

Maricopa County Community College District

Annual Budgeted Expenditure
Limitation Report

Year Ended June 30, 2023

A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent accountants' report

Members of the Arizona State Legislature

The Governing Board of
Maricopa County Community College District

Annual Budgeted Expenditure Limitation Report

We have examined the accompanying Annual Budgeted Expenditure Limitation Report (report) of Maricopa County Community College District for the year ended June 30, 2023, and the related notes to the report. The District's management is responsible for presenting this report in accordance with the Uniform Expenditure Reporting System as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

Accountants' responsibilities

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

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

Opinion

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

Emphasis of matter

As described in Part I of the report, the District reported it intentionally violated Arizona Constitution, Article IX, §21, and exceeded its expenditure limitation by \$55,304,435 for the year ended June 30, 2023. In lieu of the penalties prescribed in A.R.S. §41-1279.07(l) for exceeding the expenditure limitation, the District's penalty will be reduced to \$20,000 pursuant to Laws 2022, Ch. 367. Although the District has sufficient prior-year unexpended carryforward revenues available for it to use to be under the expenditure limitation, the District did not use these carryforward revenues although it has had a longstanding historical practice of doing so prior to the year ended June 30, 2022. Our opinion is not modified with respect to this matter.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

July 31, 2024

**Maricopa County Community College District
Annual Budgeted Expenditure Limitation Report—Part I
Year ended June 30, 2023**

1. Economic Estimates Commission expenditure limitation	\$470,676,039
2. Total amount subject to the limitation (from Part II, line C)	<u>525,980,474</u>
3. Amount in excess of the expenditure limitation	<u>\$ (55,304,435)</u>

In July 2022, the Arizona state legislature passed and the governor approved Laws 2022, Ch. 367, Sec. 1(3) (House Bill 2017), setting the penalties for community college districts that exceed their expenditure limitation as prescribed in Article IX, §21, of the Arizona Constitution. For fiscal year 2022-2023, the District shall have \$20,000 of state aid withheld for exceeding the limit by greater than ten percent but less than twelve percent of the expenditure limitation. The District claimed enough exclusions to have the amount in excess of the expenditure limitation to be an amount that allows the District to take advantage of the reduced penalty.

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

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

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

Telephone number: (480) 731-8584 Date: July 31, 2024

See accompanying notes to report.

**Maricopa County Community College District
Annual Budgeted Expenditure Limitation Report—Part II
Year ended June 30, 2023**

Description	<u>Total</u>
A. Total budgeted expenditures	\$ 1,037,569,434
B. Less exclusions claimed:	
Debt service requirements (Note 2)	41,529,298
Dividends, interest, and gains on the sale or redemption of investment securities (Note 3)	10,245,130
Grants, aid, or contributions from the federal government, the State of Arizona, other political subdivisions, tribal governments, or special taxing districts (Note 4)	207,632,185
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 5)	10,903,949
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 6)	9,671,152
Contracts with other political subdivisions or tribal governments (Notes 4 and 10)	7,341,728
Tuition and fees (Note 7)	182,785,497
Amounts earned through research and entrepreneurial activities (Note 9)	2,369,358
Amounts received from the State of Arizona for workforce development in accordance with A.R.S. §15-1472 (Note 10)	13,710,146
Prior years carryforward (Note 8)	<u>25,400,517</u>
Total exclusions claimed	<u>511,588,960</u>
C. Amounts subject to the expenditure limitation	<u>\$ 525,980,474</u>

See accompanying notes to report.

Maricopa County Community College District

Notes to Annual Budgeted Expenditure Limitation Report

Year ended June 30, 2023

Note 1 - Summary of significant accounting policies

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

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

Note 2

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

Note 3

The exclusion claimed for expended dividends, interest, and gains on the sale or redemption of investment securities of \$10,245,130 is less than the revenue amount reported on the statement of revenues, expenses, and changes in net position—primary government. The difference is explained below:

Statement of revenues, expenses, and changes in net position—primary government:		Annual budgeted expenditure limitation report:	
Investment earnings, net of investment expense	<u>\$13,891,465</u>	Dividends, interest, and gains on the sale or redemption of investment securities	\$10,245,130
		Amount carried forward	2,542,737
		Interest income on retirement of indebtedness fund—not taken as an exclusion and not carried forward to future years under the expenditure limitation requirements	1,039,013
		Investment income in loan and endowment funds—not reported on ABELR	<u>64,585</u>
Total	<u>\$13,891,465</u>	Total	<u>\$13,891,465</u>

Maricopa County Community College District

Notes to Annual Budgeted Expenditure Limitation Report

Year ended June 30, 2023

Note 4

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

Statement of revenues, expenses, and changes in net position— primary government:		Annual budgeted expenditure limitation report:	
Government grants and contracts	\$203,078,146	Grants, aid, or contributions from the federal government, the State of Arizona, other political subdivisions, tribal governments, or special taxing districts	\$207,632,185
Smart and Safe AZ fund appropriations	<u>27,809,051</u>	Contracts with other political subdivisions or tribal governments	<u>6,810,648</u>
		Total exclusions claimed	<u>214,442,833</u>
		Nonexcludable revenues	555,624
		Unspent, excludable revenues carried forward	<u>15,888,740</u>
Total	<u>\$230,887,197</u>	Total	<u>\$230,887,197</u>

Note 5

Of the amounts expended from private grants and contracts and private gifts reported on the statement of revenues, expenses, and changes in net position—primary government of \$20,161,731, exclusions claimed of \$10,903,949 are amounts for grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes, in addition to the unspent \$9,208,378 carried forward to future years. The difference of \$49,404 represents nonexcludable fiduciary activities that are reported on the financial statements but not excludable for ABELR purposes.

Note 6

The Maricopa County Community College District Governing Board approved the accumulation of \$32,799,411 for the purpose of capital expenditures. Of this amount, \$9,671,152 was expended on the purchase of land, buildings, or improvements or construction of buildings or improvements and claimed as an exclusion while \$23,128,259 was not eligible to be carried forward under the expenditure limitation requirements.

Note 7

The District does not budget tuition and fees revenues net of scholarship allowances. Of the gross tuition and fees of \$182,832,255 reported on the statement of revenues, expenses, and changes in net position—primary government, \$181,477,013 was expended and an exclusion claimed for tuition and fees, \$37,410 of fees reported on the financial statements were nonexcludable fiduciary activities but were not excluded for ABELR purposes, and the remaining, unspent excludable revenues of \$1,317,832 have been carried forward to future years. The entire amount of the gross bookstore, concessions, and athletic ticket sales revenue of \$1,308,484 that is included in other revenue on the statement of revenues, expenses, and changes in net position—primary government was also claimed as an exclusion for a total of \$182,785,497 excluded as tuition and fees.

**Maricopa County Community College District
Notes to Annual Budgeted Expenditure Limitation Report
Year ended June 30, 2023**

Note 8

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

Description	Total
Tuition and fees	\$ 5,193,739
Dividends, interest, and gains on the sale or redemption of investment securities	<u>20,206,778</u>
Total prior years carryforward expended	<u>\$25,400,517</u>

Note 9

Amounts earned through research and entrepreneurial activities are included in other revenue on the statement of revenues, expenses, and changes in net position-primary government. Of the excludable revenue, \$2,369,358 was expended and claimed as an exclusion.

Note 10

The District recorded revenue of \$19,336,531 for proposition 301 sales tax revenues received for the District and its charter schools as State-shared sales taxes on the statement of revenues, expenses, and changes in net position-primary government. Of these excludable revenues, \$13,710,146 is recorded as amounts received from the State of Arizona for workforce development in accordance with A.R.S. §15-1472 and \$531,080 is recorded in the line item contracts with other political subdivisions or tribal governments. The remaining unspent, excludable revenues of \$5,095,305 have been carried forward to future years.

Note 11

Revenues that are constitutionally excludable and unexpended in the year of receipt may be accumulated and excluded in future years when spent. A summary of the accumulated revenue sources and their balances is shown in the table below:

**Maricopa County Community College District
Notes to Annual Budgeted Expenditure Limitation Report
Year ended June 30, 2023**

Description	Balance June 30, 2022	Carryforward added	Carryforward used	Balance June 30, 2023
Debt proceeds	\$ 3,526,673			\$ 3,526,673
Dividends, interest, and gains on the sale or redemption of investment securities	54,650,919	\$ 2,542,737	\$20,206,778	36,986,878
Grants, aid, or contributions from the federal government, the State of Arizona, other political subdivisions, tribal governments, or special taxing districts	23,921,877	15,124,307		39,046,184
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	2,117,770	9,208,378		11,326,148
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	18,431,430			18,431,430
Contracts with other political subdivisions or tribal governments	1,541,031	764,433		2,305,464
Tuition and fees	161,815,189	1,317,832	5,193,739	157,939,282
Amounts received from the State of Arizona for workforce development in accordance with A.R.S. §15-1472	<u>19,961,097</u>	<u>5,095,305</u>	<u> </u>	<u>25,056,402</u>
Total carryforward	<u>\$285,965,986</u>	<u>\$34,052,992</u>	<u>\$25,400,517</u>	<u>\$294,618,461</u>

