



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2005

Chandler-Gilbert
Estrella Mountain
GateWay
Glendale
Mesa
Paradise Valley
Phoenix
Rio Salado
Scottsdale
South Mountain



GateWay Community College

**Maricopa County Community College
District**

Phoenix, Arizona



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2005

**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, 2005

Table of Contents

Introductory Section

Message from the Chancellor	1
Letter of Transmittal	2
Certificate of Achievement for Excellence in Financial Reporting	9
Organizational Chart.....	10
Principal Officers.....	11
Vision, Mission and Values Statements.....	12

Financial Section

Independent Auditors' Report.....	15
Management's Discussion and Analysis.....	17
Basic Financial Statements:	
Statement of Net Assets – Primary Government	24
Statement of Financial Position – Component Unit.....	25
Statement of Revenues, Expenses, and Changes in Net Assets – Primary Government.....	26
Statement of Activities – Component Unit	27
Statement of Cash Flows – Primary Government.....	28
Notes to Financial Statements.....	30
Supplemental Information:	
Statement of Revenues, Expenses, and Changes in Net Assets by College/Center.....	45
Notes to Supplemental Information.....	47

Statistical Section

Operating Expenses by Function – Last Four Fiscal Years	48
Revenues by Source – Last Four Fiscal Years.....	49
Property Tax Levies and Collections – Last Ten Fiscal Years	50
Secondary Assessed Value and Current Market Value of All Taxable Property – Last Ten Fiscal Years	51
Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years	52
Principal Taxpayers	53
Computation of Legal Debt Margin.....	54
Ratio of Net General Obligation Bonded Debt to Secondary Assessed Value and Net General Bonded	
Debt Per Capita – Last Ten Fiscal Years	55
Computation of Direct and Overlapping Bonded Debt - General Obligation Bonds.....	56
Revenue Bond Coverage – Last Ten Fiscal Years.....	57
Historic Enrollment – Last Ten Fiscal Years	58
Student Enrollment Demographic Statistics – Last Ten Fiscal Years.....	59
Historic Tuition and Fees – Last Ten Fiscal Years	60
Maricopa County Property Values, Construction, and Bank Deposits – Last Ten Fiscal Years.....	61
Economic Indicators for the Metro Phoenix Area	62
Top 25 Employers in Maricopa County.....	63
Miscellaneous Statistics.....	64



Introductory Section



www.maricopa.edu

DR. RUFUS GLASPER
CHANCELLOR

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December 5, 2005

To the Residents of the Maricopa County Community College District:

Insuring that teaching and learning are the keystones of the higher education opportunities offered to the growing population of Maricopa County is key to our future success. Planning to meet the needs of a diverse community of young people, of adults seeking new careers, of retraining and of older adults involved in lifelong learning requires a college system that responds quickly to the changing workplace and meets the training needs of emerging industry and growing corporations. Maricopa County's population growth has been strong, as has our enrollment growth. In November 2004, 76.4% of the voters of Maricopa County supported our request for \$951 million in capital needs to create new campuses, renovate existing facilities and meet the incredible future growth of our county.



We are proud that students are choosing our colleges. We appreciate that today's student has choices. Our students know their success depends on a good education and lifelong learning. Our campuses, our schedules, our course offerings and our training are designed to encourage students of all ages and all skill levels to increase their knowledge, upgrade their skills and expand their personal horizons. Providing a superior and affordable education coupled with up-to-date training is what the Maricopa Community Colleges do best. The Maricopa Community Colleges take a proactive stance in providing quality programs and services for a changing student population and in selecting new faculty and staff who are reflective of our student diversity and can serve as role models.

We have so much to offer our students and the communities we serve. Thanks to the generosity and support of our communities, we are embarking on a new decade of capital expansion and improvement to meet student growth demands. The Maricopa Community Colleges will continue to explore and form new and enhanced partnerships with businesses, educational institutions, governmental and not-for-profit institutions. Partnerships with Arizona State University, the cities of Phoenix and Mesa and TGen will expand academic opportunities for our students and enhance the quality of the workforce that Arizona businesses demand.

The Maricopa Community Colleges have proven that we keep our promises to the citizens of our communities while our fiscal and bond ratings reflect our prudent fiscal management to protect the tax dollars our citizens provide in support of our higher education goals.

In addition, the Maricopa Community Colleges are taking leadership in the training of new, highly qualified teachers for the K-12 system and working with business and high school partnerships to reduce the state's dropout rate through our Achieving a College Education (ACE) program. As Chancellor of the Maricopa Community Colleges, I am proud to have been chosen to lead the Governor's Initiative to improve education from pre-school through graduate education and to coordinate such efforts to reduce waste and improve opportunities for all.

The Maricopa Community Colleges is working hard to keep pace with the ever-expanding population by providing increased space for students in new and renovated buildings, labs, and classrooms as well as high-tech centers designed and equipped to ensure success for all. We continue to promote inclusiveness of our varied internal and external communities in our decision-making processes. Working with the citizens of Maricopa County, the Maricopa Community Colleges will continue to meet the challenges facing our students and our community, today and in the future.

Sincerely,

Rufus Glasper, Ph.D., CPA
Chancellor



www.maricopa.edu

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December 5, 2005

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, 2005 (FY 2005).

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. All 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 designed to ensure that assets are protected from loss, theft, or misuse, and to 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 Maricopa County Community College District by the Office of the Auditor General. Arizona Revised Statutes requires 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.

The CAFR is presented in three sections: Introductory, Financial, and Statistical. The introductory section includes a message from the Chancellor, this transmittal letter, the District's organizational chart, and a list of principal officers. The financial section includes the Management's Discussion and Analysis (MD&A), the independent auditors' report, the basic financial statements, and supplemental information. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The statistical section includes selected unaudited financial and demographic information, generally presented on a multi-year basis.

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." Maricopa County Community College District is a primary government because it is "a special-purpose government that has a separately elected governing body, is legally

Reporting Entity (continued)

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 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 Maricopa County Community College District 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 of the county. These members are elected for six-year terms on a staggered basis. The Board is granted full authority from the Arizona Revised Statutes to manage 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: Vice Chancellor for Student & Community Affairs, Vice Chancellor for Information Technologies, Vice Chancellor for Business Services, Vice Chancellor for Academic Affairs, and Vice Chancellor for Human Resources.

History

The Maricopa County Community College 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 nationally 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, and Gilbert, plus other smaller cities and towns and all the unincorporated areas of the County.

For the past three decades, Maricopa County has been one of the most rapidly growing counties in the country in terms of population, employment and personal income. According to the U.S. Census Bureau Population Division, Maricopa County’s population increased by 45% in the 10

Profile of Maricopa County Community College District (continued)

year period between the official census dates of April 1990 to 2000, and is the fourth most populated county in the nation. As of July 2005, the Department of Economic Security estimated the County's population to be 3,524,175, which represents an 15% increase from the official April 2000 census.

The County has slightly over 60% of the State's total population and 64% of the total labor force. The majority of the County's labor force (78%) are employed in the service markets. These include trade, transportation and utilities, professional business services, government, educational and healthcare, and leisure/hospitality.

Types of Services

The District is the largest single provider of post-secondary education in Arizona - offering affordable education to more than 280,000 individuals year-round in both credit and special-interest/non-credit classes.

The District delivers effective teaching and learning through modern occupational programs and training, through extensive partnerships with business and industry, as well as through a vast array of classes that transfer to four-year institutions. There are currently 9,918 credit-course offerings: 3,219 academic courses and 6,699 occupational courses included in 929 occupational programs. Students include those in traditional credit classes as well as senior adults, business professionals, and others taking computer and web-based training, job-readiness training, and job-related certificate training. As indicated by racial category, the student enrollment data mirrors the population of Maricopa County: 59% Anglo, 18% Hispanic, 5% African American, 3% Asian, 3% Native American and 12% 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 the Fall of 2004, 23,683 ASU undergraduates had transferred MCCCDC credits (representing 50.7% of the total ASU undergraduate enrollment).

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 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 success in forging partnerships with business and industry. The District as well as the State's other community colleges, public universities, and multiple private colleges, universities and technical institutes play a key role in providing the necessary workforce development and job training offerings to meet the current and burgeoning state employment markets. This solid infrastructure of

State and Local Economy (continued)

educational institutions significantly contributes to the dynamic performance of the Arizona workforce and its economy.

According to the Arizona Department of Economic Security Research Administration (DES/RA), Arizona's economy is expected to grow in 2005 and 2006. Specifically, Arizona's non-farm jobs are forecasted to grow by 4.6% in 2005 and 3.7% in 2006. This translates into an estimated increase of 202,200 non-farm jobs over the two-year period with most of the increase anticipated to occur in the construction, trade, transportation and utilities, and professional and business services.

Actual workforce growth within Arizona and Maricopa County as reported through August 2005, support the forecast with increases in the construction industry as well as professional and business services. Trade, transportation and utilities has not experienced the growth anticipated. According to DES/RA this is, in part, due to rising energy costs connected to the higher than anticipated fuel prices.

Long Term Strategic Financial and Operational Planning

The District engages in an annual strategic and operational 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 guide the District's financial management by providing 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 each fiscal year, the 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 level of quality service needed to respond to our 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 Community College's 15-Year Financial Plan. This plan helps the District align its key components of the 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 students, faculty, staff, administration, and the Governing Board, is responsible for the supervision and coordination of the district wide budget process. The FAC

Long Term Strategic Financial and Operational Planning (continued)

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. In an April public meeting, the Governing Board adopts a preliminary budget, with final budget adoption in June.

Financial Reporting

An automated financial record 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 whether 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 and executive management, the state legislature, federal and state agencies, bond-rating agencies, and financial institutions as well as others throughout 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 compared to budget and actual expenses compared to budget at each college. It carefully reviews variances and implements strategies to remedy variances.

Cash Management

In terms of the overall investment of available cash, the District is governed by the Arizona Revised Statutes relating to investment of public funds. The fiduciary responsibility for such investments is entrusted to the Board and facilitated through the Audit and Finance Committee.

Certain cash is on deposit with the State Treasurer and is invested on a pooled basis with interest prorated back to the District. Amounts available are invested by the Treasurer in a prudent, conservative, and secure manner for the highest yield as prescribed by the District's investment policy and Arizona Revised Statutes.

Risk Management

The Maricopa County Community College District (MCCCD) is one of the first higher education institutions to combine both traditional risk management concepts and enterprise risk management concepts into one integrated risk management program. The Maricopa Integrated Risk Assessment (MIRA) project enables personnel to collaboratively identify, assess, and manage future risks and opportunities individually and across the MCCCD. Components of our traditional risk management program include risk control (such as the design and implementation of safety programs), claims administration, and the purchases of liability, property, crime, aviation, workers' compensation, and student insurance policies.

Long Term Strategic Financial and Operational Planning (continued)

The MCCC'D's Risk Management Division is responsible for the administration of its comprehensive integrated risk management program, except the workers' compensation program that is administered by the MCCC'D's Compensation Department.

Major Initiatives

Growth in the population base and student enrollment presents the District with both benefits and challenges. Increases in the population base and student enrollment translate into additional property tax and tuition and fee revenue. However, with that growth, the need for additional services, expanded facilities and more effective administrative technology systems, as well as stronger partnerships with other higher education institutions are needed. Many of the District-wide initiatives are designed to address these issues. Below are just a few of the major initiatives the District is conducting.

2004 Capital Development Program

This program is designed to provide education and job training and to meet the needs of current and future community college students through new and improved institutional facilities and support. It will reach all colleges and skill centers in the District and call for improvements in educational and institutional technologies as well as student and community safety and security.

Program funding was secured at the November 2004 General Election, where the voters of Maricopa County authorized, by a 3 to 1 margin, the District to issue and sell general obligation bonds in the amount of \$951,359,000 over 10 years.

New Student Information System

Development of the District's new student information system to replace the legacy system continues to move forward towards implementation. This system will capture, secure and track all relevant information about our students, alumni, and organizational data and serve as a common source of enhanced information for all the colleges in the District. This includes enhancements to our enrollment services such as student record keeping, evaluation of student progress, recruitment, and analysis of admissions and enrollment. It will also give students and faculty timely access to academic records and reports and allows better management of catalogues and class schedules. Additionally, student financial services such as financial aid, student accounts, and office functions will be enhanced.

ASU-Maricopa Alliance

Arizona State University (ASU) and the Maricopa County Community College District have formed a partnership to enhance articulation agreements and increase the number of associate and baccalaureate degrees awarded to students. The "ASU-Maricopa Alliance" will move the institutions far beyond the traditional transfer model by offering new options to eligible students

Major Initiatives (continued)

in where and how they learn. By working collaboratively, the institutions will provide these co-enrolled students with programs and flexibility that take advantage of the benefits of each institution. A pilot program began in Fall of 2004 and efforts are underway to build new opportunities for this partnership such as the transfer of up to 75 Maricopa credits towards specific baccalaureate programs at ASU, including nursing and interdisciplinary studies. To advance the initiative an Alliance Director has been hired. This is a joint appointment supported by both ASU and the Maricopa district.

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, 2004. This was the 14th 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 our 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 interest 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. Appreciation is expressed to the Office of the Auditor General for timely completion of the audit.

Respectfully submitted,

Debra Thompson
Vice Chancellor for Business Services

Kimberly Brainard Granio, CPA
Acting Director of Financial 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, 2004

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.



Nancy L. Zielle

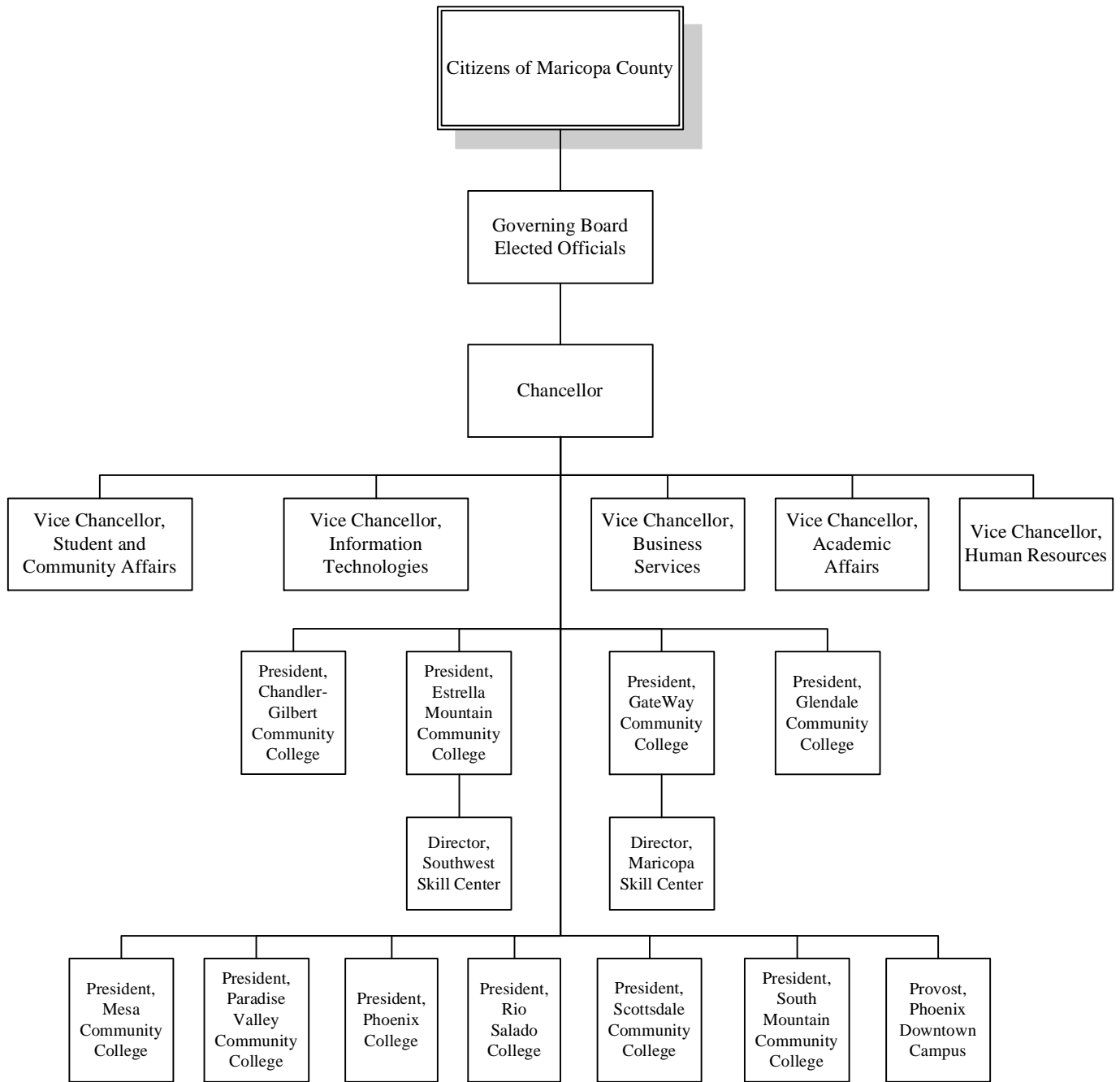
President

Jeffrey R. Enen

Executive Director

Maricopa County Community College District

Organizational Chart



Maricopa County Community College District

Principal Officers

Governing Board

Dr. Donald Campbell, *President*

Mr. Scott Crowley, *Secretary*

Mr. Ed Contreras, *Member*

Ms. Linda Rosenthal, *Member*

Mr. Jerry D. Walker, *Member*

Administration

Dr. Rufus Glasper, *Chancellor*

Dr. Steven Helfgot, *Vice Chancellor, Student Development and Community Affairs*

Mr. Ron Bleed, *Vice Chancellor, Information Technologies*

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

Ms. Maria Harper-Marinick, *Acting Vice Chancellor, Academic Affairs*

Mr. Albert A. Crusoe, *Vice Chancellor, Human Resources*

College Presidents, Provost, & Directors

Ms. Maria Hesse, *President, Chandler-Gilbert Community College*

Dr. Homero López, *President, Estrella Mountain Community College*

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

Ms. Jean Ann Abel, *Interim President, Glendale Community College*

Dr. Larry Christiansen, *President, Mesa Community College*

Dr. Mary Kathryn Kickels, *President, Paradise Valley Community College*

Dr. Anna Solley, *Acting President, Phoenix College*

Dr. Linda Thor, *President, Rio Salado College*

Dr. Arthur DeCabooter, *President, Scottsdale Community College*

Dr. Kenneth Atwater, *President, South Mountain Community College*

Dr. José Leyba, *Provost, Downtown Phoenix Campus*

Mr. John Underwood, *Director, Maricopa Skill Center*

Mr. Adolfo Gamez, *Director, Southwest Skill Center*



Vision, Mission & Values

Vision

The Maricopa Community Colleges strive to exceed the changing expectations of our many communities for effective, innovative, student-centered, flexible and lifelong educational opportunities. Our employees are committed to respecting diversity, continuous quality improvement, and the efficient use of resources. We are a learning organization guided by our shared values.

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 Participation
- ▲▲ Global Engagement

ADOPTED JULY 27, 1999, AND AMENDED DECEMBER 14, 2004, BY THE MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT GOVERNING BOARD

Statement of Values

We adhere to the philosophy that education thrives in a community bound by moral and ethical values and devotion to lifelong learning. We accept the responsibility to respond to the needs of the people in our communities who desire to fulfill their potential in life. Therefore, we operate on the basis of openness and trust, to nurture an environment where we all can be heard.

We commit to living according to the following basic values which are vital to maintaining the integrity and vitality of our community of learners.

Value Education

We value lifelong learning opportunities that respond to the needs of our communities and are accessible, affordable, and of the highest quality.

Value Students

We value students as the primary reason we exist. We respect their diverse life experiences, value their achievements, and appreciate their contributions to our learning community.

Value Employees

We value all our residential faculty, adjunct faculty, administration, professional support staff, and crafts, and maintenance and operations personnel, respect their diverse life experiences, appreciate their contributions to our learning community, and encourage their individual professional development.

Value Excellence

We invite innovation, support creative problem-solving, and encourage risk-taking. We value teamwork, cooperation and collaboration as part of our continuous improvement efforts.

Value Diversity

We celebrate the diversity of our communities and pledge to promote and recognize the strengths as reflected in our employees and students. We believe no one is more important than another, each is important in a unique way, and we depend on each other to accomplish our mission.

Value Honesty and Integrity

We believe academic and personal honesty are essential elements in our learning environment. Employees and students must speak and act truthfully.

Value Freedom

To foster our learning environment, we respect individual rights and the privacy of our employees and students, and encourage dialogue and the free exchange of views.

Value Fairness

We advocate fairness and just treatment for all students and employees.

Value Responsibility

We believe employees are accountable for their personal and professional actions as they carry out their assignments. We are all responsible for making our learning experiences significant and meaningful. We are accountable to our communities for the efficient and effective use of resources.

Value Public Trust

We honor the trust placed in us by the community to prepare our students for their role as productive world citizens.





Financial Section



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
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, 2005, 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 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, for the year ended June 30, 2005, which represents a change in accounting principle.

The Management's Discussion and Analysis on pages 17 through 23 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 Statement of Revenues, Expenses, and Changes in Net Assets by College/Center listed as supplemental information in the table of contents is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In addition, the introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. That information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion 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

December 5, 2005

**Maricopa County Community College District
Management's Discussion and Analysis
For the Year Ended June 30, 2005**

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, 2005. Please read it in conjunction with the transmittal letter, which precedes this section, and the financial statements, which immediately follow.

Basic Financial Statements

Beginning with fiscal year 2001-02, the District has presented annual financial statements in accordance with then-newly effective 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 at June 30, 2005. It shows the various assets owned or controlled, related liabilities and other obligations, and the various 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. A reclassification was made in fiscal year 2004-05 to the reporting criterion for Restricted net assets and Invested in capital assets, net of related debt, on this statement, and those amounts should not be compared to the amounts reported for fiscal year 2003-04 that were not reclassified.

The *Statement of Revenues, Expenses, and Changes in Net Assets* reflects the results of operations and other changes for the year ended June 30, 2005. It shows the various 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, 2005. It shows the various 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 income/(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 of activity for fiscal year 2004-05 (FY 2005), comparative data is presented for the previous fiscal year 2003-04 (FY 2004). 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, 2005</i>	<i>As of June 30, 2004</i>
Current assets	\$209,191,029	\$186,230,073
Noncurrent assets, other than capital assets	263,558,959	88,146,734
Capital assets, net	356,882,759	359,107,752
Total assets	829,632,747	633,484,559
Other liabilities	36,750,768	32,410,442
Long-term liabilities	478,760,005	312,902,790
Total liabilities	515,510,773	345,313,232
Net assets:		
Invested in capital assets, net of related debt	102,170,658	123,050,966
Restricted net assets	92,756,924	58,030,946
Unrestricted net assets	119,194,392	107,089,415
Total net assets	\$314,121,974	\$288,171,327

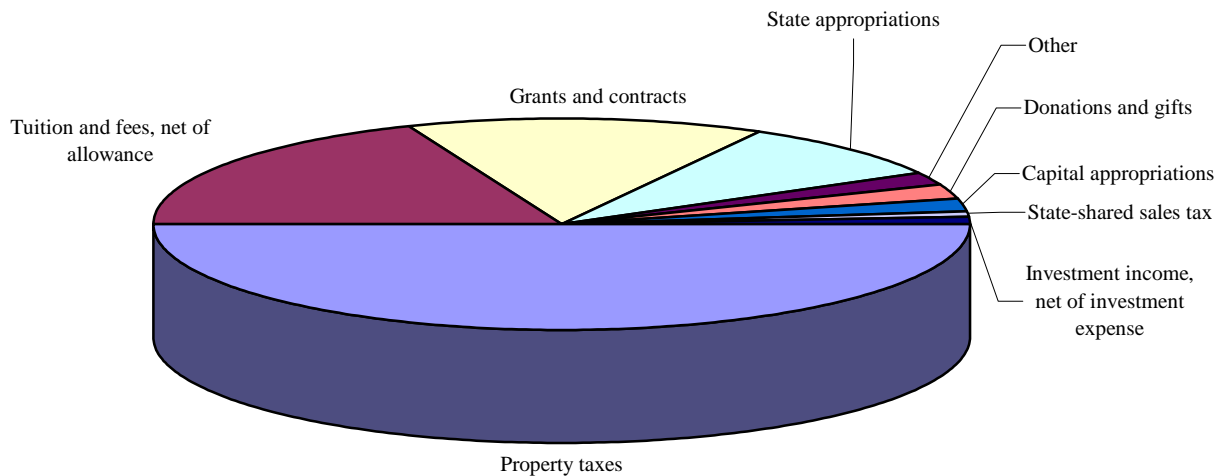
<i>Statement of Revenues, Expenses, and Changes in Net Assets</i>	<i>For the Year Ended June 30, 2005</i>	<i>For the Year Ended June 30, 2004</i>
Operating revenues	\$208,206,002	\$190,087,690
Operating expenses:		
Educational and general	462,607,467	434,295,284
Auxiliary enterprises	59,790,331	54,795,258
Depreciation	25,046,851	21,192,543
Other	4,233,275	5,540,421
Total operating expenses	551,677,924	515,823,506
Operating loss	(343,471,922)	(325,735,816)
Nonoperating revenues and expenses	358,778,498	336,084,346
Income (loss) before other revenues, expenses, gains, or losses	15,306,576	10,348,530
Other revenues, expenses, gains, or losses	10,644,071	10,459,310
Increase in net assets	25,950,647	20,807,840
Net assets, Beginning of year	288,171,327	267,363,487
Net assets, End of year	\$314,121,974	\$288,171,327

Basic Financial Statements (continued)

The following schedule presents a summary and comparison of revenues for the fiscal years ended June 30, 2005 and June 30, 2004.

<i>Revenues by Source</i>	FY 2005		FY 2004		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Operating revenues						
Tuition and fees, net of scholarship allowance	\$116,026,910	19%	\$102,640,548	19%	\$13,386,362	13%
Grants and contracts	80,589,107	14	76,584,658	14	4,004,449	5
Other operating revenues	11,589,985	2	10,862,484	2	727,501	7
Total operating revenues	<u>208,206,002</u>	<u>35</u>	<u>190,087,690</u>	<u>35</u>	<u>18,118,312</u>	<u>10</u>
Nonoperating revenues						
Property taxes	296,179,163	50	281,830,695	51	14,348,468	5
State appropriations	51,290,400	9	46,613,700	8	4,676,700	10
State-shared sales tax	7,712,296	1	5,926,090	1	1,786,206	30
Donations and gifts	10,776,113	2	12,744,254	2	(1,968,141)	(15)
Investment income, net of investment expense	7,127,345	1	3,710,455	1	3,416,890	92
Gain on sale/disposal of capital assets	-	-	26,380	-	(26,380)	(100)
Total nonoperating revenues	<u>373,085,317</u>	<u>63</u>	<u>350,851,574</u>	<u>63</u>	<u>22,233,743</u>	<u>6</u>
Capital appropriations	<u>10,372,200</u>	<u>2</u>	<u>8,309,800</u>	<u>2</u>	<u>2,062,400</u>	<u>25</u>
Total revenues	<u>\$591,663,519</u>	<u>100%</u>	<u>\$549,249,064</u>	<u>100%</u>	<u>\$42,414,455</u>	<u>8%</u>

Revenues by Source FY 2005

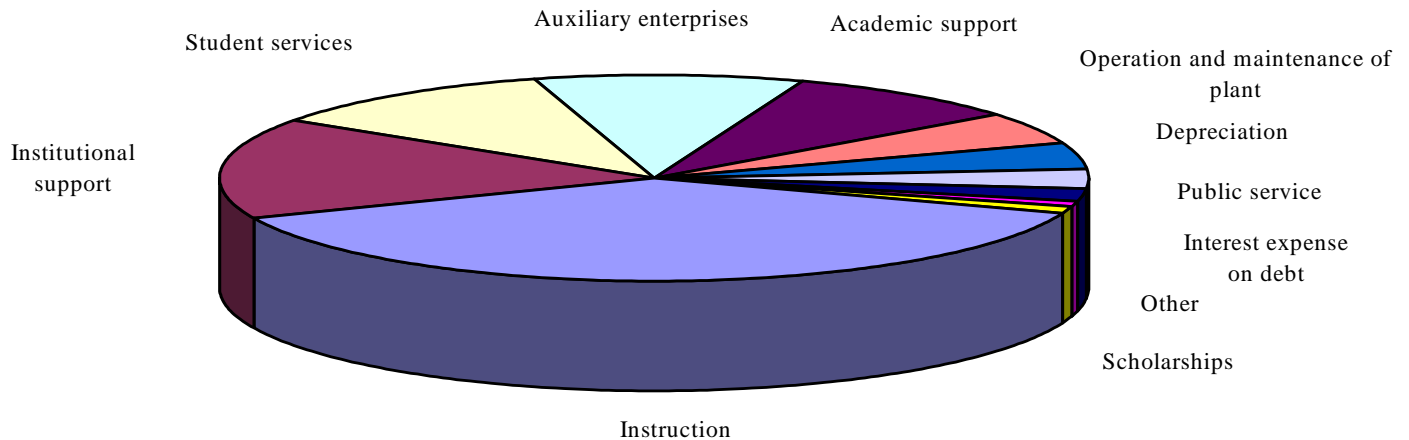


Basic Financial Statements (continued)

The following schedule presents a summary and comparison of expenses for the fiscal years ended June 30, 2005 and June 30, 2004.

<i>Expenses by Function</i>	FY 2005		FY 2004		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
<u>Operating expenses</u>						
Educational and general						
Instruction	\$216,253,695	38%	\$201,072,401	38%	\$15,181,294	8%
Public service	14,728,774	3	13,464,797	3	1,263,977	9
Academic support	48,264,966	9	45,753,391	9	2,511,575	5
Student services	63,960,325	11	60,189,214	11	3,771,111	6
Institutional support	87,192,882	15	84,004,224	16	3,188,658	4
Operation and maintenance of plant	28,740,168	5	26,709,085	5	2,031,083	8
Scholarships	3,466,657	1	3,102,172	1	364,485	12
Auxiliary enterprises	59,790,331	11	54,795,258	10	4,995,073	9
Depreciation	25,046,851	4	21,192,543	4	3,854,308	18
Other	4,233,275	1	5,540,421	1	(1,307,146)	(24)
Total operating expenses	<u>551,677,924</u>	<u>98</u>	<u>515,823,506</u>	<u>98</u>	<u>35,854,418</u>	<u>7</u>
<u>Nonoperating expenses</u>						
Interest expense on debt	13,708,885	2	12,617,718	2	1,091,167	9
Loss on disposal of capital assets	326,063	-	-	-	326,063	-
Total nonoperating expenses	<u>14,034,948</u>	<u>2</u>	<u>12,617,718</u>	<u>2</u>	<u>1,417,230</u>	<u>11</u>
Total expenses	<u>\$565,712,872</u>	<u>100%</u>	<u>\$528,441,224</u>	<u>100%</u>	<u>\$37,271,648</u>	<u>7%</u>

Expenses by Function/Program FY 2005



Financial Highlights and Analysis

Statement of Net Assets

The District's overall financial position improved in FY 2005. Total Assets increased \$196 million from FY 2004 to FY 2005. The majority of this increase was the result of the District issuance of \$190 million of new General Obligation (GO) debt as part of our 2004 Bond Capital Program. The debt was issued in March and approximately \$200,000 of the cash proceeds had been spent by year-end. The remaining funds will be spent over the next two years in support of the bond program.

Total Liabilities for the District increased by \$170 million. Similar to the increase in assets discussed above, this increase also relates to the District's issuance of \$190 million in GO debt. The amount is less than the \$190 million because the District paid off (during FY 2005) part of its debt outstanding at June 30, 2004.

Total Net Assets for the District increased \$26 million from FY 2004 to FY 2005. The majority of this increase comes from an increase in the District's unrestricted net assets. These funds relate to the District's primary operating funds and are used for general operational activities.

Statement of Revenues, Expenses, and Changes in Net Assets

The District has four major revenue sources. These are property taxes, tuition and fees, state appropriations, and grants and contracts.

Total revenue for the District increased by \$42 million from FY 2004 to FY 2005. The following revenue sources make up a significant portion of this total increase.

- Increase of \$14.3 million in Property Taxes due to increases in property valuations and new construction.
- Increase of \$13.4 million in Tuition and Fees, due to increased enrollment and a \$4 per credit hour increase in tuition.
- Increase of \$4.7 million in State Appropriations, due to an increase in enrollment (full-time student equivalent) at the District.
- Increase of \$4.0 million in Grants and Contracts, due to increases in Pell Grant awards to students and increases of various grant program revenues.

Increases in student enrollment necessitated an increase in the District's related operating expenses. This increased service level need translates into additional salaries, employee-related expenses, and equipment/supplies costs for all of the District's function line items.

Financial Highlights and Analysis (continued)

Total expenses increased by \$37 million from FY 2004 to FY 2005. The following expenses by function make up a significant portion of this total increase.

- Increase of \$15.2 million in Instruction. This category includes activities for the District's instruction programs, including expenses for credit and noncredit courses; academic, vocational, and technical instruction; remedial and tutorial instructions; and regular, special, and extension sessions. Increases were primarily due to increases in faculty, increased wage expenses, and fringe benefits.
- Increase of \$5.0 million in Auxiliary Enterprises. This expense function accounts for expenses related to the operation of auxiliary enterprises characterized as self-supporting activities. Auxiliary Enterprise expenses increased due to increases in wages, fringe benefits, and charges for copy services and bank service fees.

Capital Assets and Debt Administration

The District's capital assets as of June 30, 2005 totaled \$356,882,759 (net of accumulated depreciation). Capital assets include land, construction in progress, buildings, improvements other than buildings, equipment, and library books. The change in the District's capital assets for the current year was a decrease of less than one percent. Additional information on capital assets can be found in detail in Note 4 to the District's basic financial statements.

In March 2005, the District sold \$190,270,000 in bonds from the total authorized and these funds are supporting the first set of projects scheduled in our 2004 Bond Program. These general obligation bonds were sold to finance general improvement of the District's educational facilities, and for the purchase of equipment. Additional information on all of the District's bond issues is discussed in greater detail in Note 5 to the financial statements.

At year-end, the District's financial position remains strong, with adequate resources and reserves to meet all current obligations. The District's general obligation bond debt issues are rated Aaa by Moody's Investors Service, AAA by Fitch, and AA+ by Standard & Poor's. The AA+ rating from Standard & Poor's was a recent upgrade (February 2005) from their previous AA rating. Reasons cited for this upgrade, were a deep, diverse, and expanding economic base, strong financial policies and management and a moderately low and manageable debt burden.

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 District's obligations.

Current Factors Having Probable Future Financial Significance

The District has reviewed its medical insurance plan and also conducted a careful analysis of the District's health insurance premium costs and related medical claim history. This review was conducted in partnership with an outside consulting firm that specializes in self-funded medical plans.

As a result of that review and in response to rising insurance costs, the District implemented a self-funded medical plan, effective July 1, 2005. It is anticipated that the District will save significant dollars under a self-funded plan due to lower administrative fees and the avoidance of paying the insurance company's risk charges. Of course, the District will now be liable for all medical claims incurred, but has set aside sufficient budget reserves to manage the anticipated costs of the claims and the plan's administration.

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, 2005**

Assets

Current assets:

Cash and cash equivalents	\$ 187,943,533
Investments	345,111
Receivables (net of allowance of \$4,092,839)	19,277,023
Other	1,625,362
Total current assets	<u>209,191,029</u>

Noncurrent assets:

Receivables (net of allowance of \$628,628)	701,569
Restricted assets:	
Cash and cash equivalents	64,251,390
Investments	194,221,643
Receivables (net of allowance of \$217,352)	2,445,465
Other	1,938,892
Capital assets, not being depreciated	49,368,829
Depreciable capital assets, net of depreciation	307,513,930
Total noncurrent assets	<u>620,441,718</u>
Total assets	<u>829,632,747</u>

Liabilities

Current liabilities:

Accounts payable	7,142,546
Accrued liabilities	11,957,706
Deposits held in custody for others	837,132
Interest payable	8,836,183
Deferred revenues	7,977,201
Long-term liabilities - current portion	28,793,137
Total current liabilities	<u>65,543,905</u>

Long-term liabilities

Total liabilities	<u>449,966,868</u> <u>515,510,773</u>
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Net Assets

Invested in capital assets, net of related debt	102,170,658
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Restricted:

Nonexpendable:

Endowments	222,173
Loans	779,581

Expendable:

Scholarships	1,426,732
Grants and contracts	14,270,193
Loans	68,284
Debt service	32,102,696
Capital projects	43,887,265

Unrestricted	119,194,392
Total net assets	<u>\$ 314,121,974</u>

See accompanying notes to financial statements.

Maricopa County Community College District
Statement of Financial Position -- Component Unit
June 30, 2005

Assets

Current assets:

Cash and cash equivalents	\$	344,377
Pledges receivable, net		460,315
Interest receivable		69,670
Total current assets		874,362

Pledges receivable, net of current portion		1,019,252
Investments		11,453,283
Cash surrender value of life insurance		452,284
Cash held for endowment purposes		589,213
Other assets		2,300
Total assets	\$	14,390,694

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$	92,144
Charitable gift annuity liability		188,644
Total liabilities		280,788

Net assets

Unrestricted		364,302
Temporarily restricted		2,805,290
Permanently restricted		10,940,314
Total net assets		14,109,906
Total liabilities and net assets	\$	14,390,694

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, 2005

Operating revenues:	
Tuition and fees (net of scholarship allowance of \$32,659,199), portion pledged as security for revenue bonds	\$ 116,026,910
Government grants and contracts	77,387,205
Private grants and contracts	3,201,902
Other, portion pledged as security for revenue bonds	11,589,985
Total operating revenues	<u>208,206,002</u>
Operating expenses:	
Educational and general:	
Instruction	216,253,695
Public service	14,728,774
Academic support	48,264,966
Student services	63,960,325
Institutional support	87,192,882
Operation and maintenance of plant	28,740,168
Scholarships	3,466,657
Auxiliary enterprises	59,790,331
Depreciation	25,046,851
Other	4,233,275
Total operating expenses	<u>551,677,924</u>
Operating loss	<u>(343,471,922)</u>
Nonoperating revenues (expenses):	
Property taxes	296,179,163
State appropriations	51,290,400
State-shared sales tax	7,712,296
Private gifts	10,504,242
Investment income, net of investment expense	7,127,345
Interest expense on debt	(13,708,885)
Loss on sale/disposal of capital assets	(326,063)
Total nonoperating revenues	<u>358,778,498</u>
Income before other revenues, expenses, gains, or losses	15,306,576
Capital appropriations	10,372,200
Capital grants and gifts	271,871
Increase in net assets	<u>25,950,647</u>
Total net assets, July 1, 2004	<u>288,171,327</u>
Total net assets, June 30, 2005	<u>\$ 314,121,974</u>

See accompanying notes to financial statements.

Maricopa County Community College District
Statement of Activities -- Component Unit
For the Year Ended June 30, 2005

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Contributions	\$ -	\$ 995,594	\$ 2,649,434	\$ 3,645,028
Contributed services	91,172	-	-	91,172
Investment return	118,439	-	564,593	683,032
Increase in cash surrender value of life insurance	-	-	8,785	8,785
Total support and revenue before net assets released from restrictions	209,611	995,594	3,222,812	4,428,017
Net assets released from restrictions	1,528,979	(1,528,979)	-	-
Total support and revenue	1,738,590	(533,385)	3,222,812	4,428,017
Expenses				
Program expenses				
Scholarships and other programs	1,548,210	-	-	1,548,210
Supporting services				
General and administrative	197,549	-	-	197,549
Fundraising	176,498	-	-	176,498
Total supporting services	374,047	-	-	374,047
Total expenses	1,922,257	-	-	1,922,257
Change in net assets	(183,667)	(533,385)	3,222,812	2,505,760
Net assets, beginning of year	547,969	3,338,675	7,717,502	11,604,146
Net assets, end of year	\$ 364,302	\$ 2,805,290	\$ 10,940,314	\$ 14,109,906

See accompanying notes to financial statements.

**Maricopa County Community College District
Statement of Cash Flows -- Primary Government
For the Year Ended June 30, 2005**

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 117,235,305
Grants and contracts	80,263,141
Payments to employees	(381,709,570)
Payments to suppliers	(100,692,152)
Payments to students for grants and scholarships	(42,365,617)
Other receipts	11,589,985
Other payments	(781,600)
Net cash used for operating activities	<u>(316,460,508)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Property taxes	296,695,594
State appropriations	51,290,400
State-shared sales tax	7,685,984
Federal student loans received	67,805,704
Federal student loans disbursed	(67,805,704)
Gifts received for other than capital purposes	10,504,242
Net cash provided by noncapital financing activities	<u>366,176,220</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from issuance of bonds	194,049,776
Capital appropriations	10,372,200
Proceeds from sale of capital assets	76,199
Purchase of capital assets	(22,914,779)
Principal paid on capital debt and leases	(29,690,731)
Interest paid on capital debt and leases	(11,089,171)
Net cash used for capital and related financing activities	<u>140,803,494</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	30,469,266
Interest received on investments	4,825,577
Purchases of investments	(224,560,431)
Net cash provided by investing activities	<u>(189,265,588)</u>
Net increase in cash	1,253,618
Cash and cash equivalents - beginning of year	250,941,305
Cash and cash equivalents - end of year	<u>\$ 252,194,923</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	\$ (343,471,922)
Adjustments to reconcile net loss to net cash used for operating activities:	
Depreciation expense	25,046,851
Changes in assets and liabilities:	
Increase in:	
Receivables, net	(471,375)
Other assets	(952,885)
Accounts payable	1,757,818
Deferred revenues	1,358,490
Long-term liabilities - compensated absences	1,668,210
Decrease in:	
Accrued liabilities	(1,277,755)
Deposits held in custody for others	(117,940)
Net cash used for operating activities	<u><u>\$ (316,460,508)</u></u>

Noncash transactions:

Rebatable arbitrage liability. The rebatable arbitrage liability for the District decreased by \$211,062.

Borrowing under capital lease. The District acquired \$443,090 of assets through capital lease agreements.

Increase in fair value of investments. The fair value of investments increased by \$237,478.

Capital asset trade-ins. \$409,611 of capital assets were traded in or exchanged for other assets during the year.

Gifts of depreciable and non-depreciable assets. The District recorded the receipt of gifts of depreciable and non-depreciable assets of \$271,871.

See accompanying notes to financial statements.

Maricopa County Community College District
Notes to Financial Statements
For the Year Ended June 30, 2005

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). The District follows Financial Accounting Standards Board (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.

During the year ended June 30, 2005, the District implemented the provisions of the GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. GASB Statement No. 40 establishes and modifies the risk disclosures about the District's deposits and investments. The implementation of GASB Statement No. 40 requires only additional disclosures, and had no effect on reported amounts for deposits, investments, net assets, or changes in net assets.

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 academic 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 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.

For financial reporting purposes, the Foundation follows the 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. The Foundation has a June 30 year end.

NOTE 1 - Summary of Significant Accounting Policies (continued)

During the year ended June 30, 2005, the Foundation made distributions of \$1,528,979 to the District for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Foundation Office at 2411 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.

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 District 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 an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first use unrestricted resources, and then restricted resources. The District eliminates all internal activity.

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 providing instructional, public, and auxiliary services, which is consistent with the District's mission. Accordingly, revenues such as tuition, educational grants, and sales of auxiliary services are considered to be operating revenues. Other revenues, such as property taxes and state appropriations, are not generated from operations 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 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

NOTE 1 - Summary of Significant Accounting Policies (continued)

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.

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, cash in the bank, cash and investments held by the County Treasurer, and investments in the State Treasurer's Local Government Investment Pool. 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, 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:

Asset Category	Capitalization Threshold	Depreciation Method	Estimated Useful Life
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
Library books	All	Straight-line	10 years

Compensated Absences - Compensated absences consist of vacation and sick leave earned. Employees may accumulate vacation balances depending on years of service and employee group, 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 advance refunding 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

NOTE 1 - Summary of Significant Accounting Policies (continued)

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 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 Income - Investment income is 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.

A.R.S. require the District act as a prudent person when dealing with the property of another when making investment decisions. The District's policy permits investment in U.S. government securities, repurchase agreements, insured or collateralized deposits, certificates of deposit, and interest-bearing savings accounts. 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, concentration of credit risk, interest rate risk, or foreign currency risk for the District's investments.

Deposits

At June 30, 2005, total petty cash on hand was \$234,390. The carrying amount of bank deposits on the District's accounting system was \$9,886,793. The District's bank balance was \$14,356,650. The District does not have a formal policy with respect to custodial credit risk.

Investments

The District's investments at June 30, 2005, consist of the following:

State Treasurer's investment pools	\$229,020,556
Country Treasurer's investment pool	4,036,983
U. S. Treasury securities	203,439,745
Money market mutual fund	78,099
Mutual funds - equity	65,111
	<u>\$436,640,494</u>

The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that

NOTE 2 - Deposits and Investments (continued)

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, 2005, credit risk for the District's investments were as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
State Treasurer's investment pools	Unrated	Not applicable	\$229,020,556
County Treasurer's investment pool	Unrated	Not applicable	4,036,983
Money market mutual fund	Aaa	Moody's	1,636
Money market mutual fund	Unrated	Not applicable	76,463
Total			<u>\$233,135,638</u>

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. District policy requires that all securities purchased are to be delivered to the District's custodian bank or held by an independent third-party financial institution in the name of the District. The District's other investments are in investment pools and mutual funds – both of which are not subject to custodial credit risk. At June 30, 2005, the District had \$203,439,745 of United States Treasury Bills that were uninsured and held by the counterparty not in the District's name.

Concentration of Credit Risk

The District does not have a formal policy with respect to concentration of credit risk.

NOTE 2 - Deposits and Investments (continued)

Interest Rate Risk

The District's policy states maturities should not routinely exceed thirteen months. The policy states investment maturities should be shortened when cash flow requirements are uncertain.

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity (Months)</u>
State Treasurer's investment pool 5	\$106,057,667	2.6
State Treasurer's investment pool 7	122,962,889	4.9
County Treasurer's investment pool	4,036,983	14.7
U.S. Treasury securities	203,439,745	4.7
Total	<u>\$436,497,284</u>	
Portfolio Weighted Average Maturity		4.3

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	\$ 234,390	Cash and cash equivalents	\$187,943,533
Deposits	9,886,793	Investments	345,111
Investments	436,640,494	Restricted assets:	
		Cash and cash equivalents	64,251,390
		Investments	194,221,643
Total	<u>\$446,761,677</u>	Total	<u>\$446,761,677</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 \$1,770,958)	\$ 5,220,744
Government grants	8,285,072
Private grants and contracts (net of allowance of \$65,057)	2,273,695
Student accounts (net of allowance of \$2,178,270)	1,936,217
Other (net of allowance of \$78,554)	<u>1,561,295</u>
Total receivables	<u>\$ 19,277,023</u>

NOTE 3 - Current Receivables (continued)

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 Maricopa County Treasurer. However, a lien assessed against real and personal property attaches on the first day of January preceding assessment and levy thereof. Property taxes are payable in two equal installments due in October and March. The delinquent tax dates are the second business days in November and May. 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:

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Capital assets not being depreciated:				
Land	\$ 31,996,110	\$ 37,262	-	\$ 32,033,372
Construction in progress (estimated cost to complete \$15,568,595)	<u>8,281,800</u>	<u>12,997,183</u>	<u>\$ 3,943,526</u>	<u>17,335,457</u>
Total capital assets not being depreciated	<u>40,277,910</u>	<u>13,034,445</u>	<u>3,943,526</u>	<u>49,368,829</u>
Capital assets being depreciated:				
Buildings	419,062,168	852,795	390,084	419,524,879
Equipment	68,694,920	9,337,716	4,507,368	73,525,268
Improvements other than buildings	42,336,905	3,634,714	486,527	45,485,092
Library books	<u>10,369,779</u>	<u>1,191,159</u>	<u>396,968</u>	<u>11,163,970</u>
Total capital assets being depreciated	<u>540,463,772</u>	<u>15,016,384</u>	<u>5,780,947</u>	<u>549,699,209</u>
Less accumulated depreciation for:				
Buildings	140,592,930	14,369,776	290,414	154,672,292
Equipment	54,016,666	8,018,429	3,089,532	58,945,563
Improvements other than buildings	20,014,739	1,905,514	718,588	21,201,665
Library books	<u>7,009,595</u>	<u>753,132</u>	<u>396,968</u>	<u>7,365,759</u>
Total accumulated depreciation	<u>221,633,930</u>	<u>25,046,851</u>	<u>4,495,502</u>	<u>242,185,279</u>
Total capital assets being depreciated, net	<u>318,829,842</u>	<u>(10,030,467)</u>	<u>1,285,445</u>	<u>307,513,930</u>
Capital assets, net	<u>\$ 359,107,752</u>	<u>\$ 3,003,978</u>	<u>\$ 5,228,971</u>	<u>\$ 356,882,759</u>

The District has active construction projects with a remaining contractual commitment at June 30, 2005 of \$1,369,144.

NOTE 5 - Long-term Liabilities

The following schedule details the long-term liability activity for the year ended June 30, 2005.

	<u>Balance, July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2005</u>	<u>Due within one year</u>
Bonds payable:					
General obligation bonds	\$ 261,015,000	\$190,270,000	\$ 26,575,000	\$ 424,710,000	\$ 24,905,000
Revenue bonds	29,005,000	-	3,030,000	25,975,000	2,615,000
Premium on general obligation bonds	8,473,537	3,779,776	1,366,663	10,886,650	-
Premium on revenue bonds	334,662	-	18,285	316,377	-
Deferred charges on refunding	(7,477,345)	-	(982,880)	(6,494,465)	-
Capital leases	334,898	443,090	85,731	692,257	139,428
Rebatable arbitrage earnings	211,062	-	211,062	-	-
Compensated absences	21,005,976	2,486,729	818,519	22,674,186	1,133,709
Total long-term liabilities	<u>\$ 312,902,790</u>	<u>\$ 196,979,595</u>	<u>\$ 31,122,380</u>	<u>\$ 478,760,005</u>	<u>\$ 28,793,137</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, \$761,093,000 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, 2005, 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				
Project of 1994				
Series B (1997)	\$ 124,250,000	7/1/2005-07	6.00-6.50%	\$ 4,870,000
Series C (1999)	104,250,000	7/1/2005-15	3.25-5.25%	61,150,000
Series D (2001)	52,545,000	7/1/2005	4.00%	11,495,000
Refunding, Series A (1998)	65,145,000	7/1/2005-09	4.20-5.00%	47,885,000
Refunding, Series A&B (2002)	48,605,000	7/1/2005-11	4.80-5.25%	43,205,000
Refunding, Series A&B (2004)	66,610,000	7/1/2005-13	2.00-5.00%	65,835,000
Project of 2004, Series A (2005)	190,270,000	7/1/2006-19	3.00-4.50%	190,270,000
Revenue bonds				
Refunding Bonds, Series 1993	14,995,000	7/15/2005	5.10%	1,995,000
Revenue Bonds, Series 1998	6,000,000	7/15/2005-10	4.30-4.70%	3,455,000
Revenue Bonds, Series 2002	14,480,000	7/15/2006-22	3.00-4.63%	13,045,000
Revenue Bonds, Series 2003	7,655,000	7/15/2005-23	2.00-5.00%	7,480,000
			Total	<u>\$ 450,685,000</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, 2005.

Year Ending June 30:	General Obligation Bonds		Revenue Bonds		Total Debt Service Requirements
	Principal	Interest	Principal	Interest	
2006	\$ 24,905,000	\$ 16,084,685	\$ 2,615,000	\$ 1,017,282	\$ 44,621,967
2007	30,485,000	16,106,415	2,755,000	899,566	50,245,981
2008	51,930,000	14,430,696	2,305,000	806,652	69,472,348
2009	35,000,000	12,745,277	2,395,000	728,534	50,868,811
2010	34,350,000	11,297,830	1,905,000	649,415	48,202,245
2011-2015	168,015,000	32,182,686	4,780,000	2,519,024	207,496,710
2016-2020	80,025,000	7,876,317	5,010,000	1,588,330	94,499,647
2021-2024		-	4,210,000	373,176	4,583,176
Total	<u>\$ 424,710,000</u>	<u>\$ 110,723,906</u>	<u>\$ 25,975,000</u>	<u>\$ 8,581,979</u>	<u>\$ 569,990,885</u>

Description of Issues

General Obligation Bonds, Project of 1994 Series B (1997)

In June 1997, the District issued \$124,250,000 of general obligation bonds. These bonds were issued to make certain improvements to the District's educational facilities and finance equipment purchases. Bonds maturing on or before July 1, 2006, are noncallable. Bonds maturing on or after July 1, 2007, are subject to early redemption.

General Obligation Bonds, Project of 1994 Series C (1999)

In February 1999, the District issued \$104,250,000 of general obligation bonds. These bonds were issued to make certain improvements to the District's educational facilities and finance equipment purchases. Bonds maturing on or before July 1, 2008, are noncallable. Bonds maturing on or after July 1, 2009, are subject to early redemption.

General Obligation Bonds, Project of 1994 Series D (2001)

In April 2001, the District issued \$52,545,000 of general obligation bonds. These bonds were issued to make certain improvements to the District's educational facilities and finance equipment purchases. The bonds are noncallable.

General Obligation Refunding Bonds, Series A (1998)

In April 1998, the District issued \$65,145,000 of general obligation bonds to advance refund \$65,780,000 of outstanding Series A (1995) general obligation bonds. The District defeased these bonds by placing the proceeds of the new bonds in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. In accordance with the refunding plan, the trustee retired the remaining liability for the defeased bonds of \$61,245,000

NOTE 5 - Long-term Liabilities (continued)

on July 1, 2003. Refunding bonds maturing on or before July 1, 2007, are noncallable. Refunding bonds maturing on or after July 1, 2008, are subject to early redemption.

General Obligation Refunding Bonds, Series A and B (2002)

In July 2002, the District issued \$48,605,000 of general obligation bonds to advance refund \$11,020,000 of General Obligation (G.O.) Bonds, Series A (1995) and \$37,585,000 of Series B (1997). The District defeased these bonds by placing the proceeds of the new bonds in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability as of June 30, 2005, for the defeased bonds of \$37,585,000 are not included in the District's financial statements. This issue of refunding bonds is not subject to early redemption.

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. Accordingly, the trust account assets and the liability as of June 30, 2005, for the defeased bonds of \$63,375,000 are not included in the District's financial statements. This issue of refunding bonds is not subject to early redemption.

General Obligation, 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 finance equipment purchases. Bonds maturing on or before July 1, 2014, are noncallable. Bonds maturing on or after July 1, 2015, are subject to early redemption.

Revenue Refunding Bonds, Series 1993

In July 1993, the District issued \$14,995,000 of revenue refunding bonds to purchase securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded Series 1986 debt. The bonds are noncallable. The trustee has retired all of the defeased Series 1986 bond liability.

Revenue Bonds, Series 1998

In May 1998, the District issued \$6,000,000 of revenue bonds to construct, furnish, and equip a performing arts center and to make related site improvements. Bonds maturing on or before July 15, 2007, are noncallable. Bonds maturing on or after July 15, 2008, are subject to early redemption.

NOTE 5 - Long-term Liabilities (continued)

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. Bonds maturing on or after July 15, 2013, are subject to early redemption.

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. Bonds maturing on or after July 15, 2014, are subject to early redemption.

NOTE 6 - 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	\$382,587,781
Contract services	44,638,951
Financial aid	41,980,634
Depreciation	25,046,851
Communications, utilities, and travel	18,505,572
Noncapitalized equipment	11,116,922
Supplies and materials	17,824,448
Subscriptions, dues, insurance, and rentals	7,225,173
Other expenses	2,751,592
Total	<u><u>\$551,677,924</u></u>

NOTE 7 - Retirement Plan

Plan Description - The District contributes to a cost-sharing, multiple-employer defined benefit pension plan administered by the Arizona State Retirement System (System). Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. 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.

NOTE 7 - Retirement Plan (continued)

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, PO 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, 2005, active plan members and the District were each required by statute to contribute at an actuarially determined rate of 5.7 percent (5.2 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll. The District's contributions to the System for the years ended June 30, 2005, 2004, and 2003, were \$14.4 million, \$13.3 million, and \$5.4 million, respectively. These amounts were equal to the required contributions for the year.

NOTE 8 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all such risks of loss, including workers' compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

NOTE 9 - 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 \$342,200. 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 \$355,000. 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.

NOTE 10 - Subsequent Event

Effective July 1, 2005, the District established the Maricopa County Community College District Employee Health Care Plan (the Plan) to provide its employees with health care insurance coverage. The Plan is partially self-funded, and is combined with contributions from employees to pay the medical claims of enrolled employees and dependents. Although it is anticipated that the District will recognize a cost savings, the District will also incur the risk for payments of medical claims. Additionally, the District has set aside reserves to adequately fund any potential liability or costs related to the administration of the Plan.

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 Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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 SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, 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. Restricted support, where restrictions are met in the same period as the donation is made, is shown as additions to unrestricted net assets.

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 projects to advance these colleges. Permanently restricted contributions require the principal be invested in perpetuity, the income from which is reflected as unrestricted or temporarily restricted in the statement of activities as specified by the donor.

Unconditional promises to give (pledges receivable) are recognized as revenues in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. An allowance for unrealizable pledges is provided based on management's evaluation of potential unrealizable pledges receivable at year-end. Long-term pledges receivable are carried at net present value.

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

Endowment funds - Endowment funds investment earnings and fees are held in the endowment funds. 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 as calculated at the end of each year. Actual investment earnings, in excess of (or less than) this 5% distribution, are added to (subtracted from) the endowment principal, according to the policy disclosed to the endowment donors. If these 5% transfers are not fully disbursed within a one-year period, the remaining amounts are transferred back to the endowment funds. No such transfers occurred for the year ended June 30, 2005.

Temporarily restricted funds - Since temporarily restricted funds are generally small in amount and/or expected to be disbursed within a relatively short time frame, earnings are unrestricted unless otherwise stipulated by the donor.

Investments - In accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, the Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Realized and unrealized gains and losses are reflected in the change in net assets in the accompanying statement of activities.

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 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.

NOTE 11 b - Investments

Investments consist of the following:

Corporate bonds	\$ 3,404,654
Government securities	2,930,068
Equity securities	<u>5,118,561</u>
Total investments	<u>\$11,453,283</u>

NOTE 11 b - Investments (continued)

The following summarizes investment returns included in the statement of activities:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 188,160	\$ -	\$ 215,835	\$ 403,995
Net realized and unrealized gains (losses)	(53,535)	-	377,685	324,150
Brokerage fees	(16,186)	-	(28,927)	(45,113)
Total	<u>\$ 118,439</u>	<u>\$ -</u>	<u>\$ 564,593</u>	<u>\$ 683,032</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 10a – Endowment funds).

NOTE 11 d - Contributed Services

The Maricopa County Community College 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 general and administrative expenses.

Supplemental Information

Maricopa County Community College District
Statement of Revenues, Expenses, and Changes in Net Assets
By College/Center
For the Year Ended June 30, 2005

	<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	\$ 8,555,027	\$ 14,643,217	\$ 6,209,150	\$ 23,277,652	\$ 11,629,499
Government grants and contracts	10,181,302	10,974,643	7,320,526	14,763,370	4,254,414
Private grants and contracts	-	423,024	600,281	567,531	123,663
Other	751,398	941,957	871,195	1,753,493	1,921,600
Total operating revenues	<u>19,487,727</u>	<u>26,982,841</u>	<u>15,001,152</u>	<u>40,362,046</u>	<u>17,929,176</u>
Operating expenses:					
Educational and general:					
Instruction	24,696,542	36,531,884	14,758,123	46,694,542	23,215,304
Public service	1,230,911	920,459	384,058	1,365,581	275,690
Academic support	5,191,917	6,919,374	2,890,286	8,774,499	4,452,017
Student services	8,487,692	10,094,931	5,655,454	13,237,905	5,540,819
Institutional support	6,286,390	4,982,153	4,816,253	10,228,115	3,760,056
Operation and maintenance of plant	3,813,536	4,706,938	1,904,340	4,580,169	3,659,641
Scholarships	561,957	374,962	156,543	805,818	272,897
Auxiliary enterprises	5,299,346	5,500,146	7,773,949	9,039,545	5,785,117
Depreciation	2,165,160	3,288,431	1,690,917	4,657,627	2,219,097
Other	618,182	446,550	253,956	1,179,546	84,110
Total operating expenses	<u>58,351,633</u>	<u>73,765,828</u>	<u>40,283,879</u>	<u>100,563,347</u>	<u>49,264,748</u>
Operating loss	(38,863,906)	(46,782,987)	(25,282,727)	(60,201,301)	(31,335,572)
Nonoperating revenues (expenses):					
Property taxes	33,042,496	40,539,917	21,716,669	53,657,824	26,102,743
State appropriations	4,919,527	8,162,090	3,113,234	11,362,980	4,568,902
State-shared sales tax	19,784	-	72,811	-	-
Private gifts	858,325	754,181	346,711	1,510,118	608,652
Investment income, net of investment expense	13,623	3,627	35	1,331	63
Interest expense on debt	-	-	-	(732)	(3,835)
Gain (loss) on sale/disposal of capital assets	9,500	17,977	(13,436)	38,989	44,925
Total Nonoperating revenues and expenses	<u>38,863,255</u>	<u>49,477,792</u>	<u>25,236,024</u>	<u>66,570,510</u>	<u>31,321,450</u>
Income (loss) before other revenues, expenses, gains or losses	(651)	2,694,805	(46,703)	6,369,209	(14,122)
Capital appropriations	-	-	-	-	-
Capital grants and gifts	651	5,200	46,703	188,513	14,122
Increase in net assets	<u>-</u>	<u>2,700,005</u>	<u>-</u>	<u>6,557,722</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>
\$ 20,242,812	\$ 2,566,460	\$ 6,853,717	\$ 6,640,265	\$ 4,051,011	\$ 11,358,100	\$ 116,026,910
9,931,716	4,316,681	3,018,367	3,380,849	4,891,106	4,354,231	77,387,205
806,265	54,004	(59,330)	338,044	-	348,420	3,201,902
123,976	105,443	122,134	333,870	390,188	4,274,731	11,589,985
<u>31,104,769</u>	<u>7,042,588</u>	<u>9,934,888</u>	<u>10,693,028</u>	<u>9,332,305</u>	<u>20,335,482</u>	<u>208,206,002</u>
23,800,949	8,327,868	12,836,876	14,428,821	8,937,847	2,024,939	216,253,695
4,755,075	641,614	147,187	67,732	808,875	4,131,592	14,728,774
5,776,651	2,545,979	3,135,181	3,227,373	1,827,041	3,524,648	48,264,966
4,948,950	3,743,032	3,121,422	4,235,581	3,926,650	967,889	63,960,325
6,542,740	3,954,878	6,469,939	2,538,446	3,210,778	34,403,134	87,192,882
1,261,928	1,659,306	2,841,228	1,600,844	1,542,235	1,170,003	28,740,168
77,608	260,354	473,922	105,987	114,821	261,788	3,466,657
10,500,498	1,624,819	2,043,202	2,788,986	3,706,675	5,728,048	59,790,331
1,600,489	1,271,699	2,308,033	1,211,199	1,325,312	3,308,887	25,046,851
223,909	230,964	59,171	404,471	144,730	587,686	4,233,275
<u>59,488,797</u>	<u>24,260,513</u>	<u>33,436,161</u>	<u>30,609,440</u>	<u>25,544,964</u>	<u>56,108,614</u>	<u>551,677,924</u>
(28,384,028)	(17,217,925)	(23,501,273)	(19,916,412)	(16,212,659)	(35,773,132)	(343,471,922)
31,280,900	15,055,978	19,528,287	16,694,955	13,987,342	24,572,052	296,179,163
9,038,652	1,504,526	3,183,646	3,080,902	2,355,941	-	51,290,400
-	-	-	-	-	7,619,701	7,712,296
4,701,570	666,151	655,707	139,349	172,809	90,669	10,504,242
75,528	-	16	2,216	-	7,030,906	7,127,345
-	-	-	-	-	(13,704,318)	(13,708,885)
<u>(19,702)</u>	<u>(9,119)</u>	<u>121,327</u>	<u>(1,310)</u>	<u>(307,136)</u>	<u>(208,078)</u>	<u>(326,063)</u>
<u>45,076,948</u>	<u>17,217,536</u>	<u>23,488,983</u>	<u>19,916,112</u>	<u>16,208,956</u>	<u>25,400,932</u>	<u>358,778,498</u>
16,692,920	(389)	(12,290)	(300)	(3,703)	(10,372,200)	15,306,576
-	-	-	-	-	10,372,200	10,372,200
-	389	12,290	300	3,703	-	271,871
<u>16,692,920</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,950,647</u>
						288,171,327
						\$ <u>314,121,974</u>
						Net assets - July 1, 2004
						Total net assets, June 30, 2005

Maricopa County Community College District
Notes to Supplemental Information
For the Year Ended June 30, 2005

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, 2005, 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.



Statistical Section

**Maricopa County Community College District
Operating Expenses by Function
Last Four Fiscal Years**

(Dollars in Thousands)

	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
Instruction	\$ 216,254	\$ 201,072	\$ 187,296	\$ 175,598
Public service	14,729	13,465	13,907	12,163
Academic support	48,265	45,753	39,681	38,990
Student services	63,960	60,189	53,499	49,532
Institutional support	87,193	84,004	75,377	73,257
Operation and maintenance of plant	28,740	26,709	30,377	30,998
Scholarships	3,467	3,102	2,280	2,549
Auxiliary enterprises	59,790	54,795	44,912	45,083
Depreciation	25,047	21,193	24,236	21,498
Other	4,233	5,541	5,910	221
Total expenses	<u>\$ 551,678</u>	<u>\$ 515,823</u>	<u>\$ 477,475</u>	<u>\$ 449,889</u>

(Percent of Total Operating Expenses)

	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
Instruction	39.2 %	39.0 %	39.2 %	39.0 %
Public service	2.7	2.6	2.9	2.7
Academic support	8.8	8.9	8.3	8.7
Student services	11.6	11.6	11.2	11.0
Institutional support	15.8	16.3	15.8	16.3
Operation and maintenance of plant	5.2	5.2	6.4	6.9
Scholarships	0.6	0.6	0.5	0.5
Auxiliary enterprises	10.8	10.6	9.4	10.0
Depreciation	4.5	4.1	5.1	4.8
Other	0.8	1.1	1.2	0.1
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

Source: Comprehensive Annual Financial Reports for years presented.

Note: For comparability purposes, only the fiscal years that have been reported by GASB 34/35 criteria are displayed. Additional information will be presented as it becomes available.

**Maricopa County Community College District
Revenues by Source
Last Four Fiscal Years**

(Dollars in Thousands)

	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
Property taxes	\$ 296,179	\$ 281,831	\$ 259,813	\$ 242,128
State appropriations	61,663	54,923	55,201	56,531
State-shared sales tax	7,712	5,926	5,208	4,435
Government grants and contracts	77,387	73,150	64,190	50,495
Private gifts, grants, and contracts	13,978	16,180	13,301	12,314
Tuition and fees, net of scholarship allowance	116,027	102,641	91,855	85,148
Investment income, net of investment expense	7,127	3,710	(1,627)	8,996
Other	11,590	10,888	10,644	8,806
 Total revenues	 <u>\$ 591,663</u>	 <u>\$ 549,249</u>	 <u>\$ 498,585</u>	 <u>\$ 468,853</u>

(Percent of Total Revenues)

	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
Property taxes	50.1 %	51.3 %	52.1 %	51.6 %
State appropriations	10.4	10.0	11.1	12.1
State-shared sales tax	1.3	1.1	1.0	0.9
Government grants and contracts	13.1	13.3	12.9	10.8
Private gifts, grants, and contracts	2.4	2.9	2.7	2.6
Tuition and fees, net of scholarship allowance	19.6	18.7	18.4	18.2
Investment income, net of investment expense	1.2	0.7	(0.3)	1.9
Other	1.9	2.0	2.1	1.9
 Total	 <u>100.0 %</u>	 <u>100.0 %</u>	 <u>100.0 %</u>	 <u>100.0 %</u>

Source: Comprehensive Annual Financial Reports for years presented.

Note: For comparability purposes, only the fiscal years that have been reported by GASB 34/35 criteria are displayed. Additional information will be presented as it becomes available.

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

Fiscal Year	Total Primary Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections (1)	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes (2)	Ratio of Delinquent Taxes to Total Tax Levy
1995-96	\$127,583,438	\$125,004,270	97.98 %	\$ 2,365,494	\$127,369,764	99.83 %	\$ 3,640,693	2.85 %
1996-97	136,915,672	133,679,652	97.64	2,641,902	136,321,554	99.57	3,399,451	2.48
1997-98	146,266,234	143,074,486	97.82	2,625,323	145,699,809	99.61	3,564,529	2.44
1998-99	158,025,622	155,061,199	98.12	2,411,702	157,472,901	99.65	3,859,439	2.44
1999-00	171,524,256	167,695,007	97.77	3,457,923	171,152,930	99.78	4,230,766	2.47
2000-01	186,543,632	182,251,528	97.70	3,737,948	185,989,476	99.70	4,784,922	2.57
2001-02	202,409,157	196,807,522	97.23	4,216,776	201,024,298	99.32	6,169,781	3.05
2002-03	220,275,099	215,031,398	97.62	5,437,401	220,468,799	100.09	5,976,081	2.71
2003-04	238,881,107	233,249,543	97.64	4,338,952	237,588,495	99.46	7,268,693	3.04
2004-05	257,179,863	251,703,887	97.87	5,752,967	257,456,854	100.11	6,991,702	2.72

Fiscal Year	Maximum Primary Tax Levy (3)	Tax Revenue Recognized (4)
1995-96	\$127,583,281	\$128,030,334
1996-97	136,570,230	137,000,323
1997-98	147,151,489	146,648,910
1998-99	158,026,342	157,558,395
1999-00	170,115,611	169,540,072
2000-01	187,642,684	185,770,777
2001-02	204,648,094	201,488,138
2002-03	221,156,802	218,867,745
2003-04	239,464,278	238,949,997
2004-05	258,560,787	261,038,577

Source: Arizona State Property Tax Oversight Commission and District records.

Note 1: Cash basis; excludes payments in lieu of taxes.

Note 2: Delinquencies for unsecured personal property are not included since collections often vary from the levy amount. This variance is due to the fact that the unsecured personal property tax levy is based on a conservative estimate of the assessed value.

Note 3: Pursuant to Arizona Revised Statutes, the amount of total primary property taxes levied is limited. The levy limit grows by 2% each year plus new construction. 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.

Note 4: Accrual basis; excludes payments in lieu of taxes.

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

Fiscal Year	Secured Property Values		Unsecured Property Values		Total Property Values		Total Secondary Assessed Value as a Percent of Total Market Value
	Secondary Assessed	Current Market	Secondary Assessed	Current Market	Secondary Assessed	Current Market	
1995-96	\$ 13,322,347	\$ 100,603,839	\$ 797,088	\$ 4,722,441	\$ 14,119,435	\$ 105,326,280	13.4 %
1996-97	13,568,692	103,760,455	774,464	4,173,257	14,343,156	107,933,712	13.3
1997-98	14,854,238	115,551,926	869,260	4,724,629	15,723,498	120,276,555	13.1
1998-99	15,891,850	122,914,557	921,167	5,256,748	16,813,017	128,171,305	13.1
1999-00	17,749,278	137,565,447	927,553	5,226,790	18,676,831	142,792,237	13.1
2000-01	19,813,298	155,135,573	1,064,418	5,771,414	20,877,716	160,906,987	13.0
2001-02	21,748,902	174,348,240	1,164,233	6,304,806	22,913,135	180,653,046	12.7
2002-03	23,303,140	188,031,160	1,153,907	6,204,162	24,457,047	194,235,322	12.6
2003-04	26,405,899	221,009,106	1,072,089	5,284,462	27,477,988	226,293,568	12.1
2004-05	28,811,532	239,136,791	1,255,455	6,698,881	30,066,987	245,835,672	12.2

Source: Maricopa County Department of Finance.

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.

**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			Maricopa County	State of Arizona	Education Equalization	Central Arizona Water Conservation District	Other Special Districts	School Districts	Cities
	Primary Levy	Secondary Levy	Total							
1995-96	\$.9455	\$.1675	\$ 1.1130	\$ 1.65	\$.47	\$.53	\$.14	\$ 0 - 3.93	\$.08 - 11.98	\$ 0 - 2.90
1996-97	.9772	.0704	1.0476	1.65	.00	.53	.14	1 - 6.46	.11 - 10.22	0 - 2.21
1997-98	.9747	.1599	1.1346	1.65	.00	.53	.14	0 - 4.35	.83 - 12.04	0 - 2.20
1998-99	.9866	.1259	1.1125	1.65	.00	.53	.14	0 - 3.49	.11 - 10.64	0 - 2.20
1999-00	.9741	.1544	1.1285	1.62	.00	.52	.14	0 - 2.99	.28 - 10.05	0 - 2.25
2000-01	.9691	.1503	1.1194	1.57	.00	.51	.13	0 - 3.33	.12 - 9.49	0 - 2.08
2001-02	.9583	.1524	1.1107	1.54	.00	.50	.13	0 - 4.00	.11 - 9.76	0 - 2.24
2002-03	.9634	.1493	1.1127	1.54	.00	.49	.13	0 - 5.10	.47 - 13.65	0 - 2.04
2003-04	.9410	.1375	1.0785	1.54	.00	.47	.12	0 - 3.65	.77 - 11.81	0 - 2.67
2004-05	.9211	.1161	1.0372	1.47	.00	.46	.12	1 - 3.86	1.09 - 14.35	0 - 2.41

Source: District records and Maricopa County Department of Finance.

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

**Maricopa County Community College District
Principal Taxpayers
June 30, 2005**

<u>Taxpayer</u>	<u>Type of Property/Business</u>	<u>2004-2005 Secondary Assessed Value</u>	<u>Percentage of 2004-05 Secondary Assessed Value</u>
Arizona Public Service	gas and electric	\$ 887,921,756	2.95 %
Qwest/US West	telecommunications	439,123,801	1.46
Southern California Edison Company	utility property	168,191,472	0.56
Southwest Gas Corporation	gas and electric	139,471,538	0.46
El Paso Electric Co.	utility property	137,145,470	0.46
Intel Corporation	industrial park	92,812,134	0.31
Freescale Semiconductor Inc.	manufacturing	79,622,513	0.26
Public Service Company of New Mexico	utility property	78,310,568	0.26
A T & T / Wireless Service	telecommunications	74,003,744	0.25
Cox Communications	cable communication systems	72,306,968	0.24
Safeway, Inc.	shopping centers	63,426,784	0.21
Southern California Public Power Authority	utility property	62,648,645	0.21
Target	shopping centers	61,647,778	0.20
Albertson's	shopping centers	50,978,868	0.17
Wal-Mart Stores Inc.	shopping centers	47,692,736	0.16
Scottsdale Fashion Square Partnership	shopping centers	46,477,595	0.15
Wells Fargo	banking	44,411,032	0.15
Honeywell	industrial park	43,841,029	0.15
Sheraton Phoenician	hospitality	43,767,143	0.15
MCI Worldcom Network Services, Inc.	telecommunications	42,605,645	0.14
Total Principal Taxpayers		<u>\$ 2,676,407,219</u>	<u>8.90 %</u>
Countywide Secondary Valuation		<u>\$ 30,066,986,670</u>	<u>100.00 %</u>

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 2004 is \$557,861,000.

**Maricopa County Community College District
 Computation of Legal Debt Margin
 Fiscal Year Ended June 30, 2005**

Secondary Assessed Value of Real and Personal Property	\$ 30,066,986,670
Debt Limit, 15% of Secondary Assessed Value	<u>\$ 4,510,048,001</u>
Amount of Debt Applicable to Debt Limit:	
General Obligation Bonded Debt	424,710,000
Amount Available for Debt Repayment	<u>(24,905,000)</u>
Total Debt Applicable to Debt Limit	<u>399,805,000</u>
 Legal Debt Margin	 <u><u>\$ 4,110,243,001</u></u>

Source: Maricopa County Department of Finance and District records.

**Maricopa County Community College District
Ratio of Net General Obligation Bonded Debt to
Secondary Assessed Value and
Net General Bonded Debt Per Capita
Last Ten Fiscal Years**

Fiscal Year	Population (1)	Secondary Assessed Value of Real Estate (2)	General Obligation Bonds Payable	Amount Available For Retirement of General Obligation Bonded Debt	General Obligation Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1995-96	2,551,765	\$ 14,119,434,946	\$ 104,750,000	\$ 18,000,000	\$ 86,750,000	0.61 %	\$ 34.00
1996-97	2,634,625	14,343,156,861	211,000,000	5,915,000	205,085,000	1.43	77.84
1997-98	2,720,575	15,723,498,194	205,085,000	9,065,000	196,020,000	1.25	72.05
1998-99	2,806,100	16,813,017,261	300,270,000	17,235,000	283,035,000	1.68	100.86
1999-00	2,879,492	18,676,830,848	283,035,000	13,045,000	269,990,000	1.45	93.76
2000-01	3,072,149	20,877,715,546	322,535,000	16,785,000	305,750,000	1.46	99.52
2001-02	3,194,798	22,913,134,480	305,750,000	20,935,000	284,815,000	1.24	89.15
2002-03	3,296,250	24,457,047,282	284,815,000	23,800,000	261,015,000	1.07	79.19
2003-04	3,396,875	27,477,987,528	261,015,000	26,575,000	234,440,000	0.85	69.02
2004-05	3,524,175	30,066,986,670	424,710,000	24,905,000	399,805,000	1.33	113.45

Source: Arizona Department of Economic Security, Maricopa County Department of Finance, and District records.

Note 1: Population figures are estimates as of July 1 of each fiscal year except for FY 1995-96 which reflects the actual population determined from a special census taken in October 1995.

Note 2: 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.

**Maricopa County Community College District
 Computation of Direct and Overlapping Bonded Debt
 General Obligation Bonds
 June 30, 2005**

Direct Debt:

Maricopa County Community College District	\$	424,710,000
Less: Amount available for retirement		24,905,000
Net general obligation debt		399,805,000

Overlapping Debt:

School Districts		2,893,111,000
Cities and Towns		1,923,836,343
Special Districts		45,775,000
Overlapping debt		4,862,722,343
Total direct general obligation and overlapping debt	\$	5,262,527,343

Source: District records and Maricopa County Department of Finance.

Note: All jurisdictions are within the boundaries of the District.

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

Fiscal Year	Gross Revenues	Debt Service Requirements			Gross Coverage
		Principal	Interest	Total	
1995-96	\$ 30,405,422	\$ 1,035,000	\$ 809,596	\$ 1,844,596	16.5
1996-97	31,368,758	1,365,000	736,046	2,101,046	14.9
1997-98	34,432,022	1,435,000	708,966	2,143,966	16.1
1998-99	34,665,465	1,820,000	873,827	2,693,827	12.9
1999-00	39,835,460	1,980,000	796,007	2,776,007	14.3
2000-01	44,346,859	2,080,000	699,732	2,779,732	16.0
2001-02	45,973,895	2,175,000	538,586	2,713,586	16.9
2002-03	49,802,554	3,250,000	952,916	4,202,916	11.8
2003-04	58,563,224	3,030,000	1,145,310	4,175,310	14.0
2004-05	61,263,265	2,615,000	1,017,282	3,632,282	16.9

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.

**Maricopa County Community College District
Historic Enrollment
Last Ten Fiscal Years**

Historic Headcount

<u>College/Center</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>
Phoenix	20,872	22,480	22,296	22,289	21,463	21,533	20,660	19,342	19,441	20,387
Glendale	33,694	34,360	33,888	33,259	33,174	32,965	30,975	29,180	29,205	30,056
GateWay	15,947	15,918	16,251	15,954	17,117	15,525	14,860	15,185	14,097	13,730
Mesa	45,098	43,931	41,941	39,869	38,542	38,270	38,589	37,247	36,185	36,300
Scottsdale	19,000	19,639	20,028	19,380	18,095	17,763	16,817	16,074	16,260	17,005
Rio Salado	44,203	41,280	38,419	36,097	34,198	30,410	31,072	25,733	24,717	21,807
South Mountain	7,308	7,200	6,587	6,163	5,764	5,286	5,105	4,470	4,457	4,110
Chandler-Gilbert	12,707	12,416	12,179	10,712	10,038	9,377	7,975	6,872	6,113	5,764
Paradise Valley	13,640	13,004	12,480	12,687	11,600	11,020	10,355	9,965	9,937	9,341
Estrella Mountain	9,705	9,040	8,922	8,291	7,441	7,303	6,836	5,338	4,676	3,836
Skill Centers	1,791	3,019	2,599	2,917	2,197	1,961	1,868	1,505	3,137	3,150
Adult Basic Education	15,349	14,636	17,747	16,401	15,875	21,288	24,368	12,649	-	-
Total	239,314	236,923	233,337	224,019	215,504	212,701	209,480	183,560	168,225	165,486

Historic FTSE

<u>College/Center</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>
Phoenix	6,847	6,908	6,761	6,297	6,015	5,998	5,826	5,592	5,704	5,908
Glendale	11,242	11,017	10,681	9,760	9,685	9,391	9,070	8,707	8,702	8,718
GateWay	3,728	3,703	3,441	3,046	2,881	2,647	2,601	2,576	2,438	2,516
Mesa	15,804	15,116	14,410	13,375	12,510	12,294	12,341	11,822	11,506	11,258
Scottsdale	6,359	6,396	6,210	5,784	5,316	5,049	4,819	4,624	4,643	4,716
Rio Salado	10,949	9,939	8,771	8,201	8,176	7,310	7,196	6,076	5,647	4,807
South Mountain	2,094	2,014	1,838	1,633	1,515	1,446	1,440	1,367	1,348	1,249
Chandler-Gilbert	4,432	4,230	3,849	3,358	2,927	2,503	2,172	1,913	1,740	1,649
Paradise Valley	4,288	3,970	3,724	3,448	3,275	3,087	2,819	2,571	2,565	2,395
Estrella Mountain	2,986	2,587	2,461	2,116	1,881	1,772	1,641	1,243	1,010	794
Skill Center	897	998	1,114	1,276	969	962	831	885	832	901
Adult Basic Education	1,761	1,734	1,566	1,485	1,284	1,174	1,115	500	-	-
Total	71,387	68,612	64,826	59,779	56,434	53,633	51,871	47,876	46,135	44,911

Source: District records.

Note: 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).

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

Fiscal Year	Attendance		Enrollment Status			Residency			
	FT	PT	Continuing	First Time	Readmit	Resident	Out of County	Out of State	Foreign
1995-96	22 %	78 %	44 %	39 %	17 %	94 %	2 %	3 %	1 %
1996-97	22	78	44	39	17	94	2	3	1
1997-98	22	78	44	40	16	94	2	3	1
1998-99	22	78	43	41	16	94	2	3	1
1999-00	22	78	43	42	15	94	2	3	1
2000-01	21	79	42	42	16	93	2	3	2
2001-02	22	78	43	41	16	93	3	2	2
2002-03	23	77	45	40	15	92	4	3	1
2003-04	25	75	47	38	15	92	3	4	1
2004-05	25	75	47	38	15	92	3	4	1

Fiscal Year	Gender		Ethnic Background						Median Age
	M	F	Native American	Asian	African American	Hispanic	Anglo	Other	
1995-96	43 %	57 %	3 %	3 %	4 %	13 %	71 %	6 %	26
1996-97	43	57	3	3	4	14	70	6	25
1997-98	44	56	3	3	4	15	68	7	25
1998-99	44	56	3	3	4	16	66	8	24
1999-00	44	56	3	4	4	16	64	9	24
2000-01	44	56	3	4	4	17	62	10	24
2001-02	44	56	3	4	4	17	61	11	24
2002-03	44	56	3	4	5	17	60	11	24
2003-04	43	57	3	4	5	17	59	12	23
2004-05	43	57	3	3	5	18	59	12	23

Source: District records.

**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
	1995-96	\$ 24.00	\$ 10.00		\$ 34.00	\$ 1,020.00
1996-97	24.00	10.00	34.00	1,020.00	-	-
1997-98	26.00	11.00	37.00	1,110.00	90.00	8.82
1998-99	27.00	11.00	38.00	1,140.00	30.00	2.70
1999-00	28.00	12.00	40.00	1,200.00	60.00	5.26
2000-01	28.50	12.50	41.00	1,230.00	30.00	2.50
2001-02	30.50	12.50	43.00	1,290.00	60.00	4.88
2002-03	33.50	12.50	46.00	1,380.00	90.00	6.98
2003-04	38.50	12.50	51.00	1,530.00	150.00	10.87
2004-05	53.50	1.50	55.00	1,650.00	120.00	7.84

**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	
	Annual Cost	Percent Change	Annual Cost	Percent Change	Annual Cost	Percent Change
1995-96	\$ 1,020.00	6.25 %	\$ 1,239.00	3.94 %	\$ 1,950.00	2.96 %
1996-97	1,020.00	-	1,276.00	2.99	2,009.00	3.03
1997-98	1,110.00	8.82	1,314.00	2.98	2,058.00	2.44
1998-99	1,140.00	2.70	1,327.00	0.99	2,158.00	4.86
1999-00	1,200.00	5.26	1,338.00	0.83	2,259.00	4.68
2000-01	1,230.00	2.50	1,333.00	(0.37)	2,344.00	3.76
2001-02	1,290.00	4.88	1,380.00	3.53	2,486.00	6.06
2002-03	1,380.00	6.98	1,483.00	7.46	2,583.00	3.90
2003-04	1,530.00	10.87	1,670.00 (2)	12.61 (2)	3,593.00	39.10
2004-05	1,650.00	7.84	1,763.00 (2)	5.57 (2)	4,074.00	13.39

Source: District records.

Note 1: U.S. Department of Education, National Center for Education Statistics -- Higher Education Statistics: Student Charges (Digest of Education Statistics, 2004, October 2005)

Note 2: Estimated

Maricopa County Community College District
Maricopa County Property Values, Construction, and Bank Deposits
Last Ten Fiscal Years
(Dollars in Millions)

Fiscal Year	Current Market Property Values (1)				Construction (2)						Bank Deposits (3)
					Commercial		Industrial		Residential		
	Commercial	Industrial	Residential	Total	# of Units	Value	# of Units	Value	# of Permits	Value	
1995-96	\$ 20,260	\$ 32,029	\$ 53,038	\$ 105,327	2,741	\$ 1,044	201	\$ 414	37,474	\$ 3,200	\$ 23,661
1996-97	20,497	32,153	55,284	107,934	3,371	1,422	356	788	38,129	3,509	24,074
1997-98	21,976	32,858	65,443	120,277	4,325	1,840	242	234	40,561	3,944	25,697
1998-99	24,210	34,870	69,091	128,171	3,606	2,230	264	378	45,712	4,779	27,275
1999-00	27,959	38,517	76,316	142,792	3,939	1,879	198	211	47,106	5,143	30,035
2000-01	33,130	42,950	84,827	160,907	4,099	2,145	209	253	42,205	4,774	33,467
2001-02	36,021	48,866	95,766	180,653	3,793	2,257	143	346	42,847	5,088	33,040
2002-03	38,761	55,417	100,057	194,235	3,406	1,621	97	86	45,783	5,751	38,776
2003-04	42,522	61,623	122,148	226,293	3,888	1,542	110	88	51,269	7,039	42,872
2004-05	45,145	63,640	137,051	245,836	5,458	2,058	171	139	60,415	9,166	51,138

- Sources:
- (1) Maricopa County Department of Finance.
 - (2) Arizona Real Estate Center, Arizona State University.
 - (3) Federal Deposit Insurance Corporation.

Note 1: Construction figures exclude other construction, such as sheds, fences, signs, and other land improvements.

Note 2: All data is as of December 31, unless otherwise noted.

**Maricopa County Community College District
Economic Indicators for the Metro Phoenix Area
June 30, 2005**

**Phoenix-Mesa Metropolitan Area Employment (1)
(In Thousands)**

<u>Type of Industry</u>	<u>September 2005</u>	<u>September 2004</u>	<u>Percent Change</u>
Manufacturing	130.6	130.7	(0.1) %
Mining and Quarrying	1.7	2.1	(19.0)
Construction	162.1	143.3	13.1
Transportation, Communications, and Public Utilities	94.4	95.0	(0.6)
Trade	292.4	276.9	5.6
Finance, Insurance, and Real Estate	144.6	137.8	4.9
Services and Miscellaneous	699.7	671.8	4.2
Government	230.4	226.3	1.8
 Total Wage and Salary Employment	 <u>1,755.9</u>	 <u>1,683.9</u>	 4.3

<u>Metropolitan Statistical Area</u>	<u>Civilian Labor Force Data (2) (In Thousands)</u>			<u>Unemployment Rate (2)</u>	
	<u>June 2005 Employment</u>	<u>June 2004 Employment</u>	<u>Percent Change</u>	<u>June 2005</u>	<u>June 2004</u>
Phoenix-Mesa Metro Area	1,813.9	1,778.2	2.0 %	4.0 %	4.2 %
Albuquerque, NM	385.8	378.4	2.0	5.9	5.5
Dallas, TX	1,929.8	1,920.0	0.5	5.1	6.7
Denver, CO	1,244.8	1,212.9	2.6	5.3	5.3
Los Angeles-Long Beach, CA	4,602.4	4,467.0	3.0	5.6	6.9
Salt Lake City, UT	523.3	501.4	4.4	4.9	5.8
San Diego, CA	1,455.7	1,457.6	(0.1)	4.4	4.2
Seattle-Bellvue-Everett, WA	1,283.7	1,338.4	(4.1)	4.8	5.9
United States	149,123.0	147,386.0	1.2	5.0	5.6

Sources: (1) Arizona Department of Economic Security.
(2) U.S. Department of Labor, Bureau of Labor Statistics.

**Maricopa County Community College District
 Top 25 Employers in Maricopa County
 (Ranked by the number of full-time equivalent employees in Arizona)
 June 30, 2005**

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Full-Time Equivalent Employees in Arizona</u>
State of Arizona	state government	49,147
Wal-Mart Stores, Inc.	retail stores	19,510
Maricopa County	county government	15,218
Banner Health System	health care	14,447
City of Phoenix	city government	13,617
Honeywell International Inc.	aerospace systems, transportation products	12,000
U.S. Postal Service - Arizona District	mail delivery	11,406
Wells Fargo & Company	banking and financial services	11,000
Arizona State University	university	10,530
Raytheon Co.	electronics and technology	10,300
Bashas' Inc.	grocery retailer, supermarkets	9,646
Albertson's-Osco	grocery retailer, supermarkets and pharmacies	9,500
Intel Corp.	microcomputer components and related products	9,500
Safeway Stores	grocery retailer, supermarkets	9,500
JP Morgan Chase & Co.	banking and financial services	9,200
Luke Air Force Base	military installation, USAF	9,000
Mesa Public Schools	education	8,684
America West Holdings Corp.	airline, tour operator	8,539
Fry's Food & Drug Stores	grocery retailer, supermarkets	8,233
Target Corp.	retail stores	7,642
Bank of America	banking and financial services	7,268
American Express Co.	worldwide travel, financial and network services	7,000
Pinnacle West Capital Corp.	energy service, real estate development	6,400
Qwest Communications	telecommunications	6,300
Apollo Group Inc.	education	6,295

Source: The Business Journal Phoenix 2005 Book of Lists, page 164.

**Maricopa County Community College District
Miscellaneous Statistics
June 30, 2005**

Established:	1962	
Geographical location:	South-central portion of the State of Arizona	
Altitude:	1,117 feet	
Acreage:	1,316	(includes District Offices and ten campuses)
Students served:	239,314	(County Population: 3,524,175)
Number of faculty:	Full time	1,307
	Part time	4,886
Number of administrative and support staff:	2,861	
Average class size:	19 students	
Degrees and certificates awarded:		
Degrees:	Associate of Arts	1,481
	Associate of Applied Science	2,056
	Associate of Business	179
	Associate of General Studies	1,326
	Associate in Science	169
	Associate of Transfer Partnership	569
	Certificates of Completion in Occupational Programs:	9,330
Accredited by:	North Central Association of Colleges and Schools Commission on Institutions of Higher Education	

Source: District records and the Arizona Department of Economic Security.





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