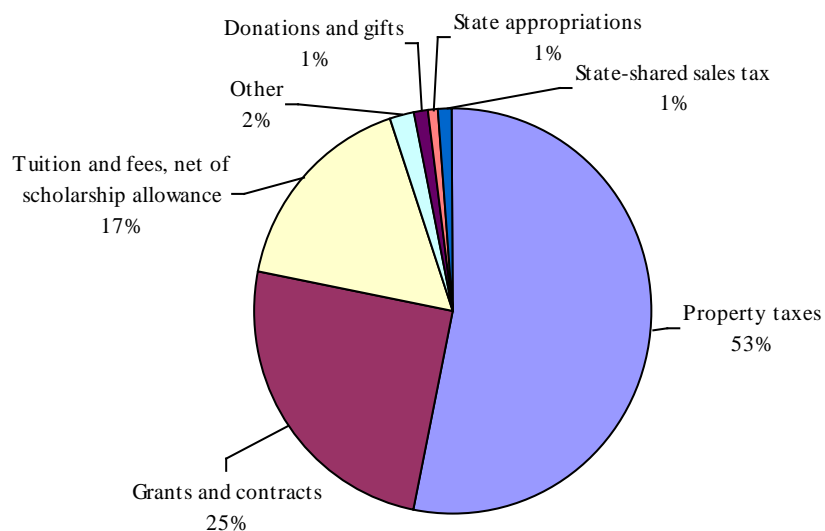
<i>Statement of Revenues, Expenses, and Changes in Net Assets</i>	<i>For the Year Ended June 30, 2012</i>	<i>For the Year Ended June 30, 2011</i>
Operating revenues	\$164,587,044	\$162,331,659
Operating expenses:		
Educational and general	723,154,472	688,376,018
Auxiliary enterprises	50,418,601	43,124,229
Depreciation	39,047,543	36,743,605
Other	1,119,247	1,215,352
Total operating expenses	813,739,863	769,459,204
Operating loss	(649,152,819)	(607,127,545)
Nonoperating revenues and expenses	696,603,226	710,328,279
Income before other revenues, expenses, gains, or losses	47,450,407	103,200,734
Other revenues, expenses, gains, or losses	775,404	350,872
Increase in net assets	48,225,811	103,551,606
Net assets, beginning of year	763,604,262	660,052,656
Net assets, end of year	\$811,830,073	\$763,604,262

Basic Financial Statements (continued)

The following schedule presents a summary and comparison of revenues for the fiscal years ended June 30, 2012 and June 30, 2011.

<i>Revenues by Source</i>	FY 2012		FY 2011		Increase/(Decrease)	
	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent of Change</u>
<u>Operating revenues</u>						
Tuition and fees, net of scholarship allowance	\$150,442,550	17%	\$145,710,908	16%	\$4,731,642	3%
Other	14,144,494	2	16,620,751	2	(2,476,257)	(15)
Total operating revenues	<u>164,587,044</u>	<u>19</u>	<u>162,331,659</u>	<u>18</u>	<u>2,255,385</u>	<u>1</u>
<u>Nonoperating revenues</u>						
Property taxes	466,812,956	53	460,518,576	52	6,294,380	1
State appropriations	6,891,200	1	45,327,400	5	(38,436,200)	(85)
State-shared sales tax	7,712,281	1	7,365,283	1	346,998	5
Grants and contracts	226,205,017	25	209,193,309	23	17,011,708	8
Donations and gifts	10,279,822	1	10,996,562	1	(716,740)	(7)
Investment earnings, net of investment expense	2,643,928	-	1,227,634	-	1,416,294	115
Total nonoperating revenues	<u>720,545,204</u>	<u>81</u>	<u>734,628,764</u>	<u>82</u>	<u>(14,083,560)</u>	<u>(2)</u>
Total revenues	<u>\$885,132,248</u>	<u>100%</u>	<u>\$896,960,423</u>	<u>100%</u>	<u>(\$11,828,175)</u>	<u>(1%)</u>

Revenues by Source FY 2012



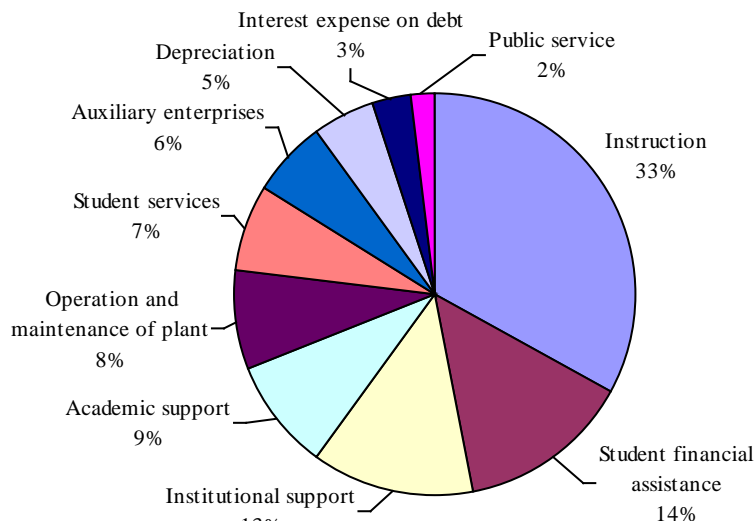
Basic Financial Statements (continued)

The following schedule presents a summary and comparison of expenses for the fiscal years ended June 30, 2012 and June 30, 2011.

<i>Expenses by Function</i>	FY 2012		FY 2011		Increase/(Decrease)	
	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent of Change</u>
<u>Operating expenses</u>						
Educational and general						
Instruction	\$274,682,057	33%	\$266,454,761	34%	\$8,227,296	3%
Public service	16,239,321	2	15,979,412	2	259,909	2
Academic support	74,341,618	9	69,546,276	9	4,795,342	7
Student services	63,909,031	7	63,398,891 *	8	510,140	1
Institutional support	106,909,850	13	102,213,576	13	4,696,274	5
Operation and maintenance of plant	66,863,513	8	59,185,035	7	7,678,478	13
Student financial assistance	120,209,082	14	111,598,067 *	14	8,611,015	8
Auxiliary enterprises	50,418,601	6	43,124,229	5	7,294,372	17
Depreciation	39,047,543	5	36,743,605	5	2,303,938	6
Other	1,119,247	-	1,215,352	-	(96,105)	(8)
<u>Total operating expenses</u>	<u>813,739,863</u>	<u>97</u>	<u>769,459,204</u>	<u>97</u>	<u>44,280,659</u>	<u>6</u>
<u>Nonoperating expenses</u>						
Interest expense on debt	23,378,084	3	24,191,758	3	(813,674)	(3)
Loss on sale or disposal of capital assets	563,894	-	108,727	-	455,167	419
<u>Total nonoperating expenses</u>	<u>23,941,978</u>	<u>3</u>	<u>24,300,485</u>	<u>3</u>	<u>(358,507)</u>	<u>(1)</u>
<u>Total expenses</u>	<u>\$837,681,841</u>	<u>100%</u>	<u>\$793,759,689</u>	<u>100%</u>	<u>\$43,922,152</u>	<u>6</u>

* The fiscal year 2011 amounts have been reclassified for comparison with fiscal year 2012, see explanation on page 22.

Expenses by Function FY 2012



Financial Highlights and Analysis

Statement of Net Assets

The District's overall financial position improved in FY 2012. Total net assets for the District increased by \$48.2 million from FY 2011 to FY 2012. More details of the changes follow.

The \$48.2 million increase in net assets is the result of a decline in total assets and a much larger decline in total liabilities, meaning that the District's outstanding obligations against its assets have been reduced and the net impact is the increase in net assets. The District's total assets decreased by \$32.3 million in FY 2012. Current cash and investments increased \$40.7 million due to revenues outpacing expenses. Noncurrent restricted cash and investments decreased by \$118.7 million as funds were expended to make scheduled payments on debt or were converted to capital assets (a \$51.6 million increase). Total liabilities for the District decreased by \$80.5 million due primarily to scheduled debt payments and the defeasance of \$10.5 million of outstanding revenue bonds (see Capital Assets and Debt Administration).

Total net assets is comprised of various sub-categories, including invested in capital assets, net of related debt; restricted; and unrestricted. These sub-categories experienced changes reflecting both increases and decreases for the year with the sum resulting in an overall increase in net assets.

Invested in capital assets, net of related debt, increased by \$38.4 million, primarily due to continued spending for acquisition and remodeling of facilities and paying debt service that is associated with our capital development/General Obligation bond program approved by voters in 2004. Restricted net assets declined by \$22.5 million due to a lower debt service obligation for the next fiscal year than the prior and other capital funds being converted to capital assets. Unrestricted net assets, or resources available for general operational activities and other activities as designated by the District but not restricted by an external party, increased by \$32.3 million, due to revenues outpacing expenses.

Though total net assets grew in FY 2012, the rate of growth in total net assets was considerably less than FY 2011 when net assets increased by \$103.6 million. The reduction of \$38.4 million in state appropriations was a major factor in the slowing rate of growth in net assets, explaining 69% of the decline in the amount of growth between the two fiscal years. However, in spite of the major reduction in state appropriations and the continued general economic uncertainty, revenues continued to out-pace expenditures in FY 2012.

Statement of Revenues, Expenses, and Changes in Net Assets

The District was reduced to three major revenue sources in FY 2012: property taxes, grants and contracts, and tuition and fees. As mentioned above, state appropriations were reduced in FY 2012 by \$38.4 million, making them a minor source of revenue for the first time in several years. Total revenue for the District decreased by \$11.8 million primarily due to the loss of state appropriations. Total expenses increased by 6% or \$43.9 million from FY 2011 to FY 2012.

Statement of Revenues, Expenses, and Changes in Net Assets (continued)

Tuition and fees (net of scholarship allowance) increased \$4.7 million or 3%. The increase is the cumulative effect of a \$5 per credit hour increase in tuition (7% increase), a tightening of policy related to out of state tuition rates, an increase in scholarship allowance, and a 1.8% decrease in Full-Time Student Enrollment. Tuition and fees and student financial assistance expenses are very closely related as both are affected by the elimination of tuition revenues and expenses related to the awarding and disbursing of financial aid in order to avoid inflating revenues and expenses. Gross student financial assistance expenses increased approximately \$19.2 million while Federal Pell expenses increased approximately \$17.9 million, reflecting an increase in the number of students eligible for Pell awards. The scholarship allowance increased by nearly 13%, reflective of both the increase in financial aid and the increase in enrollment of students eligible for financial aid.

Grants and contracts revenue experienced a modest increase (\$17.0 million) which is primarily due to the increase in financial aid noted above.

Academic support expenses increased \$4.8 million (7%) primarily due to increased spending in the areas of learning assistance centers, assessment, academic advisement, academic affairs, and academic computing.

The major portion of the increase in auxiliary enterprises expenses of \$7.3 million is related to an increase in out of state tuition costs. The District offsets out of state tuition costs for students who attend classes under certain partnership agreements.

Expenses for operation and maintenance of plant increased by \$7.7 million, approximately 13%. While much of the increase is due to increasing costs for ongoing maintenance and utilities, about half is related to purchases of non-capital furniture and equipment necessary for the completion of building and remodeling efforts.

In FY 2012, the District changed its classification of financial aid expenses from Student Services to Student Financial Assistance (renamed from Scholarships) to maintain comparability with other institutions of higher education. FY 2011 scholarship expenses were adjusted to maintain comparability with FY 2012.

Capital Assets and Debt Administration

The District's capital assets as of June 30, 2012 totaled \$754.3 million (net of accumulated depreciation). Capital assets include land, construction in progress, buildings, equipment, intangibles, improvements other than buildings, and library books. The change in the District's capital assets for the current year was an increase of 7%, primarily attributed to increased investment in buildings, construction, technology, and equipment. The District has about \$104.1 million in construction in progress, with an estimated cost to complete of approximately \$49.5 million. Additional information on capital assets can be found in Notes to Financial Statements – Note 4.

The District has issued approximately 84% of the \$951.4 million in General Obligation (GO) bonds that were approved by voters in November 2004. In May 2012, the District refunded \$69,135,000 of the 2004 Series A GO bonds. This refunding saves the District's taxpayers

Capital Assets and Debt Administration (continued)

nearly \$5.2 million in interest costs over the life of the bonds translating into lower property taxes. The anticipated issuance of the final series of general obligation bonds for the 2004 Bond Program is planned for fiscal year 2012-13 (FY 2013). Information on all of the District's bond issues is presented in greater detail in Notes to Financial Statements – Note 5.

In May 2012, the District's general obligation bond debt issue ratings were reaffirmed as Aaa by Moody's Investors Service, AAA by Fitch, and AAA by Standard & Poor's. Reasons cited for the high ratings were strong financial policies and prudent management practices; multiyear planning efforts; diverse revenue streams which help mitigate cuts in State funding, economic downturns, or enrollment declines; continued exceptionally strong and stable financial performance, as evidenced by ongoing operating surpluses and rising fund balances; relatively modest debt levels; and rapid retirement of debt. See Current Factors Having Probable Future Financial Significance for additional information on the State's economy.

In November 2011, the District defeased \$10.6 million in outstanding revenue bonds at a cost of nearly \$11.3 million, including principal and interest. The final maturity for these bonds was 2023 and the District saved more than \$2.5 million in interest expense by defeasing the debt. Additionally, the District saves approximately \$4.2 million in annual operating cost related to debt service. A small portion of the outstanding revenue bonds were not callable and the remaining bonds will be retired by July 15, 2013. The District has no current plans for issuing revenue bonds in the future. 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 the District's obligations.

At year-end, the District's financial position remains strong, with adequate resources and reserves to meet all current obligations.

Current Factors Having Probable Future Financial Significance

As the 2004 Bond Program continues, buildings open and new technology is acquired to serve the community, the District must continue to ensure that there are sufficient resources and budget capacity to operate the buildings and support the technology. As of FY 2012, the District has set aside \$28 million in budget capacity for this purpose and will continue to increase this capacity as the Bond Program progresses.

The global economy has experienced a severe downturn over the past several years and although economists believe the recession has ended, most agree the Arizona economy will be very slow to recover. Specifically, the recession has resulted in declines in State sales and income taxes from previously experienced high points forcing the State to cut budgets to State agencies, cities, towns, universities, and community colleges. Between fiscal year 2008-09 (FY 2009) and FY 2012, the State cut a total of \$61.8 million of the District's operational and capital appropriation.

The State ended FY 2012 with a surplus; however, growth during early FY 2013 has been slower than projected. The District received a slight increase in state appropriations for FY 2013 bringing the percent of state appropriations to the District's general fund's budgeted revenues up to 1.2%. The District does not anticipate that any significant state funding will be restored as the State of Arizona's continuing financial issues likely will impair its ability to invest in higher

Current Factors Having Probable Future Financial Significance (continued)

education for several years to come. The District always has budgeted conservatively and will continue to ensure that planned expenditures do not exceed resource availability. All past state appropriation reductions, as well as any in the future, are addressed with permanent budget reductions or increases from other revenues. In order to address these anticipated changes, the District implemented a permanent 1% operational budget cut for each of FYs 2009 and 2010 and eliminated capital allocations to the colleges and district office that had been funded by capital state appropriations. The District also implemented an additional \$15 million cut in FY 2013. When considering budget cuts, the District's focus will remain on the primary missions of teaching, learning, and student success. Other significant commitments the District has made are to: monitor resources carefully and regularly; maintain a strong message that budget cuts to the community colleges harm students, harm the ability to serve the workforce needs of the State and as a result, cause even more harm to Arizona's future economy; be prepared to deal quickly with the effects of changes in the economic outlook; develop strategies that take into account the District's growth patterns, including reallocation of resources to programs that are mission-critical; and be prepared to scale back where and when needed. Future budget plans will only be adopted after determining the best way to preserve the primary missions of teaching, learning, and student success.

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, 2012**

	Business-Type Activities
Assets	
Current assets:	
Cash and cash equivalents	\$ 362,632,084
Investments	117,955,329
Receivables (net of allowance of \$33,185,090)	45,017,119
Other	2,145,686
Total current assets	527,750,218
Noncurrent assets:	
Receivables (net of allowance of \$450,233)	194,716
Other	5,316,014
Restricted assets:	
Cash and cash equivalents	124,979,735
Investments	172,657,407
Receivables (net of allowance of \$678,114)	2,169,217
Other	4,879,963
Capital assets, not being depreciated	175,373,229
Depreciable capital assets, net of depreciation	578,952,167
Total noncurrent assets	1,064,522,448
Total assets	1,592,272,666
Liabilities	
Current liabilities:	
Accounts payable	15,462,311
Accrued liabilities	28,311,345
Deposits held in custody for others	1,596,298
Interest payable	11,985,319
Deferred revenues	8,824,892
Long-term liabilities - current portion	59,917,953
Total current liabilities	126,098,118
Noncurrent liabilities:	
Total liabilities	780,442,593
Net Assets	
Invested in capital assets, net of related debt	246,510,883
Restricted:	
Nonexpendable:	
Endowments	215,748
Student loans	390,542
Expendable:	
Scholarships	1,499,096
Grants and contracts	13,624,316
Student loans	73,046
Debt service	68,418,776
Capital projects	51,297,782
Unrestricted	429,799,884
Total net assets	\$ 811,830,073

See accompanying notes to financial statements.

Maricopa County Community College District
Statement of Financial Position – Component Unit
June 30, 2012

	Maricopa County Community College District Foundation
Assets	
Cash and cash equivalents	\$ 384,266
Pledges receivable, net of discount and allowance	712,898
Investments	21,194,862
Investments held for other	2,803,995
Cash held for endowment purposes	2,923,377
Cash surrender value of life insurance	503,522
Other assets	12,522
Total assets	\$28,535,442
 Liabilities and Net Assets	
Accounts payable	\$ 228,832
Charitable gift annuity liability	181,799
Investments held for other	2,803,995
Total liabilities	3,214,626
 Net assets:	
Unrestricted	1,142,604
Temporarily restricted	7,976,094
Permanently restricted	16,202,118
Total net assets	25,320,816
Total liabilities and net assets	\$ 28,535,442

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, 2012

	Business-Type Activities
Operating revenues:	
Tuition and fees (net of scholarship allowance of \$105,608,193)	\$ 150,442,550
Other	14,144,494
Total operating revenues	164,587,044
Operating expenses:	
Educational and general:	
Instruction	274,682,057
Public service	16,239,321
Academic support	74,341,618
Student services	63,909,031
Institutional support	106,909,850
Operation and maintenance of plant	66,863,513
Student financial assistance	120,209,082
Auxiliary enterprises	50,418,601
Depreciation	39,047,543
Other	1,119,247
Total operating expenses	813,739,863
Operating loss	(649,152,819)
Nonoperating revenues (expenses):	
Property taxes	466,812,956
State appropriations	6,891,200
State-shared sales tax	7,712,281
Government grants and contracts	222,603,509
Private grants and contracts	3,601,508
Private gifts	10,279,822
Investment earnings, net of investment expense	2,643,928
Interest expense on debt	(23,378,084)
Loss on sale or disposal of capital assets	(563,894)
Total nonoperating revenues	696,603,226
Income before other revenues, expenses, gains, or losses	47,450,407
Capital grants and gifts	775,404
Increase in net assets	48,225,811
Total net assets, July 1, 2011	763,604,262
Total net assets, June 30, 2012	\$ 811,830,073

See accompanying notes to financial statements.

Maricopa County Community College District
Statement of Activities – Component Unit
For the Year Ended June 30, 2012

Maricopa County Community College District Foundation

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Contributions	\$ -	\$ 2,081,109	\$ 1,052,825	\$ 3,133,934
Contributed services	662,838	-	-	662,838
Investment return	306,274	(34,938)	-	271,336
Decrease in cash surrender value of life insurance	-	-	(12,902)	(12,902)
Management fees	8,445	-	-	8,445
Total support and revenue before special events and net assets released from restrictions	<u>977,557</u>	<u>2,046,171</u>	<u>1,039,923</u>	<u>4,063,651</u>
Special events revenue	-	207,800	-	207,800
Less cost of direct donor benefits	-	(92,075)	-	(92,075)
Gross profit from special events	-	<u>115,725</u>	-	<u>115,725</u>
Net assets released from restrictions	<u>2,796,785</u>	<u>(2,690,785)</u>	<u>(106,000)</u>	<u>-</u>
Total support and revenue	<u>3,774,342</u>	<u>(528,889)</u>	<u>933,923</u>	<u>4,179,376</u>
Expenses and losses:				
Program expenses				
Scholarships and program support	2,574,733	-	-	2,574,733
Supporting services				
Fundraising	295,727	-	-	295,727
General and administrative	1,063,932	-	-	1,063,932
Loss from uncollectable pledges	-	25,223	7,339	32,562
Total expenses and losses	<u>3,934,392</u>	<u>25,223</u>	<u>7,339</u>	<u>3,966,954</u>
Change in net assets	(160,050)	(554,112)	926,584	212,422
Net assets, beginning of year	<u>1,302,654</u>	<u>8,530,206</u>	<u>15,275,534</u>	<u>25,108,394</u>
Net assets, end of year	<u>\$ 1,142,604</u>	<u>\$ 7,976,094</u>	<u>\$ 16,202,118</u>	<u>\$ 25,320,816</u>

See accompanying notes to financial statements.

**Maricopa County Community College District
Statement of Cash Flows – Primary Government
For the Year Ended June 30, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES	Business-Type Activities
Tuition and fees	\$ 150,112,233
Payments for employee wages and benefits	(500,235,523)
Payments to providers of goods and services	(145,921,678)
Payments to students for grants and scholarships	(130,816,517)
Other receipts	15,082,793
Net cash used for operating activities	<u>(611,778,692)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property taxes	469,668,744
State appropriations	6,891,200
State-shared sales tax	7,665,413
Grants and contracts	231,260,985
Federal student loans received	217,589,664
Federal student loans disbursed	(217,589,664)
Deposits held by others received	1,517,571
Deposits held by others disbursed	(1,379,088)
Gifts received for other than operating or capital purposes	10,279,822
Net cash provided by noncapital financing activities	<u>725,904,647</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of capital assets	198,065
Purchase of capital assets	(90,847,461)
Principal paid on capital debt and leases	(77,195,271)
Interest paid on capital debt and leases	(26,982,252)
Net cash used for capital and related financing activities	<u>(194,826,919)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	7,827,900
Interest received on investments	2,742,681
Net cash used by investing activities	<u>10,570,581</u>
Net decrease in cash and cash equivalents	(70,130,383)
Cash and cash equivalents - beginning of year	557,742,202
Cash and cash equivalents - end of year	<u>\$ 487,611,819</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	\$ (649,152,819)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation expense	39,047,543
Expenses (related to revenue) for donations of non-capitalized items	253,684
Changes in assets and liabilities:	
Increase in:	
Receivables	(2,666,310)
Long-term liabilities - Compensated absences	1,081,663
Decrease in:	
Accrued liabilities	(1,099,004)
Other assets	1,309,389
Student loans receivable	55,958
Accounts payable	(278,479)
Deferred revenues	(330,317)
Net cash used for operating activities	<u>\$ (611,778,692)</u>

Noncash transactions:

Increase in fair value of investments. The fair value of investments increased by \$1,983.

CIP deletions. The District disposed of \$695,541 of construction in progress assets that did not meet capitalization requirements.

Defeased and refunding bonds. The District defeased \$69,135,000 in general obligation bonds during the current year by issuing new refunding bonds. The bond proceeds were transferred directly into an irrevocable trust fund.

Gifts of depreciable and non-depreciable assets. The District recorded the receipt of gifts of depreciable and non-depreciable assets of \$775,404.

Amortization of prepaid bond issuance costs. The District amortized \$979,046 of prepaid bond issuance costs.

Amortization of premium on bonds and deferred charges. The District amortized \$3,967,757 of bond premiums and (\$1,523,367) of deferred charges.

Increase in claims payable. The estimate of claims payable for health benefits and workers' compensation increased by \$2,006,562 between fiscal year 2011 and fiscal year 2012 (reported as accrued liabilities on the Statement of Net Assets).

Decrease in contingent losses. The estimate of the payable for contingent losses decreased by \$652,200 between fiscal year 2011 and fiscal year 2012 (reported as accrued liabilities on the Statement of Net Assets).

Amortization of prepaid rent. The District recorded amortization of \$231,943 for use of the Glendale, Estrella Mountain, and Phoenix instructional facilities.

See accompanying notes to financial statements.

Maricopa County Community College District
Notes to Financial Statements
For the Year Ended June 30, 2012

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).

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, the Foundation follows Financial Accounting Standards Board (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. 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. The Foundation has a June 30 year-end.

During the year ended June 30, 2012, the Foundation distributed \$2,574,733 to the District for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Foundation Office at 2419 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.

NOTE 1 - Summary of Significant Accounting Policies (continued)

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 the District's obligations. Invested in capital assets, net of related debt represents the value of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the assets. Nonexpendable restricted net assets 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 both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first. Internal transactions and activities, such as transfers between funds, revenues and expenses recorded for internal service activities, and certain internal revenues and expenses recorded for grant activity, have been eliminated for financial statement purposes.

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 exchange transactions. Accordingly, revenues, such as tuition and sales of auxiliary services, are considered to be operating revenues. Other revenues, such as property taxes, state appropriations, and educational grants, are not generated from exchange transactions 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 and related 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 taxes are recognized in the year for which they are levied. State appropriations are recognized as revenue in the year in which the appropriation is first made available for use. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

NOTE 1 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents - For the Statement of Cash Flows, cash and cash equivalents include cash on hand, cash in the bank, cash and investments held by the County Treasurer, investments in the State Treasurer's Local Government Investment Pool, and investments purchased on behalf of the District by its investment manager. 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, intangibles, 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:

<u>Asset Category</u>	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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	4-10 years
Intangibles (software)	\$5,000	Straight-line	4-10 years
Library books	All	Straight-line	10 years

Compensated Absences - Compensated absences consists of vacation and sick leave earned by employees based on services already rendered. Employees may accumulate vacation balances depending on the years of service, 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 advanced refundings 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 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

NOTE 1 - Summary of Significant Accounting Policies (continued)

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 Earnings - Investment earnings are 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 statutes do not require the District to deposit other public monies with the County Treasurer; however, the District must act as a prudent person dealing with the property of another by following the statutory guidelines for investment decisions. The District invests in U.S. government securities, the State Treasurer's Local Government Investment Pool, repurchase agreements, commercial paper, corporate bonds, guaranteed investment contracts, insured or collateralized deposits, certificates of deposit, and money market mutual funds. Equity mutual funds held by the District are the result of donations by third parties. The statutes do not include any requirements for credit risk, custodial credit risk, interest rate risk, concentration of credit risk, or foreign currency risk for the District's investments.

Deposits

At June 30, 2012, total cash on hand was \$224,140. The carrying amount of bank deposits on the District's accounting system was \$24,552,699, and cash deposited with trustee was \$92,867. At June 30, 2012, the District's bank balance was \$29,862,074, which was fully insured through FDIC. The District does not have a formal policy with respect to custodial credit risk.

Investments

The District's investments at June 30, 2012 consist of the following:

<u>Investment Type</u>	<u>Amount</u>
State Treasurer's investment pool 7	\$401,787,743
County Treasurer's investment pool	5,292,052
U.S. agency securities	245,668,711
U.S. Treasury securities	46,726,716
Commercial paper	43,037,127
Corporate bonds	5,741,378
Repurchase agreements	4,940,000
Money market mutual fund	85,696
Mutual funds – equity	75,426
Total	<u>\$753,354,849</u>

NOTE 2 - Deposits and Investments (continued)

The State Board of Investment provides oversight for the State Treasurer's pools. The fair value of a participant's position in the pool approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments. No comparable oversight is provided for the Maricopa County Treasurer's investment pool and the pool's structure does not provide for shares.

Credit Risk - The District does not have a formal policy with respect to credit risk. At June 30, 2012, credit risk for the District's investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
State Treasurer's investment pool 7	Unrated	Not applicable	\$401,787,743
County Treasurer's investment pool	Unrated	Not applicable	5,292,052
U.S. agency securities	Aaa	Moody's	245,668,711
U.S. Treasury securities	Aaa	Moody's	46,726,716
Commercial paper	P-1	Moody's	43,037,127
Corporate bonds	Aaa	Moody's	1,013,580
Corporate bonds	AA2	Moody's	2,075,730
Corporate bonds	AA3	Moody's	1,565,828
Corporate bonds	A1	Moody's	1,086,240
Repurchase agreements	A-1	S&P	4,940,000
Money market mutual fund	Aaa	Moody's	85,696
Total			<u>\$753,279,423</u>

Concentration of Credit Risk - The District does not have a formal policy with respect to concentration of credit risk. The District had investments at June 30, 2012 of 5 percent or more in Federal National Mortgage Association, Federal Home Loan Bank, and Federal Home Loan Mortgage Corp. These investments were 13 percent, 12 percent, and 7 percent, respectively, of the District's total investments.

Interest Rate Risk - The District's policy states maturities shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. At June 30, 2012, the District had the following investments in debt securities:

NOTE 2 - Deposits and Investments (continued)

<u>Investment Type</u>	<u>Amount</u>	Weighted Average Maturity (Months)
State Treasurer's investment pool 7	\$401,787,743	.97
County Treasurer's investment pool	5,292,052	12.50
U.S. Treasury securities	46,726,716	22.66
U.S. agency securities	245,668,711	9.90
Commercial paper	43,037,127	.93
Corporate bonds	5,741,378	27.29
Repurchase agreements	4,940,000	.07
Money market mutual fund	85,696	.07
Total	<u>\$753,279,423</u>	

The District's portfolio weighted average maturity is 5.50 months.

A reconciliation of cash, deposits, and investments to amounts shown on the Statement of Net Assets follows:

Cash, deposits and investments:		Statement of net assets:	
Cash on hand	\$ 224,140	Cash and cash equivalents	\$362,632,084
Deposits	24,552,699	Investments	117,955,329
Investments	753,354,849	Restricted assets:	
Cash with Trustee	92,867	Cash and cash equivalents	124,979,735
		Investments	172,657,407
Total	<u>\$778,224,555</u>	Total	<u>\$778,224,555</u>

NOTE 3 - Current Receivables

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

Property taxes (net of allowance of \$3,620,458)	\$ 9,330,142
Government grants	18,599,458
Private grants and contracts (net of allowance of \$118,292)	2,921,551
Student accounts (net of allowance of \$29,363,805)	13,630,415
Other (net of allowance of \$82,535)	535,553
Total current receivables	<u>\$ 45,017,119</u>

Property taxes - The Maricopa County Treasurer is responsible for the collection of property taxes for all governmental entities within the county. The property taxes due the District are levied in August by the County and are payable in two equal installments. The first installment is due on October first and becomes delinquent after the first business day of November. The second installment is due on March first of the following year and becomes delinquent after the

NOTE 3 - Current Receivables (continued)

first business day in May. A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy. 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</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital assets not being depreciated:				
Land	\$ 68,379,722	\$ 2,919,333	\$ -	\$ 71,299,055
Construction in progress	92,204,162	79,438,042	67,568,030	104,074,174
Total capital assets not being depreciated	<u>160,583,884</u>	<u>82,357,375</u>	<u>67,568,030</u>	<u>175,373,229</u>
Capital assets being depreciated:				
Buildings	679,131,509	52,779,453	-	731,910,962
Equipment	120,127,007	9,873,061	2,251,826	127,748,242
Intangibles (software)	13,198,696	1,094,395	-	14,293,091
Improvements other than buildings	108,683,727	10,952,966	-	119,636,693
Library books	14,115,921	1,155,341	1,740,405	13,530,857
Total capital assets being depreciated	<u>935,256,860</u>	<u>75,855,216</u>	<u>3,992,231</u>	<u>1,007,119,845</u>
Less accumulated depreciation for:				
Buildings	254,342,211	21,239,791	-	275,582,002
Equipment	81,520,611	9,694,502	2,191,866	89,023,247
Intangibles (software)	5,955,659	1,357,883	-	7,313,542
Improvements other than buildings	42,369,086	5,576,873	-	47,945,959
Library books	8,887,459	1,178,494	1,763,025	8,302,928
Total accumulated depreciation	<u>393,075,026</u>	<u>39,047,543</u>	<u>3,954,891</u>	<u>428,167,678</u>
Total capital assets being depreciated, net	<u>542,181,834</u>	<u>36,807,673</u>	<u>37,340</u>	<u>578,952,167</u>
Capital assets, net	<u>\$ 702,765,718</u>	<u>\$ 119,165,048</u>	<u>\$ 67,605,370</u>	<u>\$ 754,325,396</u>

The District has active construction projects with a remaining contractual commitment at June 30, 2012 of \$49,546,246. These projects will be funded primarily through bond proceeds.

The District completed a program to ensure accurate library asset valuations in FY 2012. Immaterial adjustments from prior periods were included in the retirement totals for FY 2012.

NOTE 5 - Long-term Liabilities

The following schedule details the long-term liability activity for the year ended June 30, 2012.

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>	<u>Due within one year</u>
Bonds payable:					
General obligation bonds	\$ 737,930,000	\$ 69,135,000	\$ 135,815,000	\$ 671,250,000	\$ 56,255,000
Revenue bonds	12,585,000	-	11,345,000	1,240,000	830,000
Premium on general obligation bonds	13,319,689	7,808,388	3,784,907	17,343,170	2,106,172
Premium on revenue bonds	206,668	-	182,850	23,818	18,285
Deferred charges on refunding	(823,610)	(6,956,594)	(1,523,367)	(6,256,837)	(926,180)
Capital leases	94,048	-	22,065	71,983	23,003
Compensated absences	29,508,631	2,766,231	1,684,568	30,590,294	1,611,673
Total long-term liabilities	<u>\$ 792,820,426</u>	<u>\$ 72,753,025</u>	<u>\$ 151,311,023</u>	<u>\$ 714,262,428</u>	<u>\$ 59,917,953</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 and 2004, \$151,093,000 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, 2012 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				
Refunding, Series A&B (2004)	66,610,000	7/01/2012-13	3.25-5.00%	\$ 35,505,000
Project of 2004, Series A (2005)	190,270,000	7/01/2012-14	4.00%	35,740,000
Project of 2004, Series B (2007)	240,000,000	7/01/2012-21	3.00-4.50%	159,750,000
Project of 2004, Series C (2009)	220,000,000	7/01/2012-23	3.00-5.00%	192,000,000
Refunding 1994, Series C (2010)	31,280,000	7/01/2012-15	2.00-3.00%	29,120,000
Project of 2004, Series D (2011)	150,000,000	7/01/2012-25	1.00-4.75%	150,000,000
Refunding 2004, Series A (2012)	69,135,000	7/01/2015-19	2.00-4.00%	69,135,000
Revenue bonds				
Revenue Bonds, Series 2002	14,480,000	7/15/2012	4.00%	430,000
Revenue Bonds, Series 2003	7,655,000	7/15/2012-13	4.00%	810,000
			Total	<u>\$ 672,490,000</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, 2012.

Year Ending June 30:	General Obligation Bonds		Revenue Bonds		Total Debt Service Requirements
	Principal	Interest	Principal	Interest	
2013	\$ 56,255,000	\$ 24,008,659	\$ 830,000	\$ 33,000	\$ 81,126,659
2014	53,350,000	22,776,488	410,000	8,200	76,544,688
2015	51,045,000	20,897,088	-	-	71,942,088
2016	54,120,000	19,036,019	-	-	73,156,019
2017	51,095,000	17,126,438	-	-	68,221,438
2018-2022	282,415,000	51,779,069	-	-	334,194,069
2023-2026	122,970,000	8,702,894	-	-	131,672,894
Total	<u>\$ 671,250,000</u>	<u>\$ 164,326,655</u>	<u>\$ 1,240,000</u>	<u>\$ 41,200</u>	<u>\$ 836,857,855</u>

Description of Issues

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

In February 2004, the District issued \$66,610,000 of general obligation refunding bonds to advance refund \$3,235,000 of G.O. Bonds, Series A (1995) and \$63,375,000 of Series B (1997). 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 on the old bonds. In accordance with the refunding plan, the trustee retired the remaining liability for the defeased bonds of \$63,375,000 on July 1, 2006. This issue of refunding bonds is not subject to early redemption.

General Obligation Refunding Bonds, Project of 1994, Series C (2010)

In April 2010, the District issued \$31,280,000 of general obligation refunding bonds to advance refund \$31,280,000 of G.O. Bonds, Series C (1999). The net proceeds were placed in an irrevocable trust fund with an escrow agent to provide debt service on the old bonds. In accordance with the refunding plan, the trustee retired the remaining liability for the defeased bonds of \$31,280,000 on April 22, 2010. This issue of refunding bonds is not subject to early redemption.

General Obligation Refunding Bonds, Project of 2004, Series A (2012)

In May 2012, the District issued \$69,135,000 of general obligation refunding bonds with a true interest cost of 1.1 percent to refund \$69,135,000 of G.O. Bonds, Series A (2005) with a true interest cost of 3.77 percent. The General Obligation Refunding Bonds of 2012 are not subject to early redemption prior to their stated maturity dates. On May 31, 2012, the net proceeds were placed in the Depository Trust Fund to be used to refund the bonds being refunded. As a result, the refunded debt liability as of June 30, 2012 for those refunded bonds of \$69,135,000 is considered to be defeased, and the liability for those bonds is not included in the financial statements. The District in effect reduced its aggregate debt service payments by \$5.18 million over the next seven years and obtained an economic gain (difference between the present values

NOTE 5 - Long-term Liabilities (continued)

of the old and new debt service payments discounted to the effective interest rate) of \$5.04 million.

General Obligation Bonds, Project of 2004, Series A (2005)

In March 2005, the District issued \$190,270,000 of general obligation bonds. These bonds were issued to make certain improvements to the District's educational facilities and to finance land and equipment purchases. Bonds maturing on or before July 1, 2014 are noncallable.

During the current fiscal year, the District deposited \$76,091,593 in an irrevocable trust with an escrow agent for the refunding of \$69,135,000 outstanding bonds.

General Obligation Bonds, Project of 2004, Series B (2007)

In April 2007, the District issued \$240,000,000 of general obligation bonds. These bonds were issued to make certain improvements to the District's educational facilities and to finance land and equipment purchases. Bonds maturing on or before July 1, 2017 are noncallable. Bonds maturing on or after July 1, 2018 are subject to early redemption.

General Obligation Bonds, Project of 2004, Series C (2009)

In April 2009, the District issued \$220,000,000 of general obligation bonds. These bonds were issued to make certain improvements to the District's educational facilities and to finance land and equipment purchases. Bonds maturing on or before July 1, 2019 are noncallable. Bonds maturing on or after July 1, 2020 are subject to early redemption.

General Obligation Bonds, Project of 2004, Series D (2011)

In May 2011, the District issued \$150,000,000 of general obligation bonds. These bonds were issued to make certain improvements to the District's educational facilities and to finance land and equipment purchases. Bonds maturing on or before July 1, 2021 are noncallable. Bonds maturing on or after July 1, 2022 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 was used to construct, furnish, and equip a performing arts center and approximately \$8,000,000 was used to acquire a new Student Information System. Bonds maturing on or before July 15, 2012 are noncallable.

During the current fiscal year, the District deposited \$5,572,341 in an irrevocable trust with an escrow agent for the partial defeasance of \$5,350,000 outstanding revenue bonds related to the Revenue Bonds, Series 2002. As a result, \$5,350,000 of these revenue bonds are considered to

NOTE 5 - Long-term Liabilities (continued)

be defeased, and the related liability for those bonds has been removed from the financial statements.

Revenue Bonds, Series 2003

In October 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.

During the current fiscal year, the District deposited \$5,668,893 in an irrevocable trust with an escrow agent for the partial defeasance of \$5,200,000 outstanding revenue bonds related to the Revenue Bonds, Series 2003. As a result, \$5,200,000 of these revenue bonds are considered to be defeased, and the related liability for those bonds has been removed from the financial statements.

NOTE 6 - Pledges of Future Revenues

The District has pledged, as security for its revenue bonds, a portion of its gross revenues. The revenue bonds, issued by the District in 2002 and 2003 in the amount of \$22,135,000 to provide financing for various capital projects, are payable through fiscal year 2014. The total principal and interest remaining on the debt is \$1,281,200 with annual requirements ranging from \$863,000 in fiscal year 2013 to \$418,200 in fiscal year 2014, the final year. Gross pledged revenues have averaged approximately \$227,000,000 over the prior five fiscal years. For the current year, principal and interest paid by the District and the gross revenues recognized by the District were \$1,094,771 and \$272,839,165, respectively. In addition, during fiscal year 2012 the District defeased \$10,550,000 of revenue bonds.

NOTE 7 - Operating Expenses

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

Salaries and benefits	\$ 503,016,321
Financial aid	127,529,041
Contract services	57,596,838
Depreciation	39,047,543
Noncapitalized equipment	24,842,684
Communications, utilities, and travel	24,512,320
Supplies and materials	21,098,818
Subscriptions, dues, insurance, and rentals	10,390,916
Other expenses	5,705,382
Total operating expenses	<u>\$ 813,739,863</u>

NOTE 8 - Pension and Other Postemployment Benefits

Plan Description - The District contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System. The Arizona State Retirement System (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by state statute. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

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

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, 2012, active plan members were required by statute to contribute at the actuarially determined rate of 10.74 percent (10.50 percent for retirement and 0.24 percent for long-term disability) of the members' annual covered payroll and the District was required by statute to contribute at the actuarially determined rate of 10.74 percent (9.87 percent for retirement, 0.63 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll.

The District's contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows:

	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
Years ended June 30,			
2012	\$ 30,197,903	\$ 1,927,526	\$ 734,296
2011	28,678,698	1,877,961	795,746
2010	26,226,626	2,075,489	1,250,439

NOTE 9 - Risk Management

The District is exposed to various risks of loss related to legal liability, property, errors and omissions, and injuries to employees. The District carries commercial insurance for all such risks of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

The District finances uninsured risks of loss for certain health benefits to eligible employees and their dependents. The healthcare plan provides coverage for amounts up to \$325,000 per claim. The District purchases commercial insurance for claims in excess of this limit and utilizes a

NOTE 9 - Risk Management (continued)

consultant to determine the required annual funding based upon anticipated utilization, cost trends, and benefit levels. Independent administrators provide claim and recordkeeping services for each self-insured plan. The District self-insures workers' compensation claims up to \$400,000 and purchases commercial insurance for claims exceeding \$400,000. Settled claims for workers' compensation and health benefits have not exceeded the District's commercial insurance coverage in any of the past three fiscal years.

The insurance claims payable liability of \$8,340,810 at June 30, 2012, includes the amounts payable for both health benefits and workers' compensation. It is the estimated cost of settling claims that have been reported but not settled and claims that have been incurred but not reported and is based on actuarial evaluation. The District's claims payable for the fiscal years ended June 30, 2011 and June 30, 2012 are as follows:

<u>Health Benefits:</u>	<u>2011</u>	<u>2012</u>
Claims payable, beginning of year	\$ 4,991,000	\$ 5,074,001
Current year actual and estimated claims	41,152,737	44,922,369
Less: Claim payments	<u>(41,069,736)</u>	<u>(42,705,811)</u>
Claims payable, end of year	<u>\$ 5,074,001</u>	<u>\$ 7,290,559</u>
<u>Workers' Compensation:</u>	<u>2011</u>	<u>2012</u>
Claims payable, beginning of year	\$ 1,135,757	\$ 1,260,247
Current year actual and estimated claims	891,328	531,256
Less: Claim payments	<u>(766,838)</u>	<u>(741,252)</u>
Claims payable, end of year	<u>\$ 1,260,247</u>	<u>\$ 1,050,251</u>

NOTE 10 - 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 \$168,500. 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 \$50,000. 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.

The District has previously disclosed that corrective action may be necessary in how financial aid disbursements have been processed at Rio Salado College for the past several years. At this time, the District has no estimate of the amount that may have been over or under awarded to our students; however, the District feels that there is a reasonable probability that a loss may occur. The District continues to work with a consulting firm and the U.S. Department of Education to move towards resolution.

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 Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under FASB ASC 958-205, 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 FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. In accordance with FASB ASC 958-605, 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.

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 programs and projects to advance these colleges. Permanently restricted contributions require the principal be invested in perpetuity; the distributable income from the related investment is reflected as temporarily restricted in the statement of activities as specified by the donor.

Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the receivable is

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

expected to be collected, the creditworthiness of the other parties, the organization's past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivable's collectability. Amortization of the discounts is included in support from contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Administration Fees - The Foundation charges an administration fee to defray part of the cost of managing restricted accounts held by the Foundation. A 1% fee is charged on all new gifts, except endowment gifts. On January 1st of each year, an investment management fee of 75 basis points is charged on all accounts. This fee is not charged to endowment funds, if doing so would reduce the fund below its corpus.

Investments - The Foundation accounts for its investments in accordance with FASB ASC 958-320, *Not-for-Profit Entities – Investments – Debt and Equity Securities* and FASB ASC 958-325, *Not-for-Profit Entities – Investments – Other*. In accordance with FASB ASC 958-320, the Foundation carries its investments in equity securities that have readily determinable fair values, and all investments in debt securities, at fair value. In accordance with FASB ASC 958-325, the Foundation has elected to carry its other investments at fair value.

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 (the 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 business taxable income.

NOTE 11 b - Investments

Investments consist of the following at June 30, 2012:

Equity funds:	
Common stock funds - United States	\$ 5,550,677
Common stock funds - emerging markets	1,403,558
Common stock funds - International	2,548,114
Fixed Income funds:	
Government agencies - United States	7,412,618
Corporate bonds - United States	1,794,850
Fixed income ETF - United States	2,220,779
Corporate bonds - other	239,130
Real estate funds:	
Real estate - United States	1,109,368
Commodity funds:	
Commodity funds – United States and global	1,573,391
Other investments	146,372
Total investments	<u>\$ 23,998,857</u>

The following summarizes investment return included in the statement of activities for the year ended June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 309,765	\$ 581,605	\$ -	\$ 891,370
Net realized and unrealized gains	29,756	(512,418)	-	(482,662)
Brokerages fees	<u>(33,247)</u>	<u>(104,125)</u>	<u>-</u>	<u>(137,372)</u>
Total	<u>\$ 306,274</u>	<u>\$ (34,938)</u>	<u>\$ -</u>	<u>\$ 271,336</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 11f – Endowments).

NOTE 11 d - Contributed Services

The 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 contributed services and administrative expenses.

NOTE 11 e - Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a common definition for fair value to be applied under U.S. generally accepted accounting principles requiring the use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. FASB ASC 820 also establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values by requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.
- Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability. Assets reported at NAV using the practical expedient provisions are considered Level 2 when the Foundation has the ability to redeem its investment at net assets value or its equivalent at the measurement date or within a reasonably short period of time subsequent to the measurement date.
- Level 3: Unobservable inputs for the asset or liability. Assets reported at NAV using the practical expedient provisions are considered Level 3 when the investments will never have the ability to be redeemed at the net asset value or the redemption period is long-term in nature.

The following table summarizes the valuation of the Foundation's assets and liabilities subject to measurements at fair value by the above FASB ASC 820 categories as of June 30, 2012:

NOTE 11 e - Fair Value Measurements (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity funds:				
Common stock funds - emerging markets	\$ -	\$ 1,403,558	\$ -	\$ 1,403,558
Common stock funds - International	-	2,548,114	-	2,548,114
Common stock funds - United States	-	5,550,677	-	5,550,677
Fixed Income funds:				
Government agencies - United States	-	7,412,618	-	7,412,618
Corporate bond - other	239,130	-	-	239,130
Corporate bond - United States	1,794,850	-	-	1,794,850
Fixed income ETF - United States	2,220,779	-	-	2,220,779
Real estate funds:				
Real estate - United States	1,109,368	-	-	1,109,368
Commodity funds:				
Commodity funds - United States and global	1,573,391	-	-	1,573,391
Other investments	<u>146,372</u>	<u>-</u>	<u>-</u>	<u>146,372</u>
Total investments	7,083,890	16,914,967	-	23,998,857
Investments held for other liability	<u>-</u>	<u>(2,803,995)</u>	<u>-</u>	<u>(2,803,995)</u>
	<u>\$ 7,083,890</u>	<u>\$ 14,110,972</u>	<u>\$ -</u>	<u>\$ 21,194,862</u>

The table below sets forth a summary of changes in the fair value of the Foundation's assets measured using Level 3 inputs for the year ended June 30, 2012:

	Beneficial interest in charitable remainder unitrust
Balance, beginning of year	\$ 58,477
Unrealized losses	<u>(58,477)</u>
Balance, end of year	<u>\$ -</u>

The Foundation has no other assets or liabilities subject to fair value measurement other than at initial recognition.

NOTE 11 f – Endowments

The Foundation's endowments include only donor-restricted endowment funds. As required by U.S. generally accepted accounting principles, net assets associated with

NOTE 11 f - Endowments (continued)

endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

In September 2008, the State of Arizona enacted A.R.S. §10-11801 et seq Management of Charitable Funds Act (MCFA). The Board of Directors of the Foundation has interpreted MCFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MCFA. In accordance with MCFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

The changes in endowment net assets for the year ended June 30, 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2011	\$ (59,038)	\$ 4,245,894	\$ 14,654,689	\$ 18,841,545
Contributions and pledge collections	-	-	963,185	963,185
Investment return:				
Interest and dividends, net of fees	-	581,605	-	581,605
Realized and unrealized losses	(24,174)	(512,418)	-	(536,592)
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(623,639)</u>	<u>(106,000)</u>	<u>(729,639)</u>
Endowment net assets, June 30, 2012	<u>\$ (83,212)</u>	<u>\$ 3,691,442</u>	<u>\$ 15,511,874</u>	<u>\$ 19,120,104</u>

NOTE 11 f - Endowments (continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MCFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$83,212 as of June 30, 2012. These deficiencies resulted primarily from unfavorable market fluctuations.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, and with assistance of professional investment advisors, the endowment assets are invested in a manner that is intended to produce results while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that consists of equity-securities, corporate bonds, and government securities.

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 that is above the original contributed amount as calculated at the end of each year. For funds that are below the original contributed amount, 3% of the three-year average at the end of the year will be eligible for disbursement. Actual investment earnings, in excess of (or less than) distribution, are added to (subtracted from) the endowment principal and available for future disbursements. If these amounts are not fully disbursed within a one-year period, the remaining amounts are transferred back to the endowment funds. For the year ended June 30, 2012, earnings of \$784,737 were eligible to be distributed. For the year ended June 30, 2012, \$382,327 was distributed and is included in appropriation of endowment assets for expenditure above. The unused funds of \$402,410 were transferred back to the endowment funds to be used for future disbursements.

Supplemental Information

Maricopa County Community College District
Schedule of Revenues, Expenses, and Changes in Net Assets
By College/Center
For the Year Ended June 30, 2012

	<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	\$ 9,709,700	\$ 18,287,681	\$ 9,635,250	\$ 26,589,148	\$ 13,908,634
Other	<u>700,556</u>	<u>803,898</u>	<u>621,007</u>	<u>1,668,988</u>	<u>1,419,401</u>
Total operating revenues	<u>10,410,256</u>	<u>19,091,579</u>	<u>10,256,257</u>	<u>28,258,136</u>	<u>15,328,035</u>
Operating expenses:					
Educational and general:					
Instruction	27,062,170	45,042,184	18,607,865	54,577,142	27,564,955
Public service	645,756	278,790	557,002	289,587	107,653
Academic support	9,181,203	9,124,503	3,114,011	10,244,194	5,231,523
Student services	6,696,207	9,278,973	5,747,952	10,425,433	5,447,192
Institutional support	5,359,981	4,831,792	5,745,805	12,803,972	4,748,253
Operation and maintenance of plant	9,113,773	10,377,798	3,733,378	11,206,234	6,357,953
Student financial assistance	13,941,394	21,499,327	5,283,060	24,060,397	6,089,220
Auxiliary enterprises	3,307,271	2,703,776	10,263,093	5,295,424	3,669,149
Depreciation	2,676,219	5,026,258	2,106,575	5,152,537	4,399,349
Other	-	-	-	-	-
Total operating expenses	<u>77,983,974</u>	<u>108,163,401</u>	<u>55,158,741</u>	<u>134,054,920</u>	<u>63,615,247</u>
Operating loss	(67,573,718)	(89,071,822)	(44,902,484)	(105,796,784)	(48,287,212)
Nonoperating revenues (expenses):					
Property taxes	40,232,713	57,196,977	28,370,908	68,228,757	36,130,762
State appropriations	592,389	1,061,851	366,124	1,276,162	527,066
State-shared sales tax	(22,156)	-	(33,117)	-	-
Government grants and contracts	25,633,191	34,629,932	15,240,575	41,562,434	10,673,725
Private grants and contracts	141,992	347,344	618,840	118,484	210,341
Private gifts	1,009,208	857,656	234,911	1,742,810	665,509
Investment earnings, net of investment expense	3,930	126	43	73	31
Interest expense on debt	-	-	-	-	(3,997)
Loss on sale/disposal of capital assets	<u>(27,755)</u>	<u>-</u>	<u>-</u>	<u>(5,455)</u>	<u>-</u>
Total nonoperating revenues and expenses	<u>67,563,512</u>	<u>94,093,886</u>	<u>44,798,284</u>	<u>112,923,265</u>	<u>48,203,437</u>
Income (loss) before other revenues, expenses, gains, or losses	(10,206)	5,022,064	(104,200)	7,126,481	(83,775)
Capital grants and gifts	<u>10,206</u>	<u>344,015</u>	<u>104,200</u>	<u>154,713</u>	<u>83,775</u>
Increase in net assets	<u>-</u>	<u>5,366,079</u>	<u>-</u>	<u>7,281,194</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>
\$ 36,314,705	\$ 2,711,588	\$ 13,755,565	\$ 10,220,588	\$ 7,042,881	\$ 2,266,810	\$ 150,442,550
<u>1,671,152</u>	<u>411,540</u>	<u>423,351</u>	<u>612,967</u>	<u>316,295</u>	<u>5,495,339</u>	<u>14,144,494</u>
<u>37,985,857</u>	<u>3,123,128</u>	<u>14,178,916</u>	<u>10,833,555</u>	<u>7,359,176</u>	<u>7,762,149</u>	<u>164,587,044</u>
29,418,982	11,649,936	23,598,447	20,555,402	15,521,253	1,083,721	274,682,057
7,980,858	735,885	231,350	202,975	266,037	4,943,428	16,239,321
11,899,183	4,806,605	6,047,219	4,246,548	3,493,065	6,953,564	74,341,618
6,200,886	3,570,378	4,071,533	4,749,900	4,302,851	3,417,726	63,909,031
10,622,383	4,122,316	5,339,447	4,471,390	4,298,625	44,565,886	106,909,850
3,859,417	3,704,687	6,418,479	4,531,697	3,985,855	3,574,242	66,863,513
19,064,726	6,538,991	8,324,909	5,654,098	9,176,027	576,933	120,209,082
15,494,327	804,964	1,180,575	1,411,048	4,118,369	2,170,605	50,418,601
2,635,687	2,379,618	4,465,006	3,429,591	2,487,174	4,289,529	39,047,543
-	-	-	-	-	1,119,247	1,119,247
<u>107,176,449</u>	<u>38,313,380</u>	<u>59,676,965</u>	<u>49,252,649</u>	<u>47,649,256</u>	<u>72,694,881</u>	<u>813,739,863</u>
(69,190,592)	(35,190,252)	(45,498,049)	(38,419,094)	(40,290,080)	(64,932,732)	(649,152,819)
55,684,842	21,654,189	34,493,492	27,104,641	23,537,936	74,177,739	466,812,956
1,311,025	230,581	649,910	456,763	419,329	-	6,891,200
-	-	-	-	-	7,767,554	7,712,281
37,229,891	12,852,115	13,772,501	10,492,038	16,624,034	3,893,073	222,603,509
1,659,232	33,304	44,228	127,464	2,139	298,140	3,601,508
4,190,149	422,486	634,702	236,920	281,471	4,000	10,279,822
1,342	-	13	-	-	2,638,370	2,643,928
-	-	-	-	-	(23,374,087)	(23,378,084)
<u>(2,670)</u>	<u>(3,423)</u>	<u>-</u>	<u>(3,732)</u>	<u>-</u>	<u>(520,859)</u>	<u>(563,894)</u>
<u>100,073,811</u>	<u>35,189,252</u>	<u>49,594,846</u>	<u>38,414,094</u>	<u>40,864,909</u>	<u>64,883,930</u>	<u>696,603,226</u>
30,883,219	(1,000)	4,096,797	(5,000)	574,829	(48,802)	47,450,407
<u>1,026</u>	<u>1,000</u>	<u>22,667</u>	<u>5,000</u>	<u>-</u>	<u>48,802</u>	<u>775,404</u>
<u>30,884,245</u>	<u>-</u>	<u>4,119,464</u>	<u>-</u>	<u>574,829</u>	<u>-</u>	<u>48,225,811</u>
Total net assets - July 1, 2011						<u>763,604,262</u>
Total net assets - June 30, 2012						\$ <u>811,830,073</u>

Maricopa County Community College District
Notes to Supplemental Information
For the Year Ended June 30, 2012

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, 2012, is required by the terms of a Memorandum of Understanding (MOU) between the Maricopa County Community College District (the District) and the Higher Learning Commission (HLC), a commission of the North Central Association of Colleges and Schools (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 and a distribution of District Support Services Center costs. Maricopa Skill Center is included with GateWay Community College and Southwest Skill Center is included with Estrella Mountain Community College.



Statistical Section

The Maricopa County Community College District (the District) implemented the provisions of Governmental Accounting Standards Board Statement No. 44, *Economic Condition Reporting: The Statistical Section*.

This section of the Maricopa County Community College District's comprehensive annual financial report presents detailed information as a context for further understanding of the information in the financial statements, note disclosures, and supplementary information.

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the District's most significant revenue sources.

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Information

These schedules contain service and capital asset data to help the reader understand how the information in the District's financial report relates to the services the government provides and the activities it performs.

Maricopa County Community College District
Schedule of Net Assets by Component
Last Ten Fiscal Years
(Dollars in Thousands)

	Fiscal Year				
	2011-12	2010-11	2009-10	2008-09	2007-08
Invested in capital assets, net of related debt	\$ 246,511	\$ 208,096	\$ 175,468	\$ 150,334	\$ 129,637
Restricted – nonexpendable	606	561	553	580	669
Restricted – expendable	134,913	157,455	161,236	173,756	169,006
Unrestricted	429,800	397,492	322,796	256,120	199,401
Total net assets	\$ 811,830	\$ 763,604	\$ 660,053	\$ 580,790	\$ 498,713

	Fiscal Year				
	2006-07	2005-06	2004-05	2003-04	2002-03
Invested in capital assets, net of related debt	\$ 109,963	\$ 103,429	\$ 102,171	\$ 123,051	\$ 104,498
Restricted – nonexpendable	921	1,040	1,002	893	871
Restricted – expendable	147,832	115,033	91,755	57,138	57,868
Unrestricted	159,161	135,415	119,194	107,089	104,126
Total net assets	\$ 417,877	\$ 354,917	\$ 314,122	\$ 288,171	\$ 267,363

Source: Comprehensive Annual Financial Reports for years presented.

Maricopa County Community College District
Schedule of Expenses by Identifiable Activity
Last Ten Fiscal Years
(Dollars in Thousands)

	Fiscal Year				
	2011-12	2010-11	2009-10	2008-09	2007-08
Instruction	\$ 274,682	\$ 266,455	\$ 259,910	\$ 262,226	\$ 252,671
Public service	16,239	15,979	16,409	15,180	13,776
Academic support	74,342	69,546	61,932	63,594	60,482
Student services	63,909	63,399 (2)	128,365 (1)	79,002	66,436
Institutional support	106,910	102,214	109,509 (1)	112,944	107,202
Operation and maintenance of plant	66,863	59,185	66,907 (1)	53,450	49,394
Student financial assistance	120,209	111,598 (2)	4,060 (1)	3,184	3,531
Auxiliary enterprises	50,419	43,124	50,056 (1)	64,611	58,990
Depreciation	39,048	36,744	36,330	30,751	28,821
Other	1,119	1,215	1,013	948	601
Total operating expenses	<u>813,740</u>	<u>769,459</u>	<u>734,491</u>	<u>685,890</u>	<u>641,904</u>
Interest expense on debt	23,378	24,192	26,309	23,364	23,825
Loss on sale/disposal of capital assets	564	109	8	-	181
Total nonoperating expenses	<u>23,942</u>	<u>24,301</u>	<u>26,317</u>	<u>23,364</u>	<u>24,006</u>
Total expenses	<u>\$ 837,682</u>	<u>\$ 793,760</u>	<u>\$ 760,808</u>	<u>\$ 709,254</u>	<u>\$ 665,910</u>

	Fiscal Year				
	2006-07	2005-06	2004-05	2003-04	2002-03
Instruction	\$ 252,772	\$ 237,735	\$ 216,254	\$ 201,072	\$ 187,296
Public service	13,269	13,552	14,729	13,465	13,907
Academic support	58,273	54,342	48,265	45,753	39,681
Student services	62,432	62,467	63,960	60,189	53,499
Institutional support	102,096	91,872	87,193	84,004	75,377
Operation and maintenance of plant	42,245	37,664	28,740	26,709	30,377
Student financial assistance	3,147	2,901	3,467	3,102	2,280
Auxiliary enterprises	63,643	63,601	59,790	54,795	44,912
Depreciation	28,166	22,470	25,047	21,193	24,236
Other	585	602	4,233	5,541	5,910
Total operating expenses	<u>626,628</u>	<u>587,206</u>	<u>551,678</u>	<u>515,823</u>	<u>477,475</u>
Interest expense on debt	18,040	17,365	13,709	12,618	14,421
Loss on sale/disposal of capital assets	-	-	326	-	198
Total nonoperating expenses	<u>18,040</u>	<u>17,365</u>	<u>14,035</u>	<u>12,618</u>	<u>14,619</u>
Total expenses	<u>\$ 644,668</u>	<u>\$ 604,571</u>	<u>\$ 565,713</u>	<u>\$ 528,441</u>	<u>\$ 492,094</u>

Source: Comprehensive Annual Financial Reports for years presented.

(1) As adjusted in fiscal year 2011.

(2) As adjusted in fiscal year 2012.

Maricopa County Community College District
Schedule of Expenses by Use
Last Ten Fiscal Years
(Dollars in Thousands)

	Fiscal Year				
	2011-12	2010-11	2009-10	2008-09	2007-08
Salaries and benefits	\$ 503,016	\$ 485,559	\$ 477,348	\$ 476,551	\$ 448,083
Contract services	57,597	51,583	48,031	51,283	52,067
Financial aid	127,529	118,305	97,300	44,665	36,330
Depreciation	39,048	36,744	36,330	30,751	28,821
Communications, utilities, and travel	24,512	22,562	21,258	20,827	20,979
Noncapitalized equipment	24,843	17,088	29,294	29,393	24,102
Supplies and materials	21,099	19,585	19,700	16,673	18,497
Subscriptions, dues, insurance, and rentals	10,391	9,477	9,421	9,802	9,698
Other expenses	5,705	8,556	8,380	5,945	3,327
Total operating expenses	<u>813,740</u>	<u>769,459</u>	<u>747,062</u>	<u>685,890</u>	<u>641,904</u>
Interest expense on debt	23,378	24,192	26,309	23,364	23,825
Loss on sale/disposal of capital assets	564	109	8	-	181
Total nonoperating expenses	<u>23,942</u>	<u>24,301</u>	<u>26,317</u>	<u>23,364</u>	<u>24,006</u>
Total expenses	<u>\$ 837,682</u>	<u>\$ 793,760</u>	<u>\$ 773,379</u>	<u>\$ 709,254</u>	<u>\$ 665,910</u>

	Fiscal Year				
	2006-07	2005-06	2004-05	2003-04	2002-03
Salaries and benefits	\$ 440,052	\$ 410,438	\$ 382,588	\$ 357,983	\$ 326,304
Contract services	53,373	48,746	44,639	39,951	38,071
Financial aid	36,565	37,481	41,981	38,714	33,634
Depreciation	28,166	22,470	25,047	21,192	24,236
Communications, utilities, and travel	19,762	19,431	18,505	17,213	17,131
Noncapitalized equipment	18,493	19,208	11,117	12,003	13,044
Supplies and materials	16,575	18,422	17,824	18,202	16,579
Subscriptions, dues, insurance, and rentals	9,441	8,511	7,225	6,964	6,473
Other expenses	4,201	2,499	2,752	3,601	2,003
Total operating expenses	<u>626,628</u>	<u>587,206</u>	<u>551,678</u>	<u>515,823</u>	<u>477,475</u>
Interest expense on debt	18,040	17,365	13,709	12,618	14,421
Loss on sale/disposal of capital assets	-	-	326	-	198
Total nonoperating expenses	<u>18,040</u>	<u>17,365</u>	<u>14,035</u>	<u>12,618</u>	<u>14,619</u>
Total expenses	<u>\$ 644,668</u>	<u>\$ 604,571</u>	<u>\$ 565,713</u>	<u>\$ 528,441</u>	<u>\$ 492,094</u>

Source: Comprehensive Annual Financial Reports for years presented.

Maricopa County Community College District
Schedule of Revenues by Source
Last Ten Fiscal Years
(Dollars in Thousands)

	Fiscal Year				
	2011-12	2010-11	2009-10	2008-09	2007-08
Tuition and fees, net of scholarship allowance	\$ 150,443	\$ 145,711	\$ 146,804 (1)	\$ 151,219	\$ 141,086
Other	14,144	16,621	14,874	12,538	12,860
Total operating revenues	<u>164,587</u>	<u>162,332</u>	<u>161,678</u>	<u>163,757</u>	<u>153,946</u>
Property taxes	466,813	460,519	453,615	443,029	399,567
State appropriations	6,891	45,327	45,327	51,128	57,529
State-shared sales tax	7,712	7,365	7,117	7,233	8,946
Government grants and contracts	222,604	205,301	156,707	99,708	74,690
Private grants and contracts	3,601	3,892	3,602	3,842	3,749
Private gifts	10,280	10,997	10,056	13,726	13,272
Investment income, net of investment expense	2,644	1,228	1,444	8,194	23,089
Gain on sale/disposal of capital assets	-	-	-	474	-
Total nonoperating revenues	<u>720,545</u>	<u>734,629</u>	<u>677,868</u>	<u>627,334</u>	<u>580,842</u>
Total revenues	<u>\$ 885,132</u>	<u>\$ 896,961</u>	<u>\$ 839,546</u>	<u>\$ 791,091</u>	<u>\$ 734,788</u>

	Fiscal Year				
	2006-07	2005-06	2004-05	2003-04	2002-03
Tuition and fees, net of scholarship allowance	\$ 141,232	\$ 127,543	\$ 116,027	\$ 102,641	\$ 91,855
Other	13,645	15,028	11,590	10,862	10,644
Total operating revenues	<u>154,877</u>	<u>142,571</u>	<u>127,617</u>	<u>113,503</u>	<u>102,499</u>
Property taxes	364,536	324,593	296,179	281,831	259,813
State appropriations	57,528	54,863	51,291	46,614	46,891
State-shared sales tax	10,255	8,436	7,712	5,926	5,208
Government grants and contracts	70,062	72,199	77,387	73,150	64,190
Private grants and contracts	4,566	4,052	3,202	3,435	3,136
Private gifts	12,386	9,962	10,504	10,595	9,887
Investment income, net of investment expense	21,267	16,947	7,127	3,710	(1,627)
Gain on sale/disposal of capital assets	69	207	-	26	-
Total nonoperating revenues	<u>540,669</u>	<u>491,259</u>	<u>453,402</u>	<u>425,287</u>	<u>387,498</u>
Total revenues	<u>\$ 695,546</u>	<u>\$ 633,830</u>	<u>\$ 581,019</u>	<u>\$ 538,790</u>	<u>\$ 489,997</u>

Source: Comprehensive Annual Financial Reports for years presented.

Note: Beginning in fiscal year 2008, government and private grants were reclassified from operating revenue to nonoperating revenue. Prior years have been reclassified for comparison purposes.

(1) As adjusted in fiscal year 2011.

Maricopa County Community College District
Schedule of Other Changes in Net Assets
Last Ten Fiscal Years
(Dollars in Thousands)

	Fiscal Year				
	2011-12	2010-11	2009-10	2008-09	2007-08
Income (loss) before other changes in net assets	\$ 47,450	\$ 103,201	\$ 78,737	\$ 81,838	\$ 68,878
Capital appropriations	-	-	-	-	11,204
Capital grants and gifts	776	351	526	238	754
Total change in net assets	<u>\$ 48,226</u>	<u>\$ 103,552</u>	<u>\$ 79,263</u>	<u>\$ 82,076</u>	<u>\$ 80,836</u>

	Fiscal Year				
	2006-07	2005-06	2004-05	2003-04	2002-03
Income (loss) before other changes in net assets	\$ 50,878	\$ 29,259	\$ 15,307	\$ 10,349	\$ (2,098)
Capital appropriations	11,422	10,978	10,372	8,310	8,310
Capital grants and gifts	659	558	272	2,149	279
Total change in net assets	<u>\$ 62,959</u>	<u>\$ 40,795</u>	<u>\$ 25,951</u>	<u>\$ 20,808</u>	<u>\$ 6,491</u>

Source: Comprehensive Annual Financial Reports for years presented.

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

Fiscal Year	Property Values Assessed			Total Direct Tax Rate	Total Secured and Unsecured Estimated Market Value	Total Secondary Assessed Value as a Percent of Total Market Value
	Secured	Unsecured	Total			
2011-12	\$ 37,474,985	\$ 1,285,312	\$ 38,760,297	\$ 1.2082	\$ 359,682,346	10.8 %
2010-11	48,247,443	1,415,100	49,662,543	0.9728	444,097,352	11.2
2009-10	56,523,957	1,460,095	57,984,052	0.8844	516,184,657	11.2
2008-09	56,831,715	1,471,920	58,303,635	0.9386	516,677,465	11.3
2007-08	48,136,309	1,398,265	49,534,574	0.9760	431,682,163	11.5
2006-07	34,922,001	1,372,693	36,294,694	1.0646	301,474,323	12.0
2005-06	31,886,842	1,310,376	33,197,218	1.0315	273,817,028	12.1
2004-05	28,811,532	1,255,455	30,066,987	1.0372	245,835,672	12.2
2003-04	26,405,899	1,072,089	27,477,988	1.0785	226,293,568	12.1
2002-03	23,303,140	1,153,907	24,457,047	1.1127	194,235,322	12.6

Source: Maricopa County Department of Finance and the Maricopa County Assessor.

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.

Secured includes centrally valued property, real property, and secured personal property. Unsecured is unsecured personal property.

**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 Direct Rate			Overlapping Rates					
	Primary Levy	Secondary Levy	Total	Maricopa County	Education Equalization	Central Arizona Water Conservation District	Other Special Districts	School Districts	Cities
2011-12	\$ 1.0123	\$ 0.1959	\$ 1.2082	\$ 1.47	\$.43	\$.10	\$ 0 - 4.05	\$.76 - 10.80	\$ 0 - 2.91
2010-11	0.7926	0.1802	0.9728	1.24	.36	.10	0 - 3.30	.71 - 10.80	0 - 2.44
2009-10	0.7246	0.1598	0.8844	1.16	.33	.10	0 - 3.30	.78 - 10.84	0 - 2.51
2008-09	0.7752	0.1634	0.9386	1.20	.00	.10	0 - 3.30	.69 - 12.72	0 - 2.30
2007-08	0.8246	0.1514	0.9760	1.30 (1)	.00	.10	0 - 3.86	.94 - 8.76	0 - 2.67
2006-07	0.8815	0.1831	1.0646	1.43 (1)	.00	.12	0 - 3.86	.88 - 14.72	0 - 2.97
2005-06	0.8936	0.1379	1.0315	1.46 (1)	.44	.12	0 - 3.86	1.02 - 14.33	0 - 2.43
2004-05	0.9211	0.1161	1.0372	1.47	.46	.12	1 - 3.86	1.09 - 14.35	0 - 2.41
2003-04	0.9410	0.1375	1.0785	1.54	.47	.12	0 - 3.65	.77 - 11.81	0 - 2.67
2002-03	0.9634	0.1493	1.1127	1.54	.49	.13	0 - 5.10	.47 - 13.65	0 - 2.04

Source: District records and Maricopa County Department of Finance.

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

(1) Data updated in fiscal year 2009.

**Maricopa County Community College District
Principal Taxpayers
Current Year and Nine Years Ago**

Taxpayer	Fiscal Year 2011-12			Fiscal Year 2002-03		
	2011-2012 Secondary Assessed Value	Rank	Percentage of 2011-2012 Secondary Assessed Value	2002-2003 Secondary Assessed Value	Rank	Percentage of 2002-2003 Secondary Assessed Value
Arizona Public Service Company	\$ 1,085,693,628	1	2.80 %	\$ 692,140,346	1	2.83 %
Qwest Corporation / US West	212,962,750	2	0.55	365,985,185	2	1.50
Southwest Gas Corporation	148,277,858	3	0.38	121,237,144	6	0.50
Southern California Edison Co.	145,171,831	4	0.37	169,400,620	3	0.69
Intel Corporation	142,572,176	5	0.37	108,498,798	7	0.44
El Paso Electric Co.	126,581,044	6	0.33	142,067,483	5	0.58
Mesquite Power LLC	85,000,000	7	0.22	*		
Gila River Power, LP	82,204,800	8	0.21	*		
Public Service Company of New Mexico	74,749,614	9	0.19	80,746,508	8	0.33
Verizon Wireless	72,168,016	10	0.19	*		
Motorola Computer Group	*			142,149,454	4	0.58
AT&T	*			77,432,255	9	0.32
Cox Communication	*			65,991,170	10	0.27
Total Principal Taxpayers	\$ 2,175,381,717		5.61 %	\$ 1,965,648,963		8.04 %
Countywide Secondary Valuation	\$38,760,296,714			\$24,457,047,282		

* Taxpayers did not fall within the top 10 for the year identified.

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 2011 is \$651,121,529.

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

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)			Collected within the Fiscal Year of the Levy		Total Collections to Date		
	Adjustments	Total Adjusted Levy	Amount	Percentage of Original Levy	Collections in Subsequent Years	Amount	Percentage of Adjusted Levy	
2011-12	\$ 389,873,218	\$ (2,547,361)	\$ 387,325,857	\$377,344,288	96.79 %	\$ -	\$377,344,288	97.42 %
2010-11	370,496,996	(4,825,270)	365,671,726	356,210,394	96.14	8,767,873	364,978,267	99.81
2009-10	360,956,407	(4,142,815)	356,813,592	345,601,360	95.75	10,664,527	356,265,887	99.85
2008-09	348,288,338	(2,876,288)	345,412,050	334,032,370	95.91	11,020,892	345,053,262	99.90
2007-08	322,620,948	(2,787,222)	319,833,726	311,374,459	96.51	8,283,839	319,658,298	99.95
2006-07	298,843,188	(3,332,445)	295,510,743	289,283,824	96.80	6,093,812	295,377,636	99.95
2005-06	277,063,231	(3,225,159)	273,838,072	268,737,564	97.00	4,955,410	273,692,974	99.95
2004-05	258,792,496	(2,945,966)	255,846,530	251,769,652	97.29	3,939,784	255,709,436	99.95
2003-04	239,708,940	(2,159,484)	237,549,456	232,995,411	97.20	4,348,789	237,344,200	99.91
2002-03	220,138,194	(1,878,988)	218,259,206	213,978,155	97.20	3,977,387	217,955,542	99.86

Sources: Maricopa County Treasurer and District records.

Notes: Pursuant to Arizona Revised Statutes, the amount of total primary property taxes levied is limited. 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. The levy can grow by 2% each year.

The amounts above represent collections relative to the tax levy period, and will not match amounts presented in the financial statements.

**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
2011-12	\$ 74.00	\$ 2.00	\$ 76.00	\$ 2,280.00	\$ 150.00	7.04 %
2010-11	69.00	2.00	71.00	2,130.00	0.00	-
2009-10	69.00	2.00	71.00	2,130.00	0.00	-
2008-09	69.00	2.00	71.00	2,130.00	180.00	9.23
2007-08	63.50	1.50	65.00	1,950.00	0.00	-
2006-07	63.50	1.50	65.00	1,950.00	150.00	8.33
2005-06	58.50	1.50	60.00	1,800.00	150.00	9.09
2004-05	53.50	1.50	55.00	1,650.00	120.00	7.84
2003-04	38.50	12.50	51.00	1,530.00	150.00	10.87
2002-03	33.50	12.50	46.00	1,380.00	90.00	6.98

**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 (3)	
	Annual Cost	Percent Change	Annual Cost	Percent Change	Annual Cost	Percent Change
2011-12	\$ 2,280.00	7.04 %	\$ 2,877.00 (2)	17.96 %	\$ 9,525.00	28.53 %
2010-11	2,130.00	-	2,439.00	6.74	7,411.00	16.27
2009-10	2,130.00	-	2,285.00	6.98	6,374.00	14.95
2008-09	2,130.00	9.23	2,136.00	3.64	5,545.00	12.04
2007-08	1,950.00	-	2,061.00	2.13	4,949.00	6.16
2006-07	1,950.00	8.33	2,018.00	4.29	4,662.00	5.28
2005-06	1,800.00	9.09	1,935.00	4.65	4,428.00	8.69
2004-05	1,650.00	7.84	1,849.00	8.64	4,074.00	13.39
2003-04	1,530.00	10.87	1,702.00	14.77	3,593.00	39.10
2002-03	1,380.00	6.98	1,483.00	7.46	2,583.00	3.90

Source: District records.

Note 1: U.S. Department of Education, National Center for Education Statistics, 2009-10 and 2010-11 Integrated Postsecondary Education Data System (IPEDS).

Note 2: Estimates provided by U.S. Department of Education and District Budget Office.

Note 3: Arizona Board of Regents, Tuition History.

Maricopa County Community College District
Schedule of Ratios of Outstanding Debt
Last Ten Fiscal Years
(Dollars in Thousands, except for per capita, per student and per FTSE)

	For the Fiscal Year Ended June 30				
	2012	2011	2010	2009	2008
General Bonded Debt					
General obligation bonds	\$ 671,250	\$ 737,930	\$ 653,040	\$ 727,390	\$ 557,390
Per capita	\$ 174.65	\$ 192.97	\$ 162.31	\$ 182.40	\$ 142.65
Per student	\$ 2,726.84	\$ 2,891.03	\$ 2,682.55	\$ 3,147.51	\$ 2,432.59
Per FTSE	\$ 8,085.01	\$ 8,728.35	\$ 8,356.34	\$ 10,376.61	\$ 8,190.29
Other Debt					
Revenue bonds	\$ 1,240	\$ 12,585	\$ 14,000	\$ 15,905	\$ 18,300
Capital lease obligations	72	94	115	136	211
Total outstanding debt	<u>\$ 672,562</u>	<u>\$ 750,609</u>	<u>\$ 667,155</u>	<u>\$ 743,431</u>	<u>\$ 575,901</u>
Per capita	\$ 174.99	\$ 196.29	\$ 165.82	\$ 186.42	\$ 147.38
Per student	\$ 2,732.17	\$ 2,940.70	\$ 2,740.53	\$ 3,216.92	\$ 2,513.38
Per FTSE	\$ 8,100.81	\$ 8,878.32	\$ 8,536.96	\$ 10,605.44	\$ 8,462.29

	For the Fiscal Year Ended June 30				
	2007	2006	2005	2004	2003
General Bonded Debt					
General obligation bonds	\$ 609,320	\$ 399,805	\$ 424,710	\$ 261,015	\$ 284,815
Per capita	\$ 160.66	\$ 109.58	\$ 120.51	\$ 74.61	\$ 84.05
Per student	\$ 2,598.11	\$ 1,677.33	\$ 1,774.70	\$ 1,101.69	\$ 1,220.62
Per FTSE	\$ 8,759.44	\$ 5,709.46	\$ 5,949.40	\$ 3,804.22	\$ 4,393.53
Other Debt					
Revenue bonds	\$ 20,605	\$ 23,360	\$ 25,975	\$ 29,005	\$ 24,600
Capital lease obligations	419	556	692	335	67
Total outstanding debt	<u>\$ 630,344</u>	<u>\$ 423,721</u>	<u>\$ 451,377</u>	<u>\$ 290,355</u>	<u>\$ 309,482</u>
Per capita	\$ 166.20	\$ 116.13	\$ 128.08	\$ 82.99	\$ 91.33
Per student	\$ 2,687.76	\$ 1,777.67	\$ 1,886.13	\$ 1,225.52	\$ 1,326.33
Per FTSE	\$ 9,061.68	\$ 6,051.00	\$ 6,322.96	\$ 4,231.84	\$ 4,774.04

Source: Comprehensive Annual Financial Reports for years presented, Office of Employment and Population Statistics, and District records.

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

Fiscal Year	Gross Revenues (1)	Debt Service Requirements			Coverage Ratio
		Principal	Interest	Total	
2011-12	\$ 272,839,165	\$ 830,000	\$ 33,000	\$ 863,000	316.2
2010-11	256,779,951	795,000	533,980	1,328,980	193.2
2009-10	236,571,816	1,415,000	580,081	1,995,081	118.6
2008-09	216,932,185	1,905,000	649,415	2,554,415	84.9
2007-08	215,355,081	2,395,000	728,534	3,123,534	68.9
2006-07	209,985,122	2,305,000	806,652	3,111,652	67.5
2005-06	192,425,062	2,755,000	899,566	3,654,566	52.7
2004-05	167,403,439	2,615,000	1,017,282	3,632,282	46.1
2003-04	149,341,439	3,030,000	1,145,310	4,175,310	35.8
2002-03	127,539,244	3,250,000	952,916	4,202,916	30.3

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.

(1) Gross revenues were restated in fiscal year 2012 to reflect a more comprehensive interpretation of the term as defined by the bond indentures.

**Maricopa County Community College District
Computation of Legal Debt Margin
Last Ten Fiscal Years**

	Fiscal Year				
	2011-12	2010-11	2009-10	2008-09 (1)	2007-08
Debt Limit	\$5,814,044,507	\$7,449,381,543	\$8,697,607,758	\$8,745,545,293	\$ 7,430,186,075
Total net debt applicable to limit	<u>615,066,983</u>	<u>671,250,000</u>	<u>587,930,000</u>	<u>653,040,000</u>	<u>507,390,000</u>
Legal debt margin	<u>\$5,198,977,524</u>	<u>\$6,778,131,543</u>	<u>\$8,109,677,758</u>	<u>\$8,092,505,293</u>	<u>\$ 6,922,796,075</u>
Total net debt applicable to the limit as a percentage of debt limit	10.58%	9.01%	6.76%	7.47%	6.83%

	Fiscal Year				
	2006-07	2005-06	2004-05	2003-04	2002-03
Debt Limit	\$5,444,204,040	\$4,979,582,760	\$4,510,048,001	\$4,121,698,129	\$ 3,668,557,092
Total net debt applicable to limit	<u>557,390,000</u>	<u>369,320,000</u>	<u>399,805,000</u>	<u>234,440,000</u>	<u>261,015,000</u>
Legal debt margin	<u>\$4,886,814,040</u>	<u>\$4,610,262,760</u>	<u>\$4,110,243,001</u>	<u>\$3,887,258,129</u>	<u>\$ 3,407,542,092</u>
Total net debt applicable to the limit as a percentage of debt limit	10.24%	7.42%	8.86%	5.69%	7.11%

Legal Debt Margin Calculation for Fiscal Year 2011-12

Secondary Assessed Value of Real and Personal Property	\$38,760,296,714
Debt Limit, 15% of Secondary Assessed Value	<u>5,814,044,507</u>
Amount of Debt Applicable to Debt Limit:	
General Obligation Bonded Debt	671,250,000
Capital Leases	71,983
Amount Available for Debt Repayment	<u>(56,255,000)</u>
Total Debt Applicable to Debt Limit	<u>615,066,983</u>
Legal Debt Margin	<u>\$ 5,198,977,524</u>

Note: The Arizona Constitution, Article 9, Section 8, states that a county or school district may become indebted for an amount not to exceed fifteen percent of taxable property. For fiscal year 2011-12, the District was at 1.59%.

(1) Data corrected in fiscal year 2010.

**Maricopa County Community College District
Schedule of Demographic and Economic Statistics
Last Ten Fiscal Years**

<u>Year</u>	<u>County Population</u>	<u>County Personal Income (In Thousands)</u>	<u>County Income per Capita</u>	<u>Phoenix Metro Area Unemployment Rate – June</u>
2012	3,843,370	Not Available (1)	Not Available (1)	7.4 %
2011	3,824,058	Not Available (1)	Not Available (1)	9.1
2010	4,023,331	Not Available (1)	Not Available (1)	9.9
2009	3,987,942	\$ 142,091,618	\$ 35,319	9.6
2008	3,907,492	146,898,132	37,112	5.2
2007	3,792,675	145,880,680	37,666	3.1
2006	3,648,545	139,069,591	36,829	3.7
2005	3,638,481	126,010,741	34,551	4.2
2004	3,498,347	114,049,001	32,561	4.7
2003	3,389,229	104,665,923	30,862	5.6

Source: Arizona Department of Administration, Office of Employment and Population Statistics at www.azstats.gov.

Notes: (1) Information not available at date of report. Future data will be added as it becomes available.

All information given for Maricopa County unless otherwise indicated.

Population figures are estimates as of July 1 of each fiscal year.

Amounts obtained are based on estimates which are periodically updated. The numbers provided reflect the most accurate estimates.

**Maricopa County Community College District
Top 10 Employers in Maricopa County
(Ranked by the number of full-time equivalent employees in Arizona)
Current Year and Nine Years Ago**

<u>Employer</u>	<u>Fiscal Year 2011-12</u>			<u>Fiscal Year 2002-03</u>		
	<u>Number of Full-Time Equivalent Employees in Arizona</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Number of Full-Time Equivalent Employees in Arizona</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
State of Arizona	49,800	1	2.85 %	49,849	1	3.01 %
Wal-Mart Stores, Inc.	30,634	2	1.75	15,895	2	0.96
Banner Health System	24,825	3	1.42	15,521	4	0.94
City of Phoenix	15,100	4	0.86	13,156	7	0.79
Wells Fargo & Company	13,308	5	0.76	*		
			-			
Bank of America	13,300	6	0.76	*		
Maricopa County	12,792	7	0.73	15,523	3	0.94
Raytheon Co.	11,500	8	0.66	*		
Arizona State University	11,185	9	0.64	*		
Apollo Group, Inc.	11,000	10	0.63	*		
Honeywell Aerospace	*			15,000	5	0.90
The Kroger Co.	*			13,500	6	0.81
US Postal Service - AZ District	*			11,406	8	0.69
Motorola Inc.	*			10,600	9	0.64
Intel Corporation	*			10,000	10	0.60
Total Principal Employers	193,444		11.06 %	170,450		10.28 %
Total Employment in Maricopa County as of June 30	1,749,214			1,658,247		

* Employers did not fall within the top 10 for the year identified.

Source: The Business Journal, Book of Lists.

Arizona Department of Administration, Office of Employment and Population Statistics at www.azstats.gov for total employment in Maricopa County.

**Maricopa County Community College District
Employee Statistics
Last Ten Fiscal Years**

	For the Fiscal Year Ended June 30				
	2012	2011	2010	2009	2008
Faculty					
Part-time	5,967	5,104	5,764	5,424	4,995
Full-time	1,361	1,349	1,354	1,340	1,373
Administrative & support staff	3,026	3,024	3,012	3,050	3,064
Total employees	10,354	9,477	10,130	9,814	9,432
Students per faculty member	34	40	34	34	36
Students per staff member	81	84	81	76	75
Average class size	22	22	22	22	22

	For the Fiscal Year Ended June 30				
	2007	2006	2005	2004	2003
Faculty					
Part-time	6,061	6,131	4,886	4,487	3,142
Full-time	1,376	1,386	1,307	1,275	1,237
Administrative & support staff	2,914	2,942	2,861	2,763	2,678
Total employees	10,351	10,459	9,054	8,525	7,057
Students per faculty member	32	32	39	41	53
Students per staff member	80	81	84	86	87
Average class size	21	22	19	18	18

Source: Comprehensive Annual Financial Reports for years presented and District records.

**Maricopa County Community College District
Enrollment and Degree Statistics
Last Ten Fiscal Years**

Historic Headcount

<u>College/Center</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>
Phoenix	19,525	21,392	20,247	18,874	18,709	20,275	20,927	20,872	22,480	22,296
Glendale	32,854	32,962	32,378	29,840	29,936	30,767	32,201	33,694	34,360	33,888
GateWay	11,674	13,266	14,159	13,549	14,350	15,633	16,063	15,947	15,918	16,251
Mesa	40,070	41,836	41,759	39,605	39,860	41,594	43,371	45,098	43,931	41,941
Scottsdale	17,474	17,702	17,492	17,343	17,618	17,866	18,719	19,000	19,639	20,028
Rio Salado	56,031	57,746	52,634	50,784	49,806	48,761	46,806	44,203	41,280	38,419
South Mountain	8,027	10,186	9,490	8,905	7,799	7,212	7,534	7,308	7,200	6,587
Chandler-Gilbert	19,611	17,938	16,388	15,696	15,101	14,033	13,240	12,707	12,416	12,179
Paradise Valley	15,246	16,046	15,673	14,633	14,159	14,006	13,958	13,640	13,004	12,480
Estrella Mountain	12,508	12,612	11,636	10,551	10,026	9,938	9,886	9,705	9,040	8,922
Skill Centers	2,016	2,298	2,471	2,097	1,527	1,815	1,757	1,791	3,019	2,599
Adult Basic Education	11,128	11,264	9,113	9,223	10,243	12,624	13,896	15,349	14,636	17,747
Total	246,164	255,248	243,440	231,100	229,134	234,524	238,358	239,314	236,923	233,337

Historic FTSE

<u>College/Center</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>
Phoenix	7,137	7,576	6,821	5,911	5,848	6,253	6,546	6,847	6,908	6,761
Glendale	12,728	12,777	11,959	10,428	10,023	10,248	10,566	11,242	11,017	10,681
GateWay	3,567	3,897	3,823	3,661	3,677	3,805	3,847	3,728	3,703	3,441
Mesa	15,363	16,097	15,501	13,792	13,653	14,432	14,999	15,804	15,116	14,410
Scottsdale	6,350	6,397	6,312	5,896	5,949	5,926	6,006	6,359	6,396	6,210
Rio Salado	14,263	14,378	12,220	11,937	12,230	12,127	11,620	10,949	9,939	8,771
South Mountain	2,778	2,954	2,746	2,251	2,086	2,052	2,067	2,094	2,014	1,838
Chandler-Gilbert	7,830	7,206	6,465	5,677	5,326	4,803	4,501	4,432	4,230	3,849
Paradise Valley	5,503	5,715	5,505	4,826	4,368	4,451	4,378	4,288	3,970	3,724
Estrella Mountain	4,709	4,739	4,184	3,416	3,087	3,045	2,887	2,986	2,587	2,461
Skill Center	1,187	1,471	1,530	1,309	629	727	780	897	998	1,114
Adult Basic Education	1,609	1,337	1,083	995	1,179	1,692	1,828	1,761	1,734	1,566
Total	83,024	84,544	78,149	70,099	68,055	69,561	70,025	71,387	68,612	64,826

Degrees and Certificates Awarded

	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>
Associate of Arts	4,360	4,007	3,173	2,853	2,505	2,330	1,897	1,481	825	616
Associate of Applied Science	3,049	2,900	2,838	2,708	2,505	2,331	2,233	2,056	1,954	1,687
Associate of Business	732	562	526	408	336	293	244	179	139	99
Associate of General Studies	604	601	651	692	740	896	1,042	1,326	1,626	1,546
Associate in Science	630	524	418	395	307	292	237	169	66	44
Associate of Transfer Partnership	11	12	68	189	322	426	512	569	568	510
Academic Certificate	72	41	30	20	6	13	-	-	-	-
Certificates of Completion										
in Occupational Programs	8,589	7,467	5,768	7,166	7,814	8,123	11,107	9,330	8,647	7,390
Arizona General Education Certificate	5,900	5,276	4,312	3,762	2,833	4,650 (1)				

Source: District records.

Notes: (1) Fiscal year 2007 was the first year the Arizona General Education Certificate is being reported as a separate item. In previous years, this number was included in the Certificates of Completion in Occupational Programs number.

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).

The calculation used to determine the number of degrees and certificates awarded changed for fiscal year 2007. All previous years numbers shown using the old calculation.

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

Fiscal Year	Attendance		Enrollment Status			Residency		
	FT	PT	Continuing	New	Former	Resident	Out of County	Out of State
2011-12	29 %	71 %	45 %	41 %	14 %	91 %	3 %	6 %
2010-11	28	72	43	42	15	89	3	8
2009-10	28	72	41	43	16	89	3	8
2008-09	25	75	41	42	17	88	2	10
2007-08	25	75	46	39	15	88	2	10
2006-07	24	76	46	39	15	92	3	5
2005-06	24	76	47	38	15	92	3	5
2004-05	25	75	47	38	15	92	3	5
2003-04	25	75	47	38	15	92	3	5
2002-03	23	77	45	40	15	93	2	5

Fiscal Year	Gender		Ethnic Background						Median Age
	M	F	Native American	Asian	African American	Hispanic	Anglo	Other	
2011-12	43 %	57 %	3 %	5 %	9 %	22 %	53 %	8 %	23
2010-11	43	57	3	4	8	21	55	9	22
2009-10	43	57	3	4	7	20	55	11	22
2008-09	43	57	3	4	6	20	58	9	22
2007-08	43	57	3	4	6	19	58	10	22
2006-07	42	58	3	4	5	20	58	10	23
2005-06	43	57	3	4	5	19	58	11	23
2004-05	43	57	3	3	5	18	59	12	23
2003-04	43	57	3	4	5	17	59	12	24
2002-03	44	56	3	4	5	17	60	11	24

Source: District records.

Maricopa County Community College District
Schedule of Capital Asset Information
Last Seven Fiscal Years

Location	Fiscal Year						
	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
Phoenix							
Total Square Footage	699,830	643,816	609,814	609,814	595,300	575,500	575,500
Total Acreage	65.7	63.8	61.5	61.5	61.5	61.5	61.8
Glendale							
Total Square Footage	820,986	820,986	820,986	820,986	735,100	735,100	652,200
Total Acreage	314.0	314.0	314.0	314.0	314.0	314.0	223.0
GateWay							
Total Square Footage	406,074	373,426	373,426	373,426	373,200	373,200	373,200
Total Acreage	42.0	42.0	42.0	42.0	42.0	42.0	41.8
Mesa							
Total Square Footage	997,758	997,758	961,956	982,072	911,219	834,519	820,100
Total Acreage	248.9	248.9	248.3	248.8	248.3	243.3	243.0
Scottsdale							
Total Square Footage	566,167	566,926	559,058	562,058	511,900	510,600	505,300
Total Acreage	168.0	168.0	162.0	162.0	162.0	162.0	162.2
Rio Salado							
Total Square Footage	445,084	409,365	357,028	284,562	445,770	244,285	154,600
Total Acreage	31.0	29.0	19.0	15.0	15.0	15.0	10.0
South Mountain							
Total Square Footage	301,490	301,490	249,885	249,885	247,000	246,700	243,000
Total Acreage	148.8	148.8	148.8	148.8	148.8	148.8	99.9
Chandler-Gilbert							
Total Square Footage	580,329	580,329	562,434	504,988	450,000	446,000	439,200
Total Acreage	173.3	173.3	174.3	174.3	174.3	174.3	173.9
Paradise Valley							
Total Square Footage	424,311	424,311	420,566	420,566	371,900	371,900	21,900
Total Acreage	171.0	171.0	171.0	159.0	159.0	165.0	157.0
Estrella Mountain							
Total Square Footage	281,973	281,973	281,973	250,388	250,000	250,000	251,000
Total Acreage	216.0	216.0	216.0	216.0	216.0	216.0	216.1
District Services Support Center							
Total Square Footage	291,299	291,299	291,299	291,299	280,705	240,066	190,400
Total Acreage	9.8	9.8	9.8	9.8	9.8	7.6	5.7
Totals for District:							
Total Square Footage	5,815,301	5,691,679	5,488,425	5,350,044	5,172,094	4,827,870	4,226,400
Total Acreage	1,588.5	1,584.6	1,566.7	1,551.2	1,550.7	1,549.5	1,394.4

Source: District records.

Notes: Information is displayed since the implementation of GASB 44 in FY 2005-06. Additional information for future years will be displayed as it becomes available.



MARICOPA
COMMUNITY
COLLEGES



Comprehensive Annual Financial Report

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