

Maricopa County Community College District

Annual Budgeted Expenditure
Limitation Report

Year Ended June 30, 2024

A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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TABLE OF CONTENTS

Independent accountants' report	1
Annual Budgeted Expenditure Limitation Report—Part I	3
Annual Budgeted Expenditure Limitation Report—Part II	4
Annual Budgeted Expenditure Limitation Report—Reconciliation	5
Notes to Annual Budgeted Expenditure Limitation Report	6



**ARIZONA
AUDITOR
GENERAL**

Lindsey A. Perry, 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 (District) for the year ended June 30, 2024, 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 \$57,092,506 for the year ended June 30, 2024. 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 2023, Ch. 184. 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

May 26, 2026

Maricopa County Community College District Annual Budgeted Expenditure Limitation Report—Part I Year ended June 30, 2024

1. Economic Estimates Commission expenditure limitation	\$ 476,167,690
2. Total amount subject to the limitation (from Part II, line C)	<u>533,260,196</u>
3. Amount in excess of the expenditure limitation	<u>\$ (57,092,506)</u>

In June 2023, the Arizona state legislature passed and the governor approved Laws 2023, Ch. 184, Sec. 3 (3), 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 2023-2024, the District shall have \$20,000 of future 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: *Kimberly Brainard Granio*

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

Telephone number: (480) 731-8584 Date: May 26, 2026

Maricopa County Community College District

Annual Budgeted Expenditure Limitation Report—Part II

Year ended June 30, 2024

Description	<u>Total</u>
A. Final adopted budgeted expenditures from Reconciliation, line E.4	\$ 1,108,192,309
B. Less exclusions claimed:	
Debt service requirements (Note 3)	48,996,477
Dividends, interest, and gains on the sale or redemption of investment securities (Note 4)	22,643,160
Grants, aid, or contributions from the federal government, the State of Arizona, other political subdivisions, tribal governments, or special taxing districts (Note 5)	174,492,450
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 6)	13,385,205
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 7)	9,537,178
Contracts with other political subdivisions or tribal governments (Notes 5 and 11)	7,807,375
Tuition and fees (Note 8)	216,538,688
Amounts earned through research and entrepreneurial activities (Note 10)	2,691,369
Amounts received from the State of Arizona for workforce development in accordance with A.R.S. §15-1472 (Note 11)	13,284,043
Prior years carryforward (Note 9)	65,556,168
Total exclusions claimed	<u>574,932,113</u>
C. Amount subject to the expenditure limitation	<u>\$ 533,260,196</u>

See accompanying notes to report.

Maricopa County Community College District

Annual Budgeted Expenditure Limitation Report—Reconciliation

Year ended June 30, 2024

Description	<u>Total</u>
A. Total operating and nonoperating expenses and applicable special items and extraordinary items reported within the financial statements	\$ 1,067,934,806
B. Subtractions:	
1. Items not requiring use of current financial resources:	
a. Depreciation and amortization	64,957,108
b. Loss on disposal of capital assets	92,238
c. Bad debt expense (Note 12)	3,722,410
d. Pension expense (Note 13)	49,090,619
e. Claims incurred but not reported (IBNR) (Note 14)	73,086,040
f. Compensated absences (Note 15)	6,913,383
2. Involuntary court judgments (Note 16)	<u>44,686,487</u>
3. Total subtractions	<u>242,548,285</u>
C. Additions:	
1. Principal payments on long-term debt	61,949,625
2. Capital asset acquisitions	24,071,528
3. Amounts paid in the current year but reported as expenses in previous years:	
a. Claims previously recognized as IBNR (Note 14)	75,352,674
b. Compensated absences (Note 15)	5,001,111
4. Pension contributions paid in the current year (Note 13)	51,767,947
5. Scholarship allowance	<u>64,662,903</u>
6. Total additions	<u>282,805,788</u>
D. Total financial statement expenses adjusted to UERS-basis actual expenditures (Line A. - Line B.3. + Line C.6.)	<u>1,108,192,309</u>
E. Total budgeted expenditures	
1. Original adopted budgeted expenditures	1,182,569,097
2. Final adopted budget adjustment (Note 2)	(88,788,470)
3. Expenditures in excess of adopted budget (Note 2)	<u>14,411,682</u>
4 Total budgeted expenditures subject to the expenditure limitation (reported on part II, line A)	<u>\$ 1,108,192,309</u>

See accompanying notes to report.

Maricopa County Community College District

Notes to Annual Budgeted Expenditure Limitation Report

Year ended June 30, 2024

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 and each subtraction or addition in the Reconciliation that cannot be traced directly to an amount reported in the annual financial statements.

Note 2

The District records expenditures on the financial statements in accordance with generally accepted accounting principles applicable to public institutions engaged only in business-type activities adopted by the Governmental Accounting Standards Board (GASB). This presentation is different than how the District budgets its expenditures, which are budgeted at a fund level. The District has adopted a final budget for actual expenditures at the fund level to equal its UERS-basis actual expenditures, except for \$14,411,682 in expenditures not recorded in a budgeted fund. The additional \$14,411,682 included represents expenditures in excess of the adopted budget that are subject to the annual budgeted expenditure limitation report and is presented as an addition to the District's adopted budget.

Note 3

The exclusion of \$48,996,477 claimed for debt service requirements includes \$48,265,000 in principal payments included in the principal paid on capital debt on the statement of cash flows—primary government, plus \$4,550,950 in interest paid on bonds less \$4,675,825 for the amortization of bond premiums that are recorded in interest expense on debt on the statement of revenue, expenses, and changes in net position—primary government. In addition, \$856,352 of interest income was taken as a debt service requirements exclusion, see Note 4.

Maricopa County Community College District

Notes to Annual Budgeted Expenditure Limitation Report

Year ended June 30, 2024

Note 4

The exclusions claimed for expended dividends, interest, and gains on the sale or redemption of investment securities of \$22,643,160 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:**

Investment earnings, net of investment expense	<u>\$ 29,396,817</u>
Total	<u>\$ 29,396,817</u>

Annual budgeted expenditure limitation report:

Dividends, interest, and gains on the sale or redemption of investment securities	\$ 22,643,160
Amount carried forward	5,445,323
Interest income on retirement of indebtedness fund—taken as a debt service requirements exclusion (Note 3)	856,352
Investment income in loan and endowment funds—not reported on ABELR	<u>451,982</u>
Total	<u>\$ 29,396,817</u>

Note 5

The following schedule presents revenues from which exclusions have been claimed for grants, aid, or contributions from the federal government, the State of Arizona, other political subdivisions, tribal governments, or special taxing districts and contracts with other political subdivisions or tribal governments:

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

Government grants and contracts	\$ 189,861,149
Smart and Safe AZ fund appropriations	<u>28,417,411</u>
Total	<u>\$ 218,278,560</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	\$ 174,492,450
Contracts with other political subdivisions or tribal governments	<u>7,224,692</u>
Total exclusions claimed	181,717,142
Nonexcludable revenues	24,330,756
Amount carried forward	<u>12,230,662</u>
Total	<u>\$ 218,278,560</u>

Maricopa County Community College District

Notes to Annual Budgeted Expenditure Limitation Report

Year ended June 30, 2024

Note 6

Of the \$19,808,857 recorded as private grants and contracts and private gifts on the statement of revenues, expenses, and changes in net position—primary government, \$13,385,205 was expended and claimed as an exclusion for grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes. The remaining unspent, excludable revenues of \$6,329,342 have been carried forward to future years. The difference of \$94,310 represents fiduciary activities that are reported on the financial statements but not excluded for ABELR purposes.

Note 7

The Maricopa County Community College District Governing Board approved the accumulation of \$38,548,626 for the purpose of capital expenditures. Of this amount, \$9,537,178 was expended on the purchase of land, buildings, or improvements or construction of buildings or improvements and claimed as an exclusion while \$29,011,448 was not eligible to be carried forward under the expenditure limitation requirements.

Note 8

The District does not budget tuition and fees revenue net of scholarship allowances. Of the gross tuition and fees of \$215,146,185 reported on the statement of revenues, expenses, and changes in net position—primary government, \$215,146,130 was expended and claimed as an exclusion for tuition and fees. An amount of \$55 of fees reported on the financial statements were fiduciary activities but were not excluded for ABELR purposes. The entire amount of the gross bookstore, concessions, and athletic ticket sales revenue of \$1,392,558 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 \$216,538,688 excluded as tuition and fees.

Note 9

Prior year 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	\$ 53,301,643
Dividends, interest, and gains on the sale or redemption of investment securities	<u>12,254,525</u>
Total prior years carryforward expended	<u>\$ 65,556,168</u>

Note 10

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, \$2,691,369 was expended and claimed as an exclusion.

**Maricopa County Community College District
 Notes to Annual Budgeted Expenditure Limitation Report
 Year ended June 30, 2024**

Note 11

The District recorded revenue of \$20,055,440 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, \$13,284,043 is recorded as amounts received from the State of Arizona for workforce development in accordance with A.R.S. §15-1472 and \$582,683 is recorded in the line item contracts with other political subdivisions or tribal governments. The remaining unspent excludable revenues of \$6,188,714 have been carried forward to future years.

Note 12

The \$3,722,410 subtraction for bad debt expense consists of revenues that the District will not receive that are recorded in auxiliary enterprises, institutional support services, and student financial assistance expense on the statement of revenues, expenses, and changes in net position—primary government.

Note 13

The \$49,090,619 subtraction for pension expense consists of changes in the net pension liabilities and changes in deferred inflows and outflows related to pensions recognized in the current year. The \$51,767,947 addition for pension contributions paid in the current year consists of the required pension contributions made to the Arizona State Retirement System. The subtraction and addition differ from the amounts reported on the annual financial statements in Note 7, Pension, by \$820,545 due to reporting an overstatement in the financial statements isolated to the note disclosure. The schedule below reconciles the net effect the subtraction and addition have on the expenditures subject to the limitation to the amounts reported on the statement of cash flows' net effect on cash.

Statement of cash flows	
Change in deferred inflows related to pensions	\$ 8,863,784
Change in deferred outflows related to pensions	15,734,254
Change in net pension liability	<u>(27,275,366)</u>
Total	<u>\$ (2,677,328)</u>
 ABELR-Reconciliation	
Pension contributions – addition	\$ 51,767,947
Pension expense(income) – subtraction	<u>(49,090,619)</u>
Total	<u>\$ 2,677,328</u>

Note 14

The \$73,086,040 subtraction for claims incurred but not reported consists of the estimated costs of claims incurred and expensed in the current year but not yet paid. The \$75,352,674 addition for claims paid in the current year, but reported as expenses incurred but not reported in previous years, consists of cash payments in the current year for claims recognized as an expense in previous years.

Maricopa County Community College District

Notes to Annual Budgeted Expenditure Limitation Report

Year ended June 30, 2024

Note 15

The \$6,913,383 subtraction for compensated absences consists of the estimated costs of compensated absences incurred and expensed in the current year but not yet paid. The \$5,001,111 addition for compensated absences in the current year, but reported as expenses in previous years, consists of cash payments in the current year for compensated absences recognized as an expense in the previous years.

Note 16

The \$44,686,487 subtraction for involuntary court judgments consists of costs related to various legal actions that are recorded in institutional support services expense on the statement of revenues, expenses, and changes in net position—primary government.

Note 17

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

Description	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024
Debt proceeds	\$ 3,526,673			\$ 3,526,673
Dividends, interest, and gains on the sale or redemption of investment securities	36,986,878	\$ 5,445,323	\$ 12,254,525	30,177,676
Grants, aid, or contributions from the federal government, the State of Arizona, other political subdivisions, tribal governments, or special taxing districts	39,046,184	11,271,988		50,318,172
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	11,326,148	6,329,342		17,655,490
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	2,305,464	958,674		3,264,138
Tuition and fees	157,939,282		53,301,643	104,637,639
Amounts received from the State of Arizona for workforce development in accordance with A.R.S. §15-1472	<u>25,056,402</u>	<u>6,188,714</u>		<u>31,245,116</u>
Total carryforward	<u>\$ 294,618,461</u>	<u>\$ 30,194,041</u>	<u>\$ 65,556,168</u>	<u>\$ 259,256,334</u>

