

Pinal County Community College District (Central Arizona College)

Annual Budgeted Expenditure
Limitation Report

Year Ended June 30, 2022

A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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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
Pinal County Community College District

Annual Budgeted Expenditure Limitation Report

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

Accountants' responsibilities

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

We are required to be independent and to meet our other 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 \$4,340,621 for the year ended June 30, 2022. In lieu of the penalties prescribed in A.R.S. §41-1279.07(I) for exceeding the expenditure limitation, the District's penalty will be reduced to \$20,000 pursuant to Laws 2021, Ch. 421. Although the District has sufficient prior-year unexpended carryforward revenues available for it to use to be under the expenditure limitation, the District did not use these carryforward revenues although it has had a longstanding historical practice of doing so. Our opinion is not modified with respect to this matter.

As described in Note 7 of the report, the District restated its grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes carryforward balances for fiscal year 2021 to correct misstatements in its previously issued Annual Budgeted Expenditure Limitation Report. Our opinion is not modified with respect to this matter.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

March 11, 2025

**Pinal County Community College District
(Central Arizona College)
Annual Budgeted Expenditure Limitation Report—Part I
Year ended June 30, 2022**

| | |
|--|-----------------------|
| 1. Economic Estimates Commission expenditure limitation | \$37,374,131 |
| 2. Amount subject to the expenditure limitation (total amount from Part II, line C) | <u>41,714,752</u> |
| 3. Amount in excess of the expenditure limitation | <u>\$ (4,340,621)</u> |

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 under Laws 2021, Ch. 421, Sec. 1 (A)(3) (House Bill 2373). For fiscal year 2021-2022, the District shall have \$20,000 of state aid withheld for exceeding the limit by greater than ten percent but less than twelve percent of the expenditure limitation.

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

Signature of chief financial officer: 

Name and Title: Luisa Ott, Vice President, Operations and Finance/CFO

Telephone number: (520) 494-5283 Date: March 11, 2025

See accompanying notes to report.

**Pinal County Community College District
(Central Arizona College)
Annual Budgeted Expenditure Limitation Report—Part II
Year ended June 30, 2022**

| Description | Current funds | | | Plant funds | | Total |
|---|----------------------|-----------------------|-------------------|---------------------|----------------------------|----------------------|
| | Unrestricted | | | Unexpended | Retirement of indebtedness | |
| | General | Auxiliary enterprises | Restricted | | | |
| A. Total budgeted expenditures | \$ 40,840,900 | \$ 3,908,003 | \$ 18,401,148 | \$ 8,574,600 | \$ 8,022,900 | \$ 79,747,551 |
| B. Less exclusions claimed: | | | | | | |
| Debt service requirements (Note 2) | 34,840 | | | 445,015 | 5,726,314 | 6,206,169 |
| Dividends, interest, and gains on the sale or redemption of investment securities (Note 2) | 414,404 | | | 143,039 | 15,636 | 573,079 |
| Grants, aid, or contributions from the federal government, the State of Arizona, other political subdivisions, tribal governments, or special taxing districts (Note 3) | 3,264,990 | 2,039,662 | 17,435,903 | | | 22,740,555 |
| Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes | | | 163,739 | | | 163,739 |
| Tuition and fees (Note 2 and Note 4) | | 1,868,341 | | | 2,280,900 | 4,149,241 |
| Amounts received from the State of Arizona for workforce development in accordance with A.R.S. §15-1472 (Note 5) | | | 524,503 | | | 524,503 |
| Prior years carryforward (Note 6) | <u>3,469,000</u> | | <u>206,513</u> | | | <u>3,675,513</u> |
| Total exclusions claimed | <u>7,183,234</u> | <u>3,908,003</u> | <u>18,330,658</u> | <u>588,054</u> | <u>8,022,850</u> | <u>38,032,799</u> |
| C. Amounts subject to the expenditure limitation | <u>\$ 33,657,666</u> | <u>\$ -</u> | <u>\$ 70,490</u> | <u>\$ 7,986,546</u> | <u>\$ 50</u> | <u>\$ 41,714,752</u> |

See accompanying notes to report.

**Pinal County Community College District
 (Central Arizona College)
 Notes to Annual Budgeted Expenditure Limitation Report
 Year ended June 30, 2022**

Note 1 - Summary of significant accounting policies

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

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

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

Note 2

Of the \$8,509,589 reported as principal and interest paid on capital debt on the statement of cash flows—primary government and \$2,150 paid for trustee fees reported as instruction expenses on the statement of revenues, expenses, and changes in net position—primary government, \$6,206,169 was expended and excluded as debt service requirements, \$2,280,900 was expended and excluded as tuition and fees in the Plant funds, and \$15,636 was expended and excluded as dividends, interest and gains on the sale of redemption of investment securities in the Plant funds. The remaining \$9,034 was not claimed as an exclusion.

Note 3

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

Statement of revenues, expenses and changes in net position—primary government:

| | |
|--|---------------------|
| Government grants | \$22,596,172 |
| Smart and Safe Arizona fund appropriations | <u>1,489,678</u> |
| Total | <u>\$24,085,850</u> |

Annual budgeted expenditure limitation report:

| | |
|---|---------------------|
| Grants, aid, or contributions from the federal government, the State of Arizona, other political subdivisions, tribal governments, or special taxing districts | \$22,740,555 |
| Unspent, excludable revenues carried forward | <u>1,345,295</u> |
| Total | <u>\$24,085,850</u> |

**Pinal County Community College District
 (Central Arizona College)
 Notes to Annual Budgeted Expenditure Limitation Report
 Year ended June 30, 2022**

Note 4

The District does not budget tuition and fees revenue net of scholarship allowances. The following schedule presents revenues from which exclusions have been claimed for tuition and fees, dormitory rentals and fees, and bookstore income, which is included in other revenues.

Statement of revenues, expenses and changes in net position—

primary government:

| | |
|------------------------------------|--------------------|
| Tuition and fees (gross) | \$3,586,891 |
| Dormitory rentals and fees (gross) | 435,169 |
| Other | <u>366,407</u> |
| Total | <u>\$4,388,467</u> |

Annual budgeted expenditure limitation report:

| | |
|--------------------------------|--------------------|
| Tuition and fees | \$4,149,241 |
| Other revenues (nonexcludable) | <u>239,226</u> |
| Total | <u>\$4,388,467</u> |

Note 5

Amounts received from the State of Arizona for workforce development in accordance with A.R.S. §15-1472 are reported as the share of State sales taxes on the statement of revenues, expenses, and changes in net position—primary government. Of these excludable revenues, only \$524,503 was expended and claimed as an exclusion. The remaining unspent, excludable revenues of \$491,902 has been carried forward to future years.

Note 6

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 | Current general fund | Current restricted fund |
|---|-------------------------------------|--|
| Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes | | \$206,513 |
| Tuition and fees | <u>\$3,469,000</u> | |
| Total prior years carryforward expended | <u>\$3,469,000</u> | <u>\$206,513</u> |

**Pinal County Community College District
 (Central Arizona College)
 Notes to Annual Budgeted Expenditure Limitation Report
 Year ended June 30, 2022**

Note 7

Revenues that are constitutionally excludable and unexpended in the year of receipt may be accumulated and excluded in future years. On April 19, 2022, the Pinal County Community College District Governing Board approved the accumulation of \$10,000,000 for the purpose of purchasing land, buildings, or improvements or construction of buildings or improvements. These monies were carried forward to future years as they were not spent in the current fiscal year. Also, the June 30, 2021, beginning carryforward balance for grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes was restated to properly include \$201,556 in prior year excludable revenue from fiscal year 2021 that was not included in the 2021 carryforward balance. This restatement did not affect the total amount subject to the limitation or amount under the expenditure limitation. A summary of the excludable revenue sources and the changes in those balances is shown in the table below:

| Description | Balance June 30, 2021, as restated | Additions | Reductions | Balance June 30, 2022 |
|--|---|---------------------|--------------------|----------------------------------|
| Grants, aid, or contributions from the federal government, the State of Arizona, other political subdivisions, tribal governments, or special taxing districts | \$ 1,185,477 | \$1,345,295 | | \$ 2,530,772 |
| Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes | 268,189 | | \$ 206,513 | 61,676 |
| Contracts with other political subdivisions or tribal governments | 15,337 | | | 15,337 |
| Tuition and fees | 20,274,232 | | 3,469,000 | 16,805,232 |
| Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements | 39,838,085 | 10,000,000 | | 49,838,085 |
| Amounts received from the State of Arizona for workforce development in accordance with A.R.S. §15-1472 | 785,749 | 491,902 | | 1,277,651 |
| Total carryforward | <u>\$62,367,069</u> | <u>\$11,837,197</u> | <u>\$3,675,513</u> | <u>\$70,528,753</u> |

