

**REPORT
HIGHLIGHTS**
FINANCIAL STATEMENT AUDIT

Subject

Maricopa County Community College District issues financial statements annually. The District is responsible for preparing financial statements, maintaining strong internal controls, and demonstrating accountability for its use of public monies. As the auditors, our job is to determine whether the District has met its responsibilities.

Our Conclusion

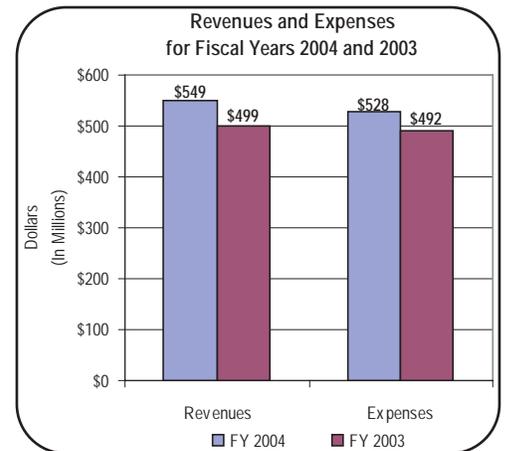
The information in the District's financial statements is fairly stated in all material respects, and the financial statements can be relied on.

District's Revenues and Expenses Increase By Over 7 Percent

The District's revenues and expenses increased by over 7 percent compared to the prior year. Revenues increased by approximately \$50 million, or 10.0 percent, while expenses increased by approximately \$36 million, or 7.3 percent.

An increase in tuition and fees of approximately \$10 million, an increase in government grants and contracts of approximately \$9 million, and an increase in property taxes of approximately \$22 million were the main reasons for the revenue increase. An increase in tuition rates in addition to an increase in full-time student equivalents led to increased tuition and fees of approximately 6 percent. Increased Pell awards due to higher full-time student equivalents led to increased government grants and contracts. Increased assessed valuation and population growth led to increased property taxes.

An increase in operating expenses of approximately \$38 million and a decrease in nonoperating expenses of approximately \$2 million led to the expenses increase. Increased salaries and fringe benefits and increased purchases of noncapitalized equipment led to increased operating expenses. A reduction in interest expense on capital-related debt because of decreased debt led to decreased nonoperating expenses.



District Implements New Accounting Standard

During fiscal year 2004, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement provided guidance for determining whether organizations should be reported as component units based on the nature and significance of their relationship with the District.

As a result of implementing of this standard the District is reporting the Maricopa County Community College Foundation (Foundation) as a discretely presented component unit. Consequently, the District included the Foundation's financial information in its financial statements.



2004

Year Ended June 30, 2004

Condensed Financial Information

The District's financial information is presented in three basic financial statements: Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and Statement of Cash Flows.

The Statement of Net Assets reports all assets and liabilities using the accrual basis of accounting, which is similar to the accounting that most private-sector institutions use. Net assets, the difference between assets and liabilities, are one way to measure the District's financial health. The summary to the right presents a condensed Statement of Net Assets for the year ended June 30, 2004.

The Statement of Revenues, Expenses, and Changes in Net Assets presents the District's operating results, as well as nonoperating revenues and expenses. Revenues and expenses are classified as operating if they relate to the District's primary activities, such as instruction and public service. All other revenues and expenses, such as state appropriations, property tax revenues, and interest paid on capital debt, are considered nonoperating. The summary to the right presents the District's revenues and expenses for the year ended June 30, 2004.

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement helps users assess the District's ability to generate net cash flows to meet its obligations as they come due and the need for external financing. The summary to the right shows the net cash flows from each of the District's major activities.

Statement of Net Assets As of June 30, 2004 (In Millions)

Assets	
Current	\$186
Noncurrent, other than capital	88
Capital	<u>359</u>
Total assets	<u>633</u>
Liabilities	
Current	63
Noncurrent	<u>282</u>
Total liabilities	<u>345</u>
Net Assets	
Invested in capital assets, net of related debt	123
Restricted	58
Unrestricted	<u>107</u>
Total net assets	<u>\$288</u>

Revenues and Expenses For the Year Ended June 30, 2004 (In Millions)

Operating Revenues	
Tuition and fees	\$103
Government grants and contracts	73
Other operating revenues	<u>14</u>
Total operating revenues	<u>190</u>
Nonoperating Revenues	
Property taxes	282
State appropriations	47
Other	<u>30</u>
Total nonoperating revenues	<u>359</u>
Total revenues	<u>\$549</u>
Operating Expenses	
Educational and general	\$434
Auxiliary enterprises	55
Depreciation	21
Other	<u>6</u>
Total operating expenses	<u>516</u>
Nonoperating Expenses	
Interest expense on debt	<u>12</u>
Total expenses	<u>\$528</u>

Cash Flows For the Year Ended June 30, 2004 (In Millions)

Cash Flows from	
Operating activities	\$(301)
Noncapital financing activities	344
Capital and related financing activities	(43)
Investing activities	<u>27</u>
Net increase in cash	<u>\$ 27</u>

TO OBTAIN MORE INFORMATION

A copy of the full report can be obtained by calling
(602) 553-0333



or by visiting our Web site at:
www.auditorgen.state.az.us

Contact person for this report:
Phil Shultz

REPORT HIGHLIGHTS FINANCIAL STATEMENT AUDIT

Year Ended June 30, 2004