



Comprehensive Annual Financial Report

■ Fiscal Year Ended June 30, 2018



PimaCountyCommunityCollegeDistrict



PimaCountyCommunityCollegeDistrict

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018

Prepared by

Financial Services
4905D East Broadway Boulevard
Tucson, Arizona 85709-1220

Table of Contents

Introductory Section

Message from the Chancellor	1
Letter of Transmittal	2
Certificate of Achievement	9
Organization Chart	10
List of Principal Officers	11
College Vision, Mission, and Values	12

Financial Section

Independent Auditors' Report	13
Management's Discussion and Analysis	15
Basic Financial Statements	21
Statement of Net Position – Primary Government	22
Statement of Financial Position – Component Unit	23
Statement of Revenues, Expenses and Changes in Net Position – Primary Government	24
Statement of Activities – Component Unit	25
Statement of Cash Flows – Primary Government	26
Notes to Financial Statements	28
Required Supplementary Information.....	43

Statistical Section

Financial Trends	46
Schedule of Net Position by Component	46
Schedule of Other Changes in Net Position	47
Schedule of Expenses by Identifiable Activity	48
Graph of Expenses by Identifiable Activity	49
Schedule of Revenues by Source	50
Graph of Revenues by Source	51
Revenue Capacity.....	52
Assessed Value and Full Cash Value of All Taxable Property	52
Property Tax Levies and Collections	53
Schedule of Principal Property Taxpayers	54
Property Tax Rates, Direct and Overlapping Governments	55
Schedule of Tuition	56
Debt Capacity.....	57
Schedule of Ratios of Outstanding Debt	57
Revenue Bond Coverage	58
Ratio of General Bonded Debt to Assessed Value and Net Bonded Debt per Capita	59
Computation of Direct and Overlapping Governmental Debt Outstanding	60
Ratio of Direct and Overlapping Debt to Property Values and per Capita	61
Legal Debt Margin	62
Demographic and Economic Information	63
Schedule of Principal Employers	63
Schedule of Demographic and Economic Statistics	64
Operating Information	65
Administrators, Faculty and Staff Statistics	65
Admissions, Enrollment and Degree Statistics	66
Historic Enrollment – Headcount and Full Time Student Equivalent	67
Schedule of Capital Asset Information	68
Statutory Limit to Budgeted Expenditures - Expenditure Limitation	69
Links to Additional Information	70



Introductory Section



PimaCountyCommunityCollegeDistrict



PimaCountyCommunityCollegeDistrict

To the citizens of Pima County:

During the 2017-2018 academic year, Pima Community College continued to improve to ensure that we offer the best opportunities for our students, employees, and community.

An institution's finances reflect its values, and this Comprehensive Annual Financial Report documents the College's focus on our North Star: student success, community engagement, and diversity.

We continue to align processes and programming to fulfill the Pima County Community College District's ongoing emphasis on open admissions and student success. We have made strides in ensuring future financial stability through reorganization, expense reduction, and constructive engagement with the State Legislature. Our Education and Facility Master Plans provide a blueprint for comprehensive strategic planning through 2025. We are proceeding with innovations in recruitment and streamlining the admissions process.

The College is championing new relationships with business and industry throughout the region and across borders. After collaborating with hundreds of community leaders who attended industry-focused summits in 2017-18, we are confident that our planned Centers of Excellence will stimulate economic development and enhance opportunity for our students.

Our efforts have been bolstered by a unanimously favorable assessment of our revenue bond proposal from the Arizona Legislature's Joint Committee on Capital Review. These revenue bonds, tentatively scheduled to be issued in January 2019, will be an important funding source for three of Pima's Centers of Excellence: Applied Technology, Public Safety & Emergency Services, and Nursing & Allied Health.

We have begun demolition of purchased property adjacent to our Downtown Campus, future home of our Center of Excellence in Applied Technology, which will provide best-in-class training in Transportation Technology, Advanced Manufacturing, and Infrastructure.

This Report provides an in-depth look at the College's financial strength and offers extensive information in a format that has earned the College awards for 26 consecutive years. We are very proud of these awards and work hard to win them. This Report is supplemented by information made publicly available on the College's website.

The College is committed to prudent stewardship of taxpayer dollars as we support our community through our Mission: "PCC is an open-admissions institution providing affordable, comprehensive educational opportunities that support student success and meet the diverse needs of its students and community."

Sincerely,

Lee D. Lambert, J.D.
Chancellor



PimaCountyCommunityCollegeDistrict

December 14, 2018

District Office

*Office of the Executive Vice Chancellor
for Finance and Administration
4905D East Broadway Boulevard
Tucson, Arizona 85709-1200
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To the Governing Board and Citizens of Pima County Community College District

We are pleased to provide you with the Comprehensive Annual Financial Report (CAFR) of the Pima County Community College District (the College), Tucson, Arizona for the fiscal year ended June 30, 2018.

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, results of operations, and cash flows of the College. All disclosures necessary to enable the reader to gain an understanding of the College's financial activities have been included. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the College.

Please refer to the Management's Discussion and Analysis section beginning on page 15 for summary information and comparative financial information to the prior fiscal year.

Reporting Entity

The College is an independent reporting entity within the criteria established by generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). Although the College shares the same geographic boundaries with Pima County, the College solely exercises financial accountability over all activities related to public community college education in Pima County with the exception that Pima County assesses and collects property taxes that support the College. The College is a primary government because it is a special purpose political subdivision that has a separately elected governing body, is legally separate, is fiscally independent of other state and local governments, and is not included in any other governmental financial reporting entity. The Pima Community College Foundation, Incorporated (the Foundation) is considered a component unit of the College and is discretely presented in the College's financial statements in accordance with GASB Statement 39.

History

The voters of Pima County established Pima County Junior College District in 1966 under the provisions of legislation enacted by the Arizona State Legislature in 1960. The first governing board was elected in 1967 concurrent with the approval of a \$5.9 million general obligation bond issue for the first College facilities. The name of the College was changed to Pima County Community College District in 1972.

Classes were first offered in the fall of 1970 utilizing temporary facilities until the original West Campus facility on Anklam Road west of Interstate 10 was available in January 1971. The West Campus is the largest comprehensive campus of the College and offers a variety of degree and certificate programs.

The Downtown Campus was opened in 1974 at Stone and Speedway to serve the central city area. The Downtown Campus offers a balance of developmental, university transfer, and occupational courses.

Classes were first offered at the East Education Center in 1976. The current East Campus facility, just east of

Davis-Monthan Air Force Base, was opened in 1981 and substantially expanded in 1989. The East Campus offers general education, university transfer, and developmental coursework, as well as selected occupational programming.

The Education Center-South was opened in 1986 to serve the south and southwest area residents in leased space. It became the comprehensive Desert Vista Campus located in a facility near Interstate 19 and Valencia Road in June of 1993. The Desert Vista Campus offers a wide range of programs and diverse courses, including university transfer, developmental, general education, and occupational courses.

The Community Campus was opened near St. Mary's Road and Interstate 10 in January of 1997. Community Campus credit and non-credit courses meet at more than 100 facilities throughout southern Arizona. The Community Campus provides a wide range of courses developed to meet the diverse needs of the greater Tucson community, as defined by its residents and local businesses. Community Campus also provides workforce and business development training and is home to the College's Center for Learning Technology, which develops and maintains courses for PimaOnline, the College's distance education program.

In July 2003, the College opened the Northwest Campus located on Shannon Road between Ina and Magee. The Northwest Campus offers comprehensive educational programs including university transfer, professional, technical, and developmental programs, and general interest courses.

The Foundation was incorporated in the State of Arizona in 1977 as a nonprofit organization whose primary mission and purpose is to assist and support the College in carrying out the College's educational, operational, and other purposes. The Foundation has pursued its mission and purpose primarily through raising private support to make gifts of scholarship funds to the College and its students on an annual basis.

Organization and Administration

The Governing Board of the College is comprised of five members. Each member is elected for a six-year term from one of the five Districts in Pima County, the College's service area. The administrative staff of the College, led by the Chancellor, is responsible for the operation and administration of all College functions. During fiscal year 2018, the College was led by Lee D. Lambert, J.D., who has been Chancellor of the College since July 1, 2013.

Service Area

Pima County is located in the southern portion of Arizona and encompasses an area of approximately 9,240 square miles, with a section of its boundary bordering Mexico. Over 50 percent of Pima County's population resides in Tucson, the County seat of government and southern Arizona's largest city. Organized in 1864 by the Arizona Territorial Legislature as one of the State's four original counties, Pima County is the second most populous in Arizona with a total population of about one million people.

The City of Tucson is the economic and transportation center of the County, as well as southern Arizona. Tucson is situated on Interstate 10, which connects Tucson with Phoenix to the north, Los Angeles to the west, and New Mexico and Texas to the east. Interstate 19 provides access to Nogales and Mexico to the south, while State Highway 86 connects with a direct route to the Gulf of California vacation areas. The main line of Union Pacific Railroad extends across Tucson to the eastern portion of the County. Tucson International Airport, located approximately 20 minutes from Tucson's downtown business area, provides local, regional, and national service for several airlines.

Pima County's economy is based on a variety of service industries, as well as government employment (including public education), wholesale and retail trade, manufacturing, construction, and tourism. A

Schedule of Principal Employers may be found in the Statistical Section on page 63.

Economic Condition

Forecasts prepared by the Economic & Business Research Center at The University of Arizona's Eller College of Management indicate that Arizona's economic condition improved in 2018. Retail sales, which increased by 3.7 percent in 2018, demonstrated continued growth over the 5.4 percent increase in 2017. The growth rate in the state economy is anticipated to continue in 2019 and 2020. During fiscal year 2019, Pima County's economy is projected to improve slightly in the areas of personal income, retail sales, and employment. In addition, statewide personal income is forecasted to increase by 6.3 percent and retail sales are forecasted to increase 3.7 percent in 2019.

Pima County's population is projected to increase by 0.7 percent from 2018 to 2019. Published forecasts show slight population gains of 0.7 percent projected for both 2019 and 2020. As of June 30, 2018, 477,589 persons were employed in Pima County. Employment trends showed that the Pima County unemployment rate of 4.4 percent was slightly lower than the state rate of 4.7 percent at June 30, 2018.

According to June 2018 data published by the Tucson Association of Realtors, housing unit sales volume increased by 4.3 percent, and the average price of units sold increased by 6.6 percent producing an overall increase in the total dollar volume of housing sales of 11.1 percent.

Student enrollment at the College peaked in 2011 at the height of the recession, which was a characteristic behavior seen at community colleges from across the nation. Enrollment projections developed by Institutional Research and Planning (IRPE) indicated that enrollment growth was primarily dependent on unemployment rates in Pima County from the March prior to the relevant fall semester. Community colleges typically see enrollment spikes during times of economic hardship and data for the College was consistent with those patterns. For example, in 2010, before the College enrollment peaked, the unemployment rate in Pima County was 10.6 percent, compared with an unemployment rate of 4.4 percent in 2018. This indicates that individuals were choosing the workplace over the classroom.

Long-term Financial Planning

The College has sufficient resources to support its mission, vision, goals, and values while striving to provide affordable educational programs to the residents of Pima County. The budget development processes align with implementation of the College's strategic plan, creating a link between budgeting, planning, assessment of student learning, and evaluation of operations. The budget process is a system that serves as a blueprint to monitor and control ongoing operations.

The College leverages a range of information to ensure that it has sufficient financial resources available to support its planning and priorities in the short and long terms. For financial planning, this includes, but is not limited to, projected changes in revenues and expenses, enrollment projections, expenditure limitation, property taxes, tuition and fees, capital project costs, estimated cost changes in employee benefits, and other major contractual costs. Using these data and adjusting such variables as projected enrollment, tuition and fees, and property tax revenues, the College can review and forecast different scenarios. Forecasting ensures the budget planning process fully considers possible fluctuations in both revenue sources and projected expenses while aligning projected revenues with the College's strategic planning and priorities. The annual budget is developed with particular emphasis on maintaining the financial stability of the College by creating adequate funding reserves for revenue shortfalls or unexpected expenditures without impairing the quality of service provided to the community.

For fiscal year 2018, major factors impacting the College budget included the continued expectation of zero

state appropriations, expenditure limitation, and continued reorganization of the College. Cost reduction strategies included campus and department consolidations that emphasized efficiencies and consistency, recruitment reviews, and a reduction in staffing through the elimination of vacant positions. Other strategies included minimizing capital budget expenses by lease purchasing equipment and providing funding for ongoing and future capital needs and program innovation as determined by the College's Educational Master Plan and Facilities Master Plan.

Information about the College's finances is communicated externally and internally to the College's many constituents. At each regular meeting of the Governing Board, monthly financial reports are included in the meeting packet. In addition, the Governing Board's Finance and Audit Committee monitors financial reporting; investments; risk, internal control, and governance; and Internal Audit functions.

Major Program Initiatives

Accreditation

The College is fully accredited by the Higher Learning Commission and is assessed as not being at risk of being out of compliance with the Criteria for Accreditation and the Core Components.

The College participates in the Higher Learning Commission's (HLC) Standard Pathway for reaffirmation of accreditation. Year 1 of PCC's Standard Pathway accreditation cycle began Sept. 1, 2015. As part of the normal ten-year Standard Pathway accreditation cycle, two comprehensive evaluation visits are scheduled: the first in Year 4 (2018-19) and another in Year 10.

On December 3-4, 2018, a peer review team from the HLC conducted the Year 4: Comprehensive Evaluation as part of the College's mid-cycle review of accreditation. Institutions undergo a comprehensive evaluation to ensure they are meeting the Criteria for Accreditation, pursuing institutional improvement, and complying with certain requirements set by the U.S. Department of Education. Multi-campus visits also took place during this visit.

Additional information and documents are available on the College website: <https://www.pima.edu/about-pima/accreditation/index.html>.

Strategic Planning

In preparing the 2017-2021 Strategic Plan, the College met with internal and external constituents, gaining insight to the diverse viewpoints and needs of the community. The resulting 2017-2021 Strategic Plan allocates resources to further the College's mission fulfillment; harmonizes operations, budgeting, student learning assessment, and other College processes; and provides flexibility and adaptability in response to rapid changes in politics, economics, demographics, and technology.

Pima Community College's 2017-2021 Strategic Plan was approved by the Governing Board on May 10, 2017. The College's Executive Leadership Team provides active oversight of plan implementation, ensuring appropriate resource allocation and achievement of Key Performance Indicators to ensure progress and continued relevance to the College and its community. The plan provides institutional focus for the next four years for the period July 1, 2017 through June 30, 2021 and comprises:

- Institutional goal for 2030: Achieve 60 Pima County
- Strategic direction 1: Improve student success
- Strategic direction 2: Enrich the community through engagement
- Strategic direction 3: Cultivate institutional excellence through continuous improvement

The 2017-2021 Strategic Plan commits the College to the goal of increasing the percent of Pima County residents aged 25 and over who hold a post-secondary degree or certificate to 60% by 2030, a goal that the College has termed Achieve 60 Pima County. Since the majority of its students attend part time, PCC may not immediately realize significant increases in student completion rates over the next four years. However, by adhering to the strategic directions of improving student success, enriching the community through engagement and cultivating institutional excellence through continuous improvement, the College will lay the foundation for improving student access and progress and thereby help it achieve this ambitious goal.

In parallel with the Institutional goal for 2030: Achieve 60 Pima County; Diversity, Equity and Inclusion Plan; and Strategic Enrollment Management Plan, the College identifies the following related priorities:

- Increase enrollment at the College
- Ensure equal access to services and support for all students, regardless of whether they enroll in credit classes, adult basic education, center for training and development and continuing education
- Close the achievement gap in Pima County
- Undertake activities that support progress across all strategic areas
- Implement training to support the success of the plan

Informed by the ten-year Education and Facilities Master Plans, the strategic plan’s directions and goals in turn shape the College’s Strategic Enrollment Management Plan, the Diversity, Equity and Inclusion Plan and annual operational plans, see Figure 1. These plans then help guide financial decisions at PCC to ensure resources are appropriately allocated to support the plans’ successful completion. Taken together, these different plans constitute PCC’s integrated approach to planning that focuses the institution’s attention on its top priorities.

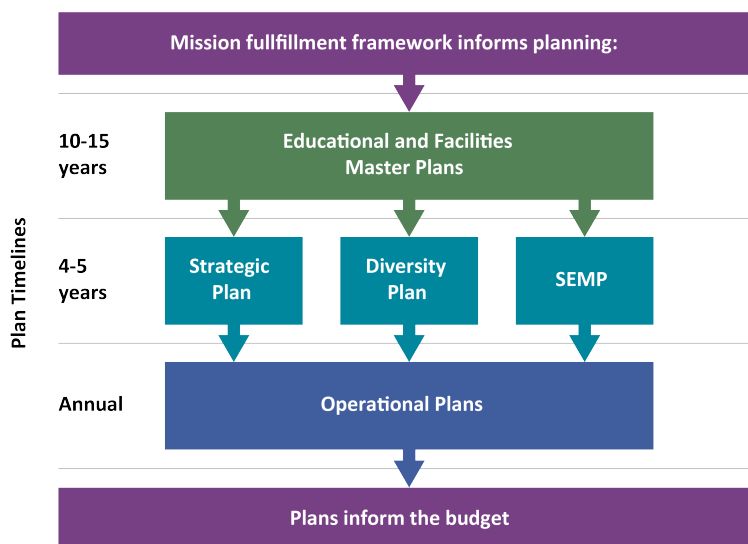


Figure 1: Overview of mission, planning and budget at Pima Community College

Fiscal Integrity and Oversight

Internal Controls

The College’s District Finance Office is responsible for establishing and maintaining a system of internal controls. Internal controls are designed to ensure reasonable, but not absolute, assurance that the assets of the College are protected from loss, theft, or misuse, and that adequate accounting data are compiled to allow for the preparation of financial statements that conform to generally accepted accounting principles. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits

likely to be derived from that control element and that the evaluation of costs and benefits requires estimate and judgments from management. All internal control evaluations occur within the above framework. The College's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The Office of the Internal Auditor (Internal Audit) is an independent, objective, assurance, and consulting entity designed to add value and improve College operations. Internal Audit assists the College in accomplishing its objectives by systematically evaluating, and helping to improve, risk management, control and governance. The scope of Internal Audit's responsibilities encompasses all College operations. The Director of Internal Audit reports directly to the College's General Counsel and provides reports to the Governing Board and the Finance and Audit Committee.

Budgetary Controls

The College maintains budgetary controls and budget transfer restrictions by program (function) and major account category. The objective of these budgetary controls is to ensure compliance with the annual budget adopted by the Governing Board. The legal level of budgetary control is at the program category level. The College also maintains an encumbrance system to set aside funds for established commitments. Open encumbrances are eliminated for fiscal year-end reporting.

The College complies with state statutes requiring that a report of the College's adopted budget be published annually within the prescribed format as required by the State of Arizona, Office of the Auditor General. In fiscal year 2018, the College was also required to comply with Arizona Revised Statutes §15-1461.01 regarding Truth in Taxation because the levy the District's Governing Board approved for fiscal year 2019, and the District subsequently assessed, included a 2 percent increase. This statute required the District to perform certain tasks including: publish a notice (in a form required by Statute) in a general circulation newspaper, or, mail a notice to registered voters in the district; issue a press release containing the truth in taxation notice to all general circulation newspapers in the district; and mail information regarding this process to the property tax oversight commission. The District fully complied with all requirements under this statute.

The College also demonstrates compliance with statutory expenditure limitations by issuing an annual budgeted expenditure limitation report, which is audited by the Office of the Auditor General. These and other financial reports are publicly available on the College's website, and links to these webpages may be found on page 70.

College Functions

As a political subdivision of the State of Arizona, the College exercises direct tax levy authority for the generation of revenues for operating expenses, capital equipment, and debt retirement purposes. The Governing Board sets tuition and fee levels, as well as the budget and property tax rates and levies for the College.

Governing Board's Finance and Audit Committee

As part of the College's continuing improvements in financial accountability and transparency, the Governing Board has a Finance and Audit Committee. As stated in its Charter, the Committee is structured to provide additional oversight and monitoring responsibilities for the College's financial, audit, and investment related performance, policies, and procedures. The Committee allows for better sharing of financial information with the Governing Board and other constituencies, including the public. The Committee is made up of two College Governing Board Members and five to eight community

representatives who are professionally knowledgeable about finance, accounting, auditing, and/or investments.

Independent Audit

The Office of the Auditor General for the State of Arizona conducts the annual financial audit of the College's finances. Testing procedures determine whether the financial statements are free of material misstatement and ensure compliance with Arizona Revised Statutes that require an annual audit of the College's financial statements. The Auditor General's Independent Auditors' Report is included in this document. For the fiscal year ending June 30, 2018, the College received an unmodified opinion.

A local independent accounting firm conducts the annual financial audit for the Foundation. The Foundation also received an unmodified opinion for the fiscal year ending June 30, 2018.

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 Pima County Community College District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. This was the twenty-sixth consecutive year that the College has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. The College believes that the current CAFR continues to meet the Certificate of Achievement Program's requirements, and the CAFR will be submitted to the GFOA to determine its eligibility for another certificate.

Acknowledgements

We would like to express our appreciation for members of the Governing Board and Finance and Audit Committee, who volunteer their time and expertise on a regular basis to guide the College. The mission of the College could not be achieved without the Chancellor's leadership. We would also like to express our appreciation to the Office of the Auditor General for the timely completion of the audit. The preparation of this report could not be accomplished without the efficient and dedicated efforts of the District Finance Office and all those who contributed to the preparation of this report.

Respectfully submitted,

David W. Bea, Ph.D.
Executive Vice Chancellor
for Finance and Administration

Daniel Soza
Assistant Vice Chancellor
for Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Pima County
Community College District
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

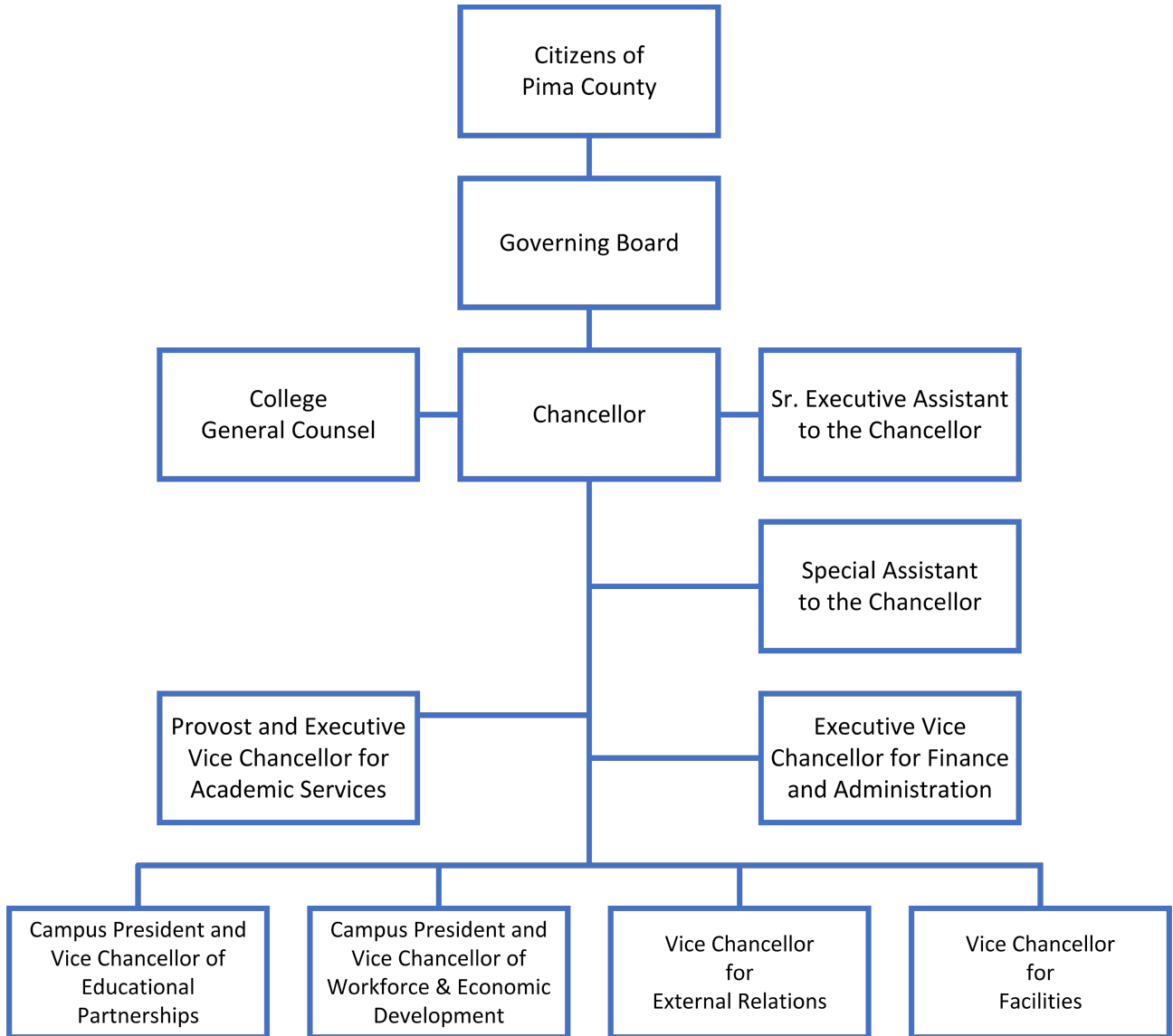
Christopher P. Morill

Executive Director/CEO

Organization Chart*



Pima County Community College District



* as of September 2018

List of Principal Officers*



Pima County Community College District

Board of Governors - 2018

Mark Hanna, Member, District 1
Demion Clinco, Chair, District 2
Sylvia M. Lee, Ph.D., Member, District 3
Meredith Hay, Ph.D., Secretary, District 4
Luis Gonzales, Member, District 5

District Administration

Lee D. Lambert, J.D., *Chancellor*
Dr. Dolores M. Duran-Cerda, *Provost and Executive Vice Chancellor for Academic Services*
Dr. David W. Bea, *Executive Vice Chancellor for Finance and Administration*
Lisa Brosky, *Vice Chancellor for External Relations*
Dr. David Doré, *Campus President and Vice Chancellor of Workforce and Economic Development*
Dr. Morgan A. Phillips, *Campus President and Vice Chancellor of Educational Partnerships*
Jeffrey Silvyn, J.D., *College General Counsel*
William R. Ward II, *Vice Chancellor for Facilities*

*as of September 2018

College Vision, Mission, and Values

College Vision

PCC will be a premier community college committed to providing educational pathways that ensure student success and enhance the academic, economic and cultural vitality of our students and diverse community.

College Mission

PCC is an open-admissions institution providing affordable, comprehensive educational opportunities that support student success and meet the diverse needs of its students and community.

College Values

To guide Pima Community College, these values characterize the way in which we accomplish our mission:

- **People:** We value our students, employees and the community members we serve, by making decisions that address the needs of those populations.
- **Integrity:** We make a commitment to academic honesty, personal ethics and institutional decision-making that is based on sound moral principles, accountability and transparency.
- **Excellence:** We embrace best practices and value high quality services and programs that lead to successful outcomes for our students through evidence-based continuous improvement practices.
- **Communication:** We are committed to sharing information with internal and external stakeholders in a transparent, timely and meaningful way that is open, honest and civil.
- **Collaboration:** We encourage teamwork and cooperation within the College and with the community to support student success.
- **Open Admissions and Open Access:** We value open admissions and access to our programs and services for all who may benefit from them, regardless of where they are starting from or what their final goal may be.



Financial Section



MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
DEPUTY AUDITOR GENERAL

Independent auditors' report

Members of the Arizona State Legislature

The Governing Board of
Pima County Community College District

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the Pima County Community College District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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 statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the other auditors' report. 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 from material misstatement. The other auditors did not audit the discretely presented component unit's financial statements in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Pima County Community College District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other matters

Required supplementary information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 15 through 20, schedule of the College's proportionate share of the net pension/OPEB liability on page 43, and schedule of college pension/OPEB contributions on page 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we will 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 solely 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lindsey Perry, CPA, CFE
Auditor General

December 14, 2018

Management's Discussion and Analysis

Introduction

This section of the College's Comprehensive Annual Financial Report was prepared by the College's management and presents management's discussion and analysis of the College's financial activity for the fiscal year ended June 30, 2018. Please read it in conjunction with the transmittal letter on page 2, the financial statements on page 21, and the accompanying notes, which begin on page 28.

Basic Financial Statements

The College's annual financial statements are presented in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments," and Statement No. 35, "Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities." These statements allow public colleges and universities to use guidance for special-purpose governments, engaged only in business-type activities. Therefore, the presentation of financial activity and balances is in a consolidated, single-column, entity-wide format.

The Statement of Net Position presents the financial position of the College as of June 30, 2018. It reflects the assets and deferred outflows owned or controlled by the College, the related liabilities, deferred inflows, and other obligations, and the categories of net position. Net position is an accounting concept defined as total assets and deferred outflows less total liabilities and deferred inflows. As such, it represents the residual of all other elements presented in the Statement of Net Position.

The Statement of Revenues, Expenses and Changes in Net Position presents the results of operations for the College for the fiscal year. It reflects the revenues and expenses, both operating and non-operating, and links the year's results of operations back to the *Statement of Net Position* by reconciling the beginning of the year net position amount to the end of the year net position amount.

The Statement of Cash Flows presents the inflows and outflows of cash and cash equivalents of the College for the fiscal year. Cash flows are segregated by type and activity into the following categories: operating activities, noncapital financing activities, capital and related financing activities, and investing activities. Cash flows from operating activities are reconciled to operating income/loss on the *Statement of Revenues, Expenses and Changes in Net Position* described above.

The focus of this report is on the College's overall financial position, financial condition, and results of operations and cash flows for the fiscal year ended June 30, 2018. Comparative information from the previous fiscal year is shown in the condensed financial information so that readers may see where the College's financial performance may have changed.

Financial Highlights and Analysis

Statement of Net Position

The College's overall financial position increased in fiscal year 2018 with a total net position increase of \$16.5 million from \$71.9 million to \$88.4 million. The increase was primarily due to an increase in total assets of \$10.9 million. This change is attributable to an increase in cash and cash equivalents of \$18.1 million offset by a decrease in investments of \$5.6 million.

In addition, there was a \$12.4 million decrease in total liabilities. This included a \$13.2 million decrease in net pension and other postemployment benefits. There was also an \$8.9 million decrease in deferred outflows

Management's Discussion and Analysis

related to pensions and other postemployment benefits and a \$2.1 million decrease in deferred inflows related to pensions and other postemployment benefits. These decreases were primarily the result of changes in actuarial assumptions and estimates for the College's pensions. Additional information on the pensions and other postemployment benefits liabilities can be found in Note 6 on page 34.

Statement of Revenues, Expenses and Changes in Net Position

Compared to the prior year, total revenues increased by \$6.6 million, while total expenses decreased by \$4.1 million. This resulted in a \$10.7 million improvement in our change in net position compared to the prior year. This is the result of a continued effort to reduce College expenses as part of our three year plan to meet future expenditure limitation levels.

Operating revenues, which consist of tuition and fees, contracts, and other incomes directly attributable to the day-to-day business activities of the College, decreased 2.2 percent from \$34.1 million to \$33.4 million. Net tuition and fees revenue decreased \$0.3 million due to a 3.6 percent increase in the tuition rate per credit hour, against a \$1.5 million increase in scholarship allowances.

Nonoperating revenues consist of property taxes, grants, gifts, investment income, and other income sources that are related, but not directly attributable, to the day-to-day business activities of the College. Nonoperating revenues increased \$7.4 million or 4.9 percent. Property tax revenue increased \$4.5 million due to new properties being added to the tax roll and an increase in the College's primary property tax levy of 2.0 percent. Federal grant revenue increased \$2.7 million, or 6.9 percent, due to increases in revenue from numerous Federal grants.

Operating expenses consist of personnel, supplies, contracts, services, and other expenses that are directly attributable to the day-to-day business activities of the College and are presented by functions. Operating expenses decreased by \$4.2 million, or 2.3 percent, due to the College's budget planning efforts to reduce expenses during the year to ensure compliance with state expenditure limitations and the reality of declining enrollment.

Salaries and benefits decreased a net \$4.3 million, or 3.6 percent, due to the College reorganization, holding positions vacant, and position eliminations.

Capital Assets and Debt Administration

Total net capital assets decreased by \$2.2 million, to \$98.1 million, a 2.2 percent decrease from the prior year. This decrease is primarily due to depreciation expense of \$7.1 million and capital asset additions of \$4.9 million. Note 4 to the basic financial statements, on page 33, includes additional information on capital asset activity and descriptions of the asset categories. At June 30, 2018, the College had outstanding long-term debt of \$1.3 million due to the capital lease-purchase of equipment. Note 5 to the basic financial statements beginning on page 33 shows additional detail on long-term liabilities.

Economic Outlook

Enrollment of full-time student equivalents (FTSE) for fiscal year 2018 was about equal to the FTSE reported in the previous fiscal year. Historically, when economic conditions are improving, enrollment in community colleges decreases. At the time of writing, estimated FTSE for the fall 2018 term is down by about 5.9 percent from the prior year.

The [Arizona Office of Economic Opportunity](#) publishes [population projections](#) by county and age group. For the College's service area of [Pima County](#), the population of ages 15-29 is projected to increase about 20.9

Management’s Discussion and Analysis

percent over the next thirty years from 2018 to 2048. However, this increase translates to nominal single digit increases per year as shown in the table below.

Year	Population by age ranges			Total	% Change per Year	% Change from 2018
	15-19	20-24	25-29			
2018	74,237	80,115	70,984	225,336		
2023	77,092	84,688	74,129	235,909	4.7%	4.7%
2028	76,683	87,112	78,667	242,462	2.8%	7.6%
2033	78,495	86,608	81,207	246,310	1.6%	9.3%
2038	82,604	88,631	80,838	252,073	2.3%	11.9%
2043	86,154	92,837	82,966	261,957	3.9%	16.3%
2048	88,618	96,438	87,267	272,323	4.0%	20.9%

Sun Corridor, Inc., which coordinates economic development activities for Southern Arizona, is at the forefront of economic development for the region. Recent successes include development and implementation of the [Economic Blueprint](#); expanding the Foreign Trade Zone program; and facilitating relocations and expansions for Amazon, Arconic Fastening Systems, Atlas Copco, Burns McDonnell, Citi Tucson, Convergys, GEICO, Kelpac Medical, Mister Car Wash, Northwest Healthcare, and TuSimple.

Revenue Bonds Supporting Educational Master Plan and Facilities Master Plan

The Governing Board approved Educational Master Plan (EMP) and Facilities Master Plan (FMP) conceptual plans at their May 2017 meeting. Throughout fiscal year 2018, the College sought feedback on the recommendations from our constituents, held Centers of Excellence Summits with industry, faculty, staff, and students, and conducted in-depth reviews of the plans. This feedback was used to finalize the first phase of the EMP/FMP, and the Executive Leadership Team then drafted an initial list of revenue bond projects. A presentation to the Governing Board at their April 2018 meeting, provided an overview of the revenue bonds process and descriptions of the projects to be funded.

As an initial step, the College purchased additional properties adjacent to the Downtown Campus, expanding the College’s footprint in preparation for the Applied Technology Center of Excellence.

During fiscal year 2019, an authorizing resolution for the revenue bonds and a reimbursement resolution was approved by the Governing Board at their September 2018 meeting. The bonds, not to exceed \$65.0 million in aggregate principal, will be utilized for the acquisition and construction of College facilities and improvements. The Governing Board approved a \$4.5 million allocation for debt service in the fiscal year 2019 budget.

Requests for Information

This discussion and analysis is designed to present a general overview of the Pima County Community College District’s finances for all those who have 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 District Finance Office, Pima County Community College District, 4905D East Broadway Boulevard, Tucson, AZ, 85709-1200.

Condensed Financial Information – Primary Government
Summarized Schedule of Assets, Liabilities and Net Position

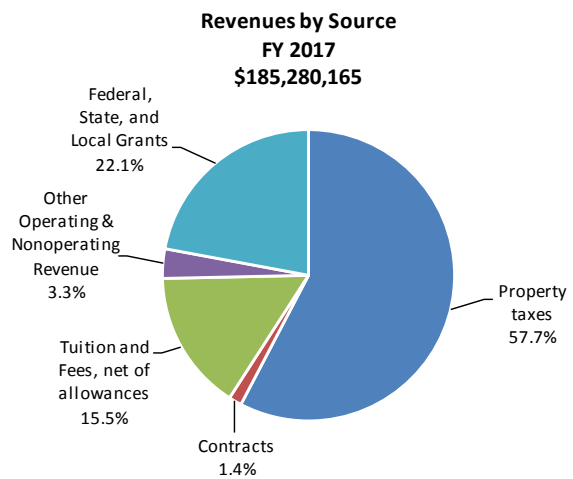
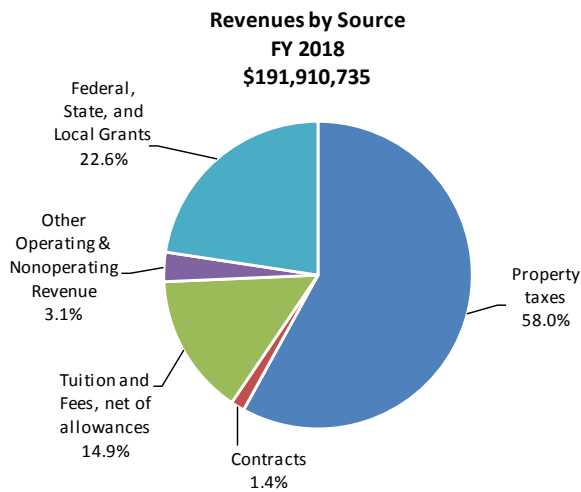
	As of <u>June 30, 2018</u>	As of <u>June 30, 2017</u>	<u>% Change</u>
Assets			
Current Assets	\$ 104,234,903	\$ 91,822,400	13.5%
Noncurrent Assets – Restricted	346,087	437,045	-20.8%
Capital Assets, net	98,101,269	100,330,570	-2.2%
Other Noncurrent Assets	31,873,188	31,096,442	2.5%
Total Assets	234,555,447	223,686,457	4.9%
Deferred Outflows of Resources			
Deferred Outflows Related to Pensions and Other Postemployment Benefits	16,228,856	25,132,919	-35.4%
Total Deferred Outflows of Resources	16,228,856	25,132,919	-35.4%
Liabilities			
Other Liabilities	18,668,931	18,952,240	-1.5%
Long-term Liabilities			
Compensated Absences	3,129,601	3,179,356	-1.6%
Capital Leases Payable	1,067,207	0	100.0%
Net Pension and Other Postemployment Benefits Liability	124,342,130	137,501,128	-9.6%
Total Liabilities	147,207,869	159,632,724	-7.8%
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions and Other Postemployment Benefits	15,167,495	17,294,371	-12.3%
Total Deferred Inflows of Resources	15,167,495	17,294,371	-12.3%
Net Position			
Net Investment in Capital Assets	96,772,449	100,330,570	-3.5%
Restricted Net Position	12,451,846	11,339,876	9.8%
Unrestricted Net Position (Deficit)	(20,815,356)	(39,778,165)	-47.7%
Total Net Position	\$ 88,408,939	\$ 71,892,281	23.0%

Summarized Schedule of Revenues, Expenses and Changes in Net Position

	For the year ended <u>June 30, 2018</u>	For the year ended <u>June 30, 2017</u>	<u>% Change</u>
Operating Revenues			
Tuition and Fees (net of allowances)	\$ 28,532,331	\$ 28,834,580	-1.0%
Contracts	2,766,925	2,660,348	4.0%
Commissions and Rents	1,067,161	1,720,067	-38.0%
Other Operating Revenues	1,008,383	924,054	9.1%
Total Operating Revenues	33,374,800	34,139,049	-2.2%
Total Operating Expenses	175,471,248	179,653,104	-2.3%
Operating Loss	(142,096,448)	(145,514,055)	-2.3%
Nonoperating Revenues (Expenses)			
Property Taxes	111,324,689	106,823,980	4.2%
Federal Grants	42,048,279	39,352,391	6.9%
State and Local Grants	1,323,106	1,544,239	-14.3%
Investment Income	626,296	323,910	93.4%
Other Nonoperating Revenues	3,132,915	3,057,076	2.5%
Interest on Capital Asset Related Debt	(32,493)	0	-100.0%
Loss on Capital Asset Disposal	(54,672)	(22,066)	147.8%
Net Nonoperating Revenues	158,368,120	151,079,530	4.8%
Income before Capital Gifts and Grants	16,271,672	5,565,475	192.4%
Capital Gifts and Grants	80,650	39,520	104.1%
Increase in Net Position	16,352,322	5,604,995	191.7%
Net Position - as restated, beginning of year	72,056,617	66,287,286	8.7%
Net Position, end of year	\$ 88,408,939	\$ 71,892,281	23.0%

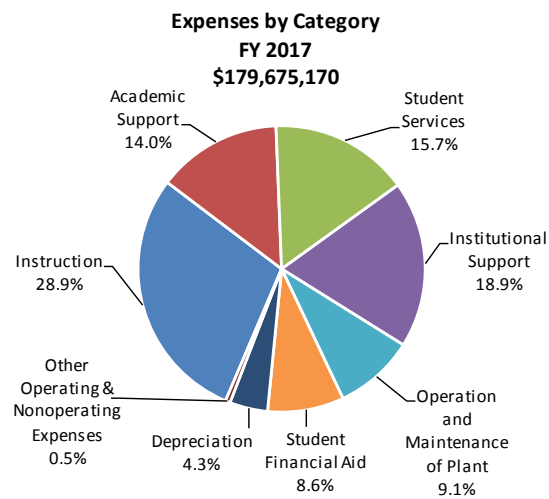
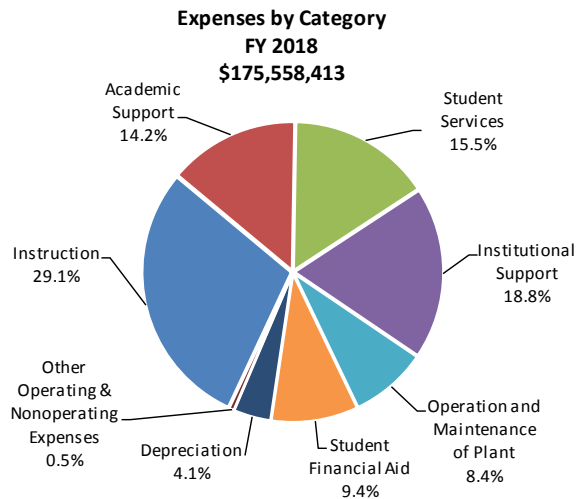
Revenues by Source

	<u>FY 2018</u>	<u>FY 2017</u>	<u>\$ Change</u>	<u>% Change</u>
Operating Revenues				
Tuition and Fees (net of allowances)	\$ 28,532,331	\$ 28,834,580	\$ (302,249)	-1.0%
Contracts	2,766,925	2,660,348	106,577	4.0%
Commissions and Rents	1,067,161	1,720,067	(652,906)	-38.0%
Other Operating Revenues	<u>1,008,383</u>	<u>924,054</u>	<u>84,329</u>	9.1%
Total Operating Revenues	33,374,800	34,139,049	(764,249)	-2.2%
Nonoperating Revenues				
Property Taxes	111,324,689	106,823,980	4,500,709	4.2%
Federal Grants	42,048,279	39,352,391	2,695,888	6.9%
State and Local Grants	1,323,106	1,544,239	(221,133)	-14.3%
Share of State Sales Tax	2,418,985	2,341,003	77,982	3.3%
Gifts	706,141	711,223	(5,082)	-0.7%
Investment Income	626,296	323,910	302,386	93.4%
Other Nonoperating Revenues, net	<u>7,789</u>	<u>4,850</u>	<u>2,939</u>	60.6%
Total Nonoperating Revenues	158,455,285	151,101,596	7,353,689	4.9%
Capital Gifts and Grants	80,650	39,520	41,130	104.1%
Total Revenues	\$ 191,910,735	\$ 185,280,165	\$ 6,630,570	3.6%



Expenses by Category

	FY 2018	FY 2017	\$ Change	% Change
Operating Expenses				
Educational and General				
Instruction	\$ 51,138,005	\$ 52,009,785	\$ (871,780)	-1.7%
Academic Support	24,914,373	25,221,536	(307,163)	-1.2%
Student Services	27,188,490	28,146,761	(958,271)	-3.4%
Institutional Support	32,910,008	33,893,651	(983,643)	-2.9%
Operation and Maintenance of Plant	14,767,795	16,299,388	(1,531,593)	-9.4%
Student Financial Aid	16,557,909	15,449,569	1,108,340	7.2%
Auxiliary Enterprises	877,258	931,331	(54,073)	-5.8%
Depreciation	7,117,410	7,701,083	(583,673)	-7.6%
Total Operating Expenses	175,471,248	179,653,104	(4,181,856)	-2.3%
Nonoperating Expenses				
Loss on Capital Asset Disposal	54,672	22,066	32,606	147.8%
Interest on Capital Asset Related Debt	32,493	0	32,493	100.0%
Total Nonoperating Expenses	87,165	22,066	65,099	295.0%
Total Expenses	\$ 175,558,413	\$ 179,675,170	\$ (4,116,757)	-2.3%



Basic Financial Statements

**Statement of Net Position – Primary Government
As of June 30, 2018**

Assets

Current Assets

Cash and Cash Equivalents	\$ 72,662,359
Short-term Investments	19,521,753
Receivables	
Property Taxes (less allowance of \$1,119,940)	3,736,411
Accounts (less allowance of \$1,283,370)	2,955,339
Government Grants and Contracts	2,672,510
Other (less allowance of \$129,373)	950,622
Inventories	105,835
Prepaid Expenses	<u>1,630,074</u>
Total Current Assets	<u>104,234,903</u>

Noncurrent Assets

Restricted Cash and Cash Equivalents	346,087
Other Long-term Investments	31,258,382
Net Other Postemployment Benefits Asset	614,806
Capital Assets	
Land and Improvements	15,291,311
Construction in Progress	2,361,583
Buildings and Improvements (net of depreciation)	72,972,543
Equipment (net of depreciation)	4,479,882
Leasehold Improvements (net of depreciation)	1,196,055
Library Books (net of depreciation)	<u>1,799,895</u>
Total Noncurrent Assets	<u>130,320,544</u>

Total Assets

234,555,447

Deferred Outflows of Resources

Deferred Outflows Related to Pensions and Other Postemployment Benefits	<u>16,228,856</u>
Total Deferred Outflows of Resources	<u>16,228,856</u>

Liabilities

Current Liabilities

Accrued Payroll and Employee Benefits	5,614,802
Accounts Payable and Accrued Liabilities	3,564,326
Deposits Held in Custody for Others	588,504
Unearned Revenue	3,814,949
Current Portion of Compensated Absences Payable	4,824,737
Current Portion of Capital Leases Payable	<u>261,613</u>
Total Current Liabilities	<u>18,668,931</u>

Noncurrent Liabilities

Long-term Liabilities	
Compensated Absences Payable	3,129,601
Capital Leases Payable	1,067,207
Net Pension and Other Postemployment Benefits Liability	<u>124,342,130</u>
Total Noncurrent Liabilities	<u>128,538,938</u>

Total Liabilities

147,207,869

Deferred Inflows of Resources

Deferred Inflows Related to Pensions and Other Postemployment Benefits	<u>15,167,495</u>
Total Deferred Inflows of Resources	<u>15,167,495</u>

Net Position

Net Investment in Capital Assets	96,772,449
Restricted for:	
Expendable:	
Grants and Contracts	12,451,846
Unrestricted (Deficit)	<u>(20,815,356)</u>
Total Net Position	<u>\$ 88,408,939</u>

See accompanying notes to financial statements

**Statement of Financial Position – Component Unit
As of June 30, 2018**

	Pima Community College Foundation, Inc.
Assets	
Cash and cash equivalents	\$ 254,015
Investments - other	256,208
Prepaid expenses and other current assets	49,928
Total current assets	560,151
Investments	7,327,902
Property and equipment, net	18,299
Total assets	<u>\$ 7,906,352</u>
 Liabilities and Net Assets	
Accounts payable and accrued expenses	\$ 49,054
Deferred revenue	62,277
Total current liabilities	111,331
Total liabilities	111,331
 Net assets	
Unrestricted	300,368
Temporarily restricted	1,948,433
Permanently restricted	5,546,220
Total net assets	7,795,021
Total liabilities and net assets	<u>\$ 7,906,352</u>

See accompanying notes to financial statements

**Statement of Revenues, Expenses and Changes in Net Position – Primary Government
For the Year Ended June 30, 2018**

Operating Revenues

Tuition and Fees (net of scholarship allowances of \$16,095,920)	\$ 28,532,331
Contracts	2,766,925
Commissions and Rents	1,067,161
Other Operating Revenues	1,008,383
Total Operating Revenues	33,374,800

Operating Expenses

Educational and General	
Instruction	51,138,005
Academic Support	24,914,373
Student Services	27,188,490
Institutional Support	32,910,008
Operation and Maintenance of Plant	14,767,795
Student Financial Aid	16,557,909
Auxiliary Enterprises	877,258
Depreciation	7,117,410
Total Operating Expenses	175,471,248
Operating Loss	(142,096,448)

Nonoperating Revenues (Expenses)

Property Taxes	111,324,689
Federal Grants	42,048,279
State and Local Grants	1,323,106
Share of State Sales Tax	2,418,985
Gifts	706,141
Investment Income	626,296
Other Nonoperating Revenue	7,789
Interest on Capital Asset Related Debt	(32,493)
Loss on Capital Asset Disposal	(54,672)
Net Nonoperating Revenues	158,368,120

Income Before Other Revenues, Expenses, Gains, or Losses	16,271,672
Capital Gifts and Grants	80,650
Increase in Net Position	16,352,322

Net Position

Net Position - as restated, July 1, 2017	72,056,617
Net Position, June 30, 2018	\$ 88,408,939

See accompanying notes to financial statements

**Statement of Activities – Component Unit
For the Year Ended June 30, 2018**

Pima Community College Foundation, Inc.				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Support				
Contributions	\$ 53,308	\$ 583,216	\$ 75,206	\$ 711,730
Service agreement revenue	482,723			482,723
In-kind contributions	241,038			241,038
Investment income, net	75,464	117,868		193,332
Other income	50,663			50,663
Special events, net		39,128		39,128
Net assets released from restrictions and transfers	1,170,962	(1,200,300)	29,338	-
Total revenues and support:	\$ 2,074,158	\$ (460,088)	\$ 104,544	\$ 1,718,614
Expenses				
Scholarships	\$ 679,740			\$ 679,740
Project costs	316,135			316,135
In-kind gifts transferred to college	241,038			241,038
Legal and professional	212,975			212,975
Salaries	186,615			186,615
Contract services	86,793			86,793
Office support	72,693			72,693
Community activities	40,289			40,289
Advertising	31,272			31,272
Contributions	25,500			25,500
Campus development	20,000			20,000
Rent	13,225			13,225
Payroll taxes	12,734			12,734
College events	11,440			11,440
Meetings and luncheons	11,361			11,361
Development and training	11,101			11,101
Miscellaneous expense	7,410			7,410
Depreciation	963			963
Total expenses	\$ 1,981,284			\$ 1,981,284
Change in net assets	92,874	(460,088)	104,544	(262,670)
Net assets, beginning of year, as reclassified	207,494	2,408,521	5,441,676	8,057,691
Net assets, end of year	\$ 300,368	\$ 1,948,433	\$ 5,546,220	\$ 7,795,021

See accompanying notes to financial statements

**Statement of Cash Flows – Primary Government
For the Year Ended June 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees	\$ 28,549,900
Contracts	2,834,228
Commissions and Rents	1,608,646
Other Receipts	1,235,695
Payments to Suppliers and Providers of Goods and Services	(36,703,592)
Payments for Employee Wages and Benefits	(123,108,889)
Payments for Scholarships	(16,557,910)
Net Cash Used for Operating Activities	<u>(142,141,922)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Property Taxes	111,116,218
Grants	43,491,641
Share of State Sales Tax	2,418,985
Federal Direct Loans Received	11,520,222
Federal Direct Loans Disbursed	(11,710,086)
Deposits Held in Custody for Others Received	1,522,761
Deposits Held in Custody for Others Disbursed	(1,423,856)
Gifts	706,141
Net Cash Provided by Noncapital Financing Activities	<u>157,642,026</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from Capital Debt	1,433,582
Purchases of Capital Assets	(4,862,131)
Principal Paid on Capital Debt	(104,762)
Interest Paid on Capital Debt	(32,493)
Net Cash Used for Capital and Related Financing Activities	<u>(3,565,804)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	63,423,561
Purchases of Investments	(58,183,852)
Interest Received on Investments	970,791
Net Cash Provided by Investing Activities	<u>6,210,500</u>
Net Increase in Cash and Cash Equivalents	18,144,800
Cash and Cash Equivalents - July 1, 2017	54,863,646
Cash and Cash Equivalents - June 30, 2018	<u>\$ 73,008,446</u>

*See accompanying notes to financial statements
(Continued)*

**Statement of Cash Flows – Primary Government
For the Year Ended June 30, 2018**

RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES

Operating Loss	\$ (142,096,448)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation Expense	7,117,410
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:	
Decrease in Receivables, Net	796,674
Increase in Inventories	(5,652)
Increase in Prepaid Expenses	(496,724)
Increase in Net Other Postemployment Benefits (OPEB) Asset	(470,810)
Decrease in Deferred Outflows of Resources Related to Pensions and OPEB	9,416,186
Decrease in Accrued Payroll and Employee Benefits	(203,330)
Decrease in Accounts Payable and Accrued Liabilities	(511,672)
Increase in Unearned Revenue	56,994
Increase in Long-term Liabilities (Compensated Absences Portion)	33,107
Decrease in Net Pension and OPEB Liability	(13,650,781)
Decrease in Deferred Inflows of Resources Related to Pensions and OPEB	<u>(2,126,876)</u>
Net Cash Used for Operating Activities	<u><u>\$ (142,141,922)</u></u>

Non-cash Transactions Not Included in Above Statement:

<i>Net loss on disposal of capital assets with an original cost of \$2,303,647 and accumulated depreciation of \$2,248,975</i>	\$ (54,672)
<i>Donated Capital Assets</i>	80,650
<i>Net Decrease Fair Market Value of Investments</i>	(273,979)

See accompanying notes to financial statements

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Pima County Community College District (the College) conform to generally accepted accounting principles (GAAP) applicable to public institutions engaged only in business-type activities adopted by the Governmental Accounting Standards Board (GASB). For the year ended June 30, 2018, the College implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. GASB Statement No. 75 established standards for measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB.

Reporting Entity:

The College is a special-purpose government that a separately elected governing body governs. It is legally separate and is fiscally independent of other state and local governments. The College has one discretely presented component unit, the Pima Community College Foundation, Inc. (the Foundation).

The Foundation is reported discretely in the financial statements to emphasize that it is legally separate from the College and the Foundation's cash flows are not presented because that information is not required by generally accepted accounting principles for public colleges. The Foundation's financial statements are prepared in accordance with Financial Accounting Standards Board Statements for nonprofit organizations. The Foundation was formed in 1977 as a nonprofit corporation controlled by a separate Board of Directors and is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code. The Foundation's primary mission and purpose is to assist and support the College in carrying out the College's educational, operational, and other purposes. The Foundation has pursued its mission and purpose over the last forty (40) years primarily through raising private support to make gifts of scholarship funds to College and its students on an annual basis. Because the resources held by the Foundation are primarily for the benefit of the College, the Foundation is considered a component unit of the College. During the year ended June 30, 2018, the Foundation distributed \$241,038 of in-kind gifts to be used for College operations and teaching programs and \$679,740 for scholarships. On October 1, 2017, the College and the Foundation entered into a services agreement that defines the relationship between the parties. In exchange for the services provided by the Foundation, the College shall initially compensate the Foundation in an amount not to exceed \$600,000 per fiscal year, prorated for any partial fiscal year of services. Under this agreement, in fiscal year 2018, the College paid to the Foundation a prorated amount of \$450,000. Notes to the financial statements for the Foundation are included in Note 9. Complete financial statements can be obtained from the Foundation located at 4905C East Broadway Boulevard, Tucson, AZ 85709-1320.

Basis of Presentation and Accounting:

The financial statements include the following:

- A. *Statement of Net Position*: provides information about the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the College at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net Position is classified into three broad categories: unrestricted, restricted, and net investment in capital assets.
- B. *Statement of Revenues, Expenses and Changes in Net Position*: provides information about the College's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating and all changes in net position are reported, including capital contributions.

Notes to Financial Statements

- C. Statement of Cash Flows: provides information about the College's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as operating, noncapital financing, capital and related 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. The College eliminates all internal activity.

Operating revenues generally result from exchange transactions. Accordingly, revenues such as tuition and instructional contracts are considered operating revenues. Other revenues, such as property taxes and government grants are not generated from exchange transactions and are therefore classified as nonoperating revenues. Federal, state, and local grants are classified as nonoperating revenues because the entity providing the grant generally does not receive any direct benefit from the services provided under the grants. Property taxes are recognized in the year they are levied. Grants and donations are recognized as revenue when all eligibility requirements imposed by the provider have been met.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

It is the College's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Cash and Investments:

For the Statement of Cash Flows, cash and cash equivalents consist of cash on hand, demand deposits, cash and investments held by the County Treasurer, investments in the State Treasurer's Local Government Investment Pool (LGIP), and highly liquid investments with a maturity of 3 months or less when purchased. All investments are stated at fair value at fiscal year-end.

Inventories:

The physical plant inventories are valued at cost or estimated cost by specific identification.

Capital Assets:

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are reported at acquisition value at the date of donation. All capital assets with a cost of \$5,000 or more are capitalized. Interest expense incurred during the construction phase of the College's facilities is capitalized as a cost of plant assets in accordance with generally accepted accounting principles. Assets (except land and improvements and construction in progress) are depreciated using the straight-line method over their estimated useful lives. For purposes of calculating depreciation, buildings and improvements are assigned useful lives of 5 to 40 years, equipment is assigned useful lives of 5 to 7 years, and library books are assigned useful lives of 10 years. Leasehold improvements are depreciated over the lease period.

Deferred Outflows and Inflows of Resources:

The Statement of Net Position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense in future periods. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will be recognized as a revenue in future periods.

Notes to Financial Statements

Pension and Other Postemployment Benefits:

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Investment Income:

Investment income is comprised of interest, dividends, and net changes in the fair value of applicable investments.

Compensated Absences:

Compensated absences payable consists of annual leave and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to 336 hours of annual leave depending on years of service and employee group classification. Annual leave is accumulated by each employee on a prorated basis. Annual leave balances are accrued as a liability on the financial statements due to the fact that they are paid to the employee upon separation from the College.

Sick leave, providing for ordinary sick pay, is cumulative (up to 1,440 hours) and unused sick leave vests after 10 years of continuous service for regular full-time employees who retire from the College under the provisions of either the Arizona State Retirement System, Optional Retirement Plan, or the Public Safety Personnel Retirement System. Vested unused sick leave is payable to regular employees upon retirement at a rate of 75 percent of the employee's then current daily rate of pay to a maximum of \$100 per day, for a maximum of 100 days (\$10,000 maximum). Vested unused sick leave benefits and a portion of unvested sick leave benefits that are expected to vest in the future are accrued as a liability on the financial statements.

Alternately, regular full-time employees hired on or after July 1, 1999 who separate from the College as a result of his/her death are eligible for the sick leave payment benefit provision described above. Similarly, this benefit is paid at 75 percent of the employee's then current daily rate of pay for all accumulated unused sick leave limited to a maximum of \$100 per day, for a maximum of 100 days (\$10,000 maximum). This death benefit is included in the sick leave liability discussed above.

Scholarship Allowances:

A scholarship allowance is the difference between the stated charge for goods and services provided by the College and the amount that is paid by the 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 College are considered scholarship allowances. These allowances are netted against tuition and fees revenues in the Statement of Revenues, Expenses, and Changes in Net Position.

2. CHANGE IN ACCOUNTING PRINCIPLE

Net position as of July 1, 2017, has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, as amended by GASB Statement No. 85, *Omnibus 2017*.

Notes to Financial Statements

	Primary Government
Net Position as previously reported at June 30, 2017	<u>\$ 71,892,281</u>
Prior period adjustment—implementation of GASB 75:	
Net OPEB asset (measurement date as of June 30, 2016)	143,996
Net OPEB liability (measurement date as of June 30, 2016)	(491,783)
Deferred outflows—college contributions made during fiscal year 2017	<u>512,123</u>
Total prior period adjustment	<u>164,336</u>
Net position as restated, July 1, 2017	<u><u>\$ 72,056,617</u></u>

3. DEPOSITS AND INVESTMENTS

Arizona Revised Statutes (A.R.S.) requires the College to deposit special tax levies for the College’s maintenance or capital outlay with the County Treasurer. A.R.S. does not require the College to deposit other public monies in its custody with the County Treasurer; however, the College must act as a prudent person dealing with another’s property when making investment decisions about those monies. A.R.S. requires collateral for deposits at 102 percent of all deposits not covered by federal depository insurance. A.R.S. does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the College’s investments.

Deposits:

At June 30, 2018, the carrying amount of the College’s deposits was \$56,456,180 and the bank balance was \$57,430,293. The College does not have a formal policy regarding custodial credit risk for deposits.

Investments:

The College’s investments are categorized within the fair value hierarchy established by generally accepted accounting principles. Investments categorized as Level 1 inputs are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued using Interactive Data IDSI bond quotes, IDSI mortgage-backed securities (MBS), IDSI collateralized mortgage obligations (CMO) and matrix pricing techniques. These pricing techniques are used to value securities based on relevant observable inputs, including quoted prices for other similar assets, benchmark yield curve and market corroborated inputs. Investments in the State Treasurer’s investment pools are valued at the pool’s share price multiplied by the number of shares the College held. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares. The investment in the County Treasurer’s investment pool is valued using the College’s proportionate participation in the pool because the pool’s structure does not provide for shares. The State Board of Investment provides oversight for the State Treasurer’s investment pools. No comparable oversight is provided for the County Treasurer’s investment pool. The College’s investments at June 30, 2018, were as follows:

	Amount	Fair value measurement using	
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Investments by fair value level			
US Treasury	\$ 22,405,465	\$ 22,405,465	
US Agency Securities	23,255,970		\$ 23,255,970
Corporate Bonds and Notes	6,115,260		6,115,260
Commercial Paper	5,097,636		5,097,636
Total investments by fair value level	<u>\$ 56,874,331</u>	<u>\$ 22,405,465</u>	<u>\$ 34,468,866</u>

Notes to Financial Statements

External investment pools measured at fair value	Amount
State Treasurer's Investment Pool #5	\$ 8,907,134
County Treasurer's Investment Pool	1,535,236
Total external investment pools measured at fair value	10,442,370
Total investments	\$ 67,316,701

Credit Risk:

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The College does not have a formal policy regarding credit risk. Following is a summary of the College's investments subject to credit risk and credit ratings as determined by Standard and Poor's (S&P) rating agency as of June 30, 2018:

Investment Type	S&P Rating				Unrated	Amount
	AAAf/S1+	AAA	AA	A		
State Treasurer's Investment Pool #5	\$ 8,907,134					\$ 8,907,134
County Treasurer's Investment Pool					\$ 1,535,236	1,535,236
US Agency Securities		\$ 376,831	\$ 6,470,067		16,409,072	23,255,970
Corporate Bonds and Notes		1,204,893	3,923,782	\$ 986,585		6,115,260
Commercial Paper					5,097,636	5,097,636
Total investments subject to credit risk	\$ 8,907,134	\$ 1,581,724	\$10,393,849	\$ 986,585	\$ 23,041,944	\$ 44,911,236

Concentration of Credit Risk:

The College's investment policy limits the maximum investment percentage in any one security and in any one issuer to 5% with the exception of investments or collateralized investments that are implicitly or explicitly guaranteed by the United States. The College had investments at June 30, 2018, of 5% or more in Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) and Federal Home Loan Banks (FHLB). These investments were 18.39%, 8.31%, and 7.85%, respectively, of the College's total investments.

Custodial Credit Risk:

Custodial credit risk is the risk that, in the event of a counterparty's failure, the College will not be able to recover the value of its investments or collateral securities that are in an outside party's possession. The College does not have a formal investment policy for custodial credit risk.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect an investment's value. The College does not have a formal policy regarding interest rate risk. At June 30, 2018, the College had the following investments in debt securities:

Investment Type	Amount	Investment Maturities			
		Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
State Treasurer's Investment Pool #5	\$ 8,907,134	\$ 8,907,134			
County Treasurer's Investment Pool	1,535,236	1,535,236			
US Treasury	22,405,465	17,026,882	\$ 5,378,583		
US Agency Securities	23,255,970	5,944,682	16,770,107	\$ 248,967	\$ 292,214
Corporate Bonds and Notes	6,115,260	278,184	5,837,076		
Commercial Paper	5,097,636	5,097,636			
Total investments	\$ 67,316,701	\$38,789,754	\$27,985,766	\$ 248,967	\$ 292,214

Notes to Financial Statements

A reconciliation of cash, deposits, and investments to amounts shown on the statement of net position follows:

Cash, Deposits and Investments	Amount	Statement of Net Position	Amount
Cash on hand	\$ 15,700	Cash and cash equivalents	\$ 72,662,359
Amount of deposits	56,456,180	Current investments	19,521,753
Amount of investments	67,316,701	Restricted Assets:	
Total	<u>\$ 123,788,581</u>	Cash and cash equivalents	346,087
		Other long term investments	31,258,382
		Total	<u>\$ 123,788,581</u>

4. CAPITAL ASSETS

The College’s capital asset activity for the year ended June 30, 2018, is detailed below.

Description	Balance			Balance
Description	07/01/2017	Increases	Decreases	06/30/2018
Land and improvements	\$ 15,291,311			\$ 15,291,311
Construction in progress	47,392	\$ 2,314,191		2,361,583
Depreciable assets				
Buildings and improvements	190,452,158			190,452,158
Equipment	29,821,112	2,245,371	\$ 1,497,787	30,568,696
Leasehold improvements	3,260,062			3,260,062
Library books	7,052,667	383,219	805,860	6,630,026
Total capital assets	<u>\$ 245,924,702</u>	<u>\$ 4,942,781</u>	<u>\$ 2,303,647</u>	<u>\$ 248,563,836</u>
Less accumulated depreciation:				
Buildings and improvements	\$ 113,304,129	\$ 4,175,486		\$ 117,479,615
Equipment	25,111,195	2,420,733	\$ 1,443,114	26,088,814
Leasehold improvements	1,945,107	118,900		2,064,007
Library books	5,233,701	402,291	805,861	4,830,131
Total accumulated depreciation	<u>145,594,132</u>	<u>7,117,410</u>	<u>2,248,975</u>	<u>150,462,567</u>
Capital assets, net	<u>\$ 100,330,570</u>	<u>\$ (2,174,629)</u>	<u>\$ 54,672</u>	<u>\$ 98,101,269</u>

5. LONG-TERM LIABILITIES

The following schedule details the College’s long-term liability and obligation activity for the year ended June 30, 2018:

Description	Balance	Additions	Reductions	Balance	Due Within
Description	7/1/2017			6/30/2018	One Year
Compensated absences	\$ 7,921,231	\$ 4,914,728	\$ 4,881,621	\$ 7,954,338	\$ 4,824,737
Capital leases payable		1,433,582	104,762	1,328,820	261,613
Net pension and other postemployment benefits liability*	137,992,911		13,650,781	124,342,130	
Total long-term liabilities	<u>\$ 145,914,142</u>	<u>\$ 6,348,310</u>	<u>\$ 18,637,164</u>	<u>\$ 133,625,288</u>	<u>\$ 5,086,350</u>

* The 7/1/2017 amount was restated due to the implementation of GASB Statement No. 75.

Notes to Financial Statements

Capital Leases

The College has acquired various equipment under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option by the end of the lease term.

The following assets were acquired through capital leases:

Description	Value
Computer Equipment	\$ 86,364
Machinery & Equipment	492,123
Other	9,382
Total capital leases	587,869
Less: accumulated depreciation	58,599
Carrying value of assets	\$ 529,270

The following schedule details debt service requirements to maturity for the District's capital leases payable at June 30, 2018:

Year ending June 30:	Capital Lease Payments
2019	\$ 329,414
2020	329,414
2021	329,414
2022	329,414
2023	192,158
Total minimum lease payments	1,509,814
Less: amount representing interest	(180,994)
Present value of net minimum lease payments	\$ 1,328,820

6. PENSION AND OTHER POSTEMPLOYMENT BENEFITS

The College contributes to two defined benefit retirement plans: the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS). Although a PSPRS net pension liability and a net other postemployment benefits (OPEB) asset have been recorded at June 30, 2018, PSPRS has not been further disclosed due to its relative insignificance to the College's financial statements. At June 30, 2018, the College reported the following aggregate amounts related to pensions and OPEB for the two plans:

Net OPEB asset	\$ 614,806
Net pension and OPEB liability	124,342,130
Deferred outflows of resources related to pensions and OPEB	16,228,856
Deferred inflows of resources related to pensions and OPEB	15,167,495
Pension and OPEB expense	2,271,810

Arizona State Retirement System

Plan Description:

College employees, other than police, may participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS is a component unit of the State of Arizona. The ASRS issues a publicly available financial report that includes its

Notes to Financial Statements

financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

Benefits provided:

The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement	
	Initial membership date:	
	<u>Before July 1, 2011</u>	<u>On or after July 1, 2011</u>
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%
*With actuarially reduced benefits.		

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member’s death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member’s account balance that includes the member’s contributions and employer’s contributions, plus interest earned.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

Contributions:

In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.5 percent (11.34 percent for retirement and 0.16 percent for long-term disability) of the members’ annual covered payroll, and statute required the College to contribute at the actuarially determined rate of 11.5 percent (10.9 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members’

Notes to Financial Statements

annual covered payroll. In addition, the College was required by statute to contribute at the actuarially determined rate of 9.49 percent (9.26 percent for retirement, 0.1 percent for health insurance premium benefit and 0.13 percent for long-term disability) of annual covered payroll of retired members who worked for the College in positions that an employee who contributes to ASRS would typically fill. The College’s contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2018, were \$8,015,151, \$318,287, and \$117,496, respectively.

Liability:

At June 30, 2018, the College reported the following asset and liabilities for its proportionate share of the ASRS’ net pension/OPEB asset or liability.

<u>ASRS</u>	<u>Net pension/OPEB (asset) liability</u>
Pension	\$ 117,992,830
Health insurance premium benefit	(413,793)
Long-term disability	274,355

The net asset and net liabilities were measured as of June 30, 2017. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases. The College’s proportion of the net asset or net liability was based on the College’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2017. The College’s proportion measured as of June 30, 2017, and the change from its proportions measured as of June 30, 2016, were:

<u>ASRS</u>	<u>Proportion June 30, 2017</u>	<u>Increase (decrease) from June 30, 2016</u>
Pension	0.75743%	(0.05774)
Health insurance premium benefit	0.76009%	0.00
Long-term disability	0.75689%	0.00

The net asset and net liabilities measured as of June 30, 2018, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the College’s net asset and net liabilities as a result of these changes is not known.

Expense:

For the year ended June 30, 2018, the College recognized the following pension and OPEB expense.

<u>ASRS</u>	<u>Pension/OPEB Expense</u>
Pension	\$ 731,033
Health insurance premium benefit	242,028
Long-term disability	146,376

Deferred outflows/inflows of resources:

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to ASRS pensions and OPEB from the following sources:

Notes to Financial Statements

	Pension		Health insurance premium benefit		Long-term disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ 3,538,077				
Changes of assumptions or other inputs	\$ 5,124,700	3,528,197				
Net difference between projected and actual earnings on plan investments	847,107			\$ 465,914		\$ 41,040
Changes in proportion and differences between college contributions and proportionate share of contributions	27,772	6,993,304		507		41
College contributions subsequent to the measurement date	8,015,151		\$ 318,287		\$ 117,496	
Total	\$ 14,014,730	\$ 14,059,578	\$ 318,287	\$ 466,421	\$ 117,496	\$ 41,081

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from college contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions and OPEB will be recognized as expenses as follows:

Years ended June 30:	Pension	Health Insurance Premium Benefit	Long - Term Disability
2019	\$ (8,087,878)	\$ (116,583)	\$ (10,266)
2020	1,883,766	(116,583)	(10,266)
2021	858,300	(116,583)	(10,266)
2022	(2,714,187)	(116,583)	(10,266)
2023		(89)	(6)
Thereafter			(11)

Actuarial assumptions:

The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3–6.75% for pension/not applicable for OPEB
Inflation	3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	1994 GAM Scale BB
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS plan investments was determined to be 8.7 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target

Notes to Financial Statements

allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	<u>2%</u>	3.84%
Total	<u>100%</u>	

Discount rate:

The discount rate used to measure the ASRS total pension/OPEB liability was 8 percent, which is less than the long-term expected rate of return of 8.7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of the College’s proportionate share of the ASRS net pension/OPEB (asset) liability to changes in the discount rate:

The following table presents the College’s proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 8 percent, as well as what the College’s proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

<u>College's proportionate share of the</u>	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
Net pension liability	\$ 151,445,847	\$ 117,992,830	\$ 90,039,969
Net health insurance premium benefit liability (asset)	687,190	(413,793)	(1,349,442)
Net long-term disability liability	328,061	274,355	228,820

Plan fiduciary net position:

Detailed information about the plans’ fiduciary net position is available in the separately issued ASRS financial report.

Contributions payable:

The College’s accrued payroll and employee benefits included \$759,367 of outstanding pension and OPEB contribution amounts payable to ASRS for the year ended June 30, 2018, which includes \$2,879 for alternate contributions for retirees.

7. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; natural disasters; errors and omissions; and injuries to employees. The College participates in a risk

Notes to Financial Statements

retention trust for liabilities arising from general liability and automobile risks. The trust operating agreement includes a provision for member assessment in the event that total claims paid by the trust exceed the contributions and reserves in any one year. The assessment is limited to the contribution amount paid by the College during the year in which the assessment is applied.

The College purchases property insurance through a property program pool with other higher learning institutions across several states. Each member institution retains a deductible that is applied to each claim. In case of a loss, the program’s loss fund is responsible for the first \$1.0 million of loss per occurrence per annum in excess of the deductible and if the programs’ total claims exceed its loss fund in any given year, the excess claims are covered by the program’s insurer. The College also carries commercial insurance coverage for other risks of loss, including workers’ compensation, student athlete accident insurance, fiduciary and cyber liability. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

In addition, the College finances uninsured risks of loss for prescription and health benefits to eligible employees and their dependents. The prescription plan provides coverage for eligible prescription drugs with an employee-paid co-payment determined by the drug’s availability within the plan’s formulary. The College purchases insurance for the prescription plan, which covers claims that exceed projected claims, up to two times the original claims projection. The healthcare plan has specific stop loss coverage for claims above \$150,000 in a fiscal year and an aggregate stop loss set at 125 percent of projected medical claims. The College utilizes a consultant to determine the required funding annually based upon anticipated utilization, cost trends, and benefit levels for each plan. Third party administrators provide claim and record-keeping services for the plans. Settled claims resulting from these risks have not exceeded stop loss commercial insurance coverage in any of the past three fiscal years.

The insurance claims payable of \$601,650 at June 30, 2018, includes the amounts payable for both health and prescription benefits. This amount has been recognized as an expense and is included in accrued payroll and employee benefits in the Statement of Net Position. It is the estimated cost of settling claims that have been reported but not settled and claims that have been incurred but not reported and is based on actuarial valuations. The College’s claims payable for the fiscal years ended June 30, 2017, and June 30, 2018, are as follows:

	Year Ending June 30	
	2017	2018
Prescription Plan		
Claims liability at beginning of year	\$ 164,850	\$ 156,450
Current year actual and estimated claims	3,512,610	3,072,804
Payments on claims	(3,521,010)	(3,092,754)
Claims liability at end of year	<u>\$ 156,450</u>	<u>\$ 136,500</u>
Year Ending June 30		
Health Plan		
Claims liability at beginning of year	\$ 730,800	\$ 437,850
Current year actual and estimated claims	5,482,869	6,207,325
Payments on claims	(5,775,819)	(6,180,025)
Claims liability at end of year	<u>\$ 437,850</u>	<u>\$ 465,150</u>

8. OPERATING EXPENSES

The College’s operating expenses are presented by functional classification in the Statement of Revenues, Expenses and Changes in Net Position. The operating expenses can also be classified into the following:

Notes to Financial Statements

<u>Description</u>	<u>Amount</u>
Employee Compensation and Benefits	\$ 116,106,384
Communications and Utilities	5,469,192
Travel	2,015,353
Contractual Services	16,303,721
Supplies and Materials	7,718,640
Student Financial Aid	16,557,910
Other Expenses	4,182,638
Depreciation	7,117,410
Total operating expenses	<u>\$ 175,471,248</u>

9. DISCRETELY PRESENTED COMPONENT UNIT – PIMA COMMUNITY COLLEGE FOUNDATION

9a. Summary of Significant Accounting Policies

Reporting Entity:

Pima Community College Foundation, Inc. (the Foundation) was incorporated in the State of Arizona in 1977 as a nonprofit organization dedicated to supporting Pima Community College by securing private philanthropic support for scholarships, programs and other College needs, managing assets to ensure the best financial returns, and facilitating College development activities.

Basis of Presentation and Accounting:

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation:

The Foundation reports 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) based upon the existence or absence of donor-imposed restrictions.

- Unrestricted net assets – Net assets that is not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. When a restriction expires, the temporarily restricted net assets are reclassified to unrestricted net assets.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

Contributions are recognized as revenue when received or unconditionally promised. The Foundation reports gifts of cash and other assets as temporarily or permanently restricted support if such gifts are received with donor stipulations that limit the use of the donated assets as to either purpose or time period. When a donor restriction expires, either through the passage of time or use of the monies for the purpose intended by the donor, temporarily restricted net assets is reclassified to unrestricted net assets. Temporarily restricted contributions are reported as unrestricted net assets when the restriction is met in the same period the contribution is received.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the

Notes to Financial Statements

reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax-Exempt Status:

The Foundation is a nonprofit organization and is exempt from federal income tax under Internal Revenue Code (IRC) Section 501(c) (3). Therefore, no provision has been made for income taxes in the accompanying financial statements. The Foundation is not classified as a private foundation under Section 509(a) of the IRC.

Cash and Cash Equivalents:

Cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of three months or less.

Concentration of Risk:

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and investment balances. The Foundation maintains its cash in bank deposit accounts, which may exceed federally insured limits. The Federal Deposit Insurance Corporation (FDIC) insures cash accounts at banks up to \$250,000 per institution. Investments held by other institutions are insured up to \$500,000 under insurance provided by the Securities Investor Protection Corporation (SIPC). However, SIPC does not protect against losses in market value. At June 30, 2018, there was \$7,024,746 in cash and cash equivalents and investment balances in excess of the FDIC and SIPC insurance limits. It is the opinion of management that the solvency of the referenced financial institutions is not of concern at this time.

Investments:

In accordance with accounting principles generally accepted in the United States of America applicable to nonprofit organizations, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included with the change in net financial position. Unrealized gains and losses are included with the change in net assets.

Donated Services, Materials and Facilities:

Donated goods and facilities are valued at fair market value. Donated services are recognized in the financial statements at fair market value if the following criteria are met:

- The services require specialized skills and the services are provided by individuals possessing those skills.
- The services would typically need to be purchased if not donated.

Although the Foundation may utilize the services of outside volunteers, the fair value of these services has not been recognized in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

Advertising:

The Foundation expenses advertising costs as incurred. The Foundation does not participate in direct-response advertising, which requires the capitalization and amortization of related costs. Advertising costs totaled \$31,272 at June 30, 2018.

9b. Cash and Investments

At June 30, 2018, the Foundation's unrestricted cash and cash equivalents were \$510,223.

Notes to Financial Statements

The Foundation’s other long-term investments measured at fair value as of June 30, 2018, consisted of the following:

Foundation 2018	Fair Value			
	Total	Level 1	Level 2	Level 3
Corporate Bonds	\$ 151,469	\$ 151,469		
Bond and Equity Funds	6,800,944	6,800,944		
Investment in Partnership	375,489			\$ 375,489
Total available for operations	\$ 7,327,902	\$ 6,952,413	\$ 0	\$ 375,489

9c. Endowment Funds

The Foundation’s endowments consist of several individual funds established under donor restriction for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation complies with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the state of Arizona with a focus on growth of such funds as well as the preservation of the value of the gift absent explicit donor stipulations to the contrary. The Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion, if any, of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the UPMIFA. In accordance with UPMIFA, the Foundation considers, if relevant, the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation and (7) the Foundation’s investment policies.

Endowment net assets as of June 30, 2018 comprised of:

	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment assets	\$ 626,038	\$ 5,546,220

Changes in endowment net assets for the year ended June 30, 2018 are:

	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 798,709	\$ 5,441,676
Contributions		75,206
Donor-directed transfers		29,338
Investment income	67,198	
Appropriation of endowment assets for expenditure	(239,869)	
Endowment net assets, end of year	\$ 626,038	\$ 5,546,220

Required Supplementary Information

Schedule of the College's Proportionate Share of the Net Pension/OPEB Liability

Arizona State Retirement System (ASRS) – Pension

	Reporting Fiscal Year (Measurement Date)				
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
College's proportion of the net pension liability	0.7574%	0.8152%	0.8238%	0.8210%	Information
College's proportionate share of the net pension liability	\$117,992,830	\$131,576,627	\$128,312,064	\$121,480,198	not
College's covered payroll	\$ 74,350,845	\$ 77,048,076	\$ 76,259,354	\$ 74,240,051	available
College's proportionate share of the net pension liability as a percentage of its covered payroll	158.69%	170.77%	168.26%	163.63%	
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%	

ASRS – Health insurance premium benefit

	Reporting Fiscal Year (Measurement Date)	
	2018 (2017)	2017 through 2009
College's proportion of the net OPEB (asset)	0.7601%	Information
College's proportionate share of the net OPEB (asset)	\$ (413,793)	not
College's covered payroll	\$ 74,350,845	available
College's proportionate share of the net OPEB (asset) as a percentage of its covered payroll	(0.56%)	
Plan fiduciary net position as a percentage of the total OPEB liability	103.57%	

ASRS – Long-term disability

	Reporting Fiscal Year (Measurement Date)	
	2018 (2017)	2017 through 2009
College's proportion of the net OPEB liability	0.7569%	Information
College's proportionate share of the net OPEB liability	\$ 274,355	not
College's covered payroll	\$ 74,350,845	available
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.37%	
Plan fiduciary net position as a percentage of the total OPEB liability	84.44%	

Required Supplementary Information

Schedule of College Pension/OPEB Contributions

Arizona State Retirement System (ASRS) – Pension

	Reporting Fiscal Year				
	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 8,015,151	\$ 7,985,084	\$ 8,328,186	\$ 8,288,807	\$ 7,918,797
College's contributions in relation to the statutorily required contribution	\$ 8,015,151	\$ 7,985,084	\$ 8,328,186	\$ 8,288,807	\$ 7,918,797
College's contribution deficiency (excess)	-	-	-	-	-
College's covered payroll	\$73,768,417	\$74,350,845	\$77,048,076	\$76,259,354	\$74,240,051
College's contributions as a percentage of covered payroll	10.87%	10.74%	10.81%	10.87%	10.67%

ASRS – Pension

	Reporting Fiscal Year				
	2013	2012	2011	2010	2009
Statutorily required contribution	\$ 7,457,496	\$ 6,979,719	\$ 6,282,818	\$ 5,964,027	\$ 5,628,540
College's contributions in relation to the statutorily required contribution	\$ 7,457,496	\$ 6,979,719	\$ 6,282,818	\$ 5,964,027	\$ 5,628,540
College's contribution deficiency (excess)	-	-	-	-	-
College's covered payroll	\$72,914,505	\$70,282,295	\$69,686,717	\$71,405,975	\$70,439,347
College's contributions as a percentage of covered payroll	10.23%	9.93%	9.02%	8.35%	7.99%

ASRS – Health insurance premium benefit

	Reporting Fiscal Year		
	2018	2017	2016 through 2009
Statutorily required contribution	\$ 318,287	\$ 410,413	Information
College's contributions in relation to the statutorily required contribution	\$ 318,287	\$ 410,413	not
College's contribution deficiency (excess)	-	-	available
College's covered payroll	\$73,768,417	\$74,350,845	
College's contributions as a percentage of covered payroll	0.43%	0.55%	

ASRS – Long-term disability

	Reporting Fiscal Year		
	2018	2017	2016 through 2009
Statutorily required contribution	\$ 117,496	\$ 103,438	Information
College's contributions in relation to the statutorily required contribution	\$ 117,496	\$ 103,438	not
College's contribution deficiency (excess)	-	-	available
College's covered payroll	\$73,768,417	\$74,350,845	
College's contributions as a percentage of covered payroll	0.16%	0.14%	



Statistical Section



PimaCountyCommunityCollegeDistrict

**Pima County Community College District
Statistical Section**

Table of Contents: Statistical Section

Financial Trends.....46
These schedules contain trend information to help the reader understand how the College’s financial performance and well-being have changed over time.

Revenue Capacity.....52
These schedules contain trend information to help the reader assess the factors affecting the College’s ability to generate property taxes, tuition, grants, and other revenues.

Debt Capacity.....57
The debt capacity information will assist the reader in understanding and assessing the College’s debt burden and ability to issue debt.

Demographic and Economic Information.....63
The demographic and economic information is presented to assist users in understanding certain aspects of the environment in which the College operates.

Operating Information.....65
These schedules contain contextual information to help the reader assess the delivery and effectiveness of College operations.

**Pima County Community College District
Financial Trends**

Schedule of Net Position by Component

Fiscal Years 2018 to 2009

	2018	2017	Fiscal Year 2016	2015	2014
Net Investment in Capital Assets	\$ 96,772,449	\$ 100,330,570	\$ 106,258,844	\$ 111,016,873	\$ 116,017,978
Restricted - expendable	12,451,846	11,339,876	10,126,191	8,652,563	9,091,749
Restricted - nonexpendable	0	0	0	217,399	1,573,607
Unrestricted	(20,815,356)	(39,778,165)	(50,097,749)	(51,900,890)	80,543,605
Total Net Position	\$ 88,408,939	\$ 71,892,281	\$ 66,287,286	\$ 67,985,945	\$ 207,226,939

	2013	2012	Fiscal Year 2011	2010	2009
Net Investment in Capital Assets	\$ 111,772,509	\$ 107,958,480	\$ 110,359,292	\$ 106,023,641	\$ 98,438,758
Restricted - expendable	8,184,292	7,771,778	7,718,819	5,584,879	6,192,750
Restricted - nonexpendable	1,631,278	1,682,173	101,886	1,675,365	1,553,416
Unrestricted	93,662,614	100,136,064	98,779,375	85,778,752	80,973,839
Total Net Position	\$ 215,250,693	\$ 217,548,495	\$ 216,959,372	\$ 199,062,637	\$ 187,158,763

Source: District Records

Notes: In fiscal year 2015, the College implemented GASB 68 and 71. Historical data in the statistical section has not been restated.

**Pima County Community College District
Financial Trends**

Schedule of Other Changes in Net Position

Fiscal Years 2018 to 2009

	2018	2017	Fiscal Year 2016	2015	2014
Income (Loss) Before Other Changes in Net Position	\$ 16,271,672	\$ 5,565,475	\$ (1,736,314)	\$ (7,776,128)	\$ (8,054,427)
Capital Gifts and Grants	80,650	39,520	37,655	136,341	30,673
Total Change in Net Position	\$ 16,352,322	\$ 5,604,995	\$ (1,698,659)	\$ (7,639,787)	\$ (8,023,754)

	2013	2012	Fiscal Year 2011	2010	2009
Income (Loss) Before Other Changes in Net Position	\$ (3,097,802)	\$ 522,923	\$ 17,855,272	\$ 11,767,148	\$ 18,042,849
Capital Gifts and Grants	800,000	66,200	41,463	136,726	200,826
Total Change in Net Position	\$ (2,297,802)	\$ 589,123	\$ 17,896,735	\$ 11,903,874	\$ 18,243,675

Source: District Records

**Pima County Community College District
Financial Trends**

Schedule of Expenses by Identifiable Activity
Fiscal Years 2018 to 2009

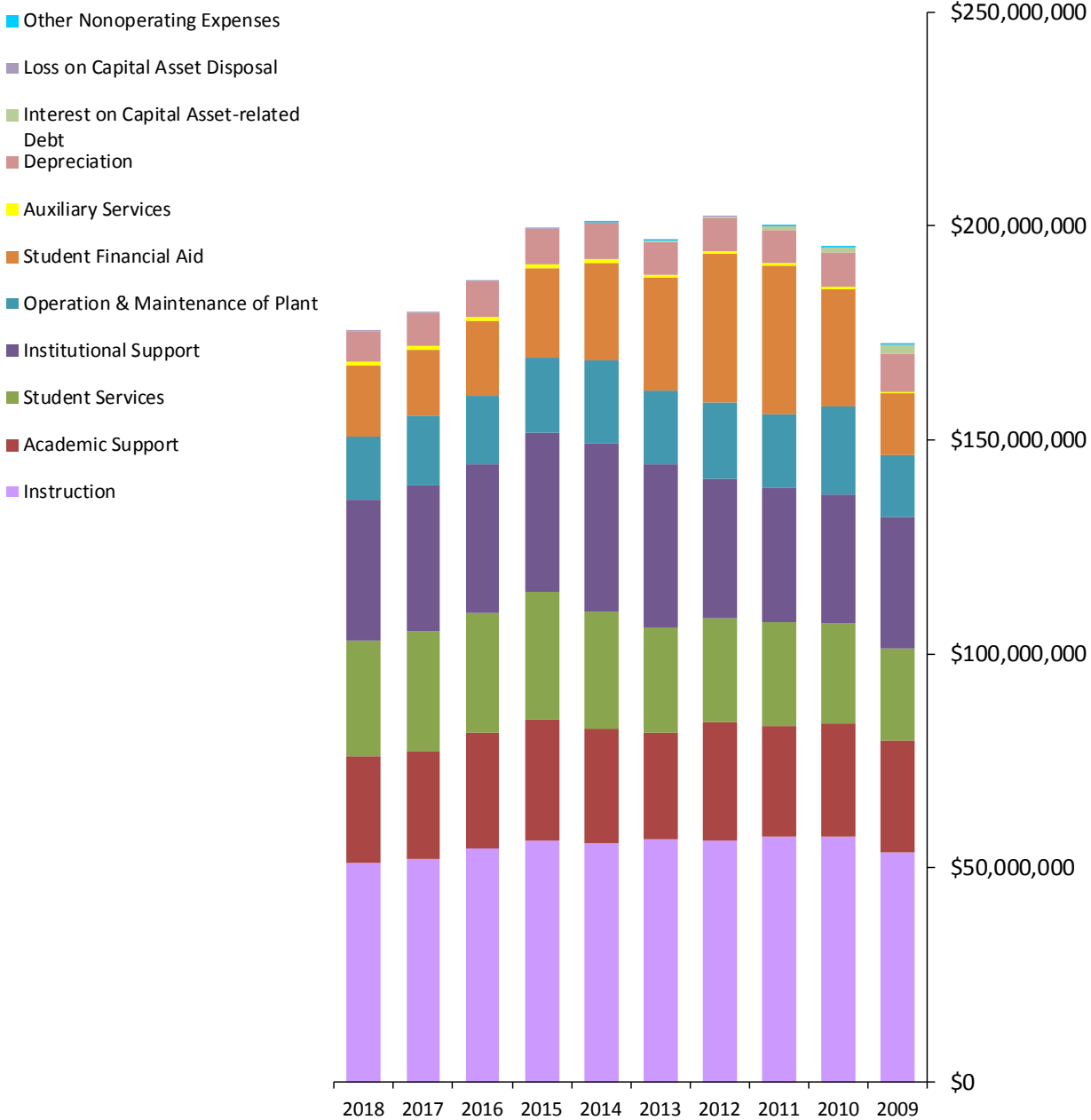
	Fiscal Year				
	2018	2017	2016	2015	2014
Operating Expenses					
Instruction	\$ 51,138,005	\$ 52,009,785	\$ 54,486,848	\$ 56,521,328	\$ 55,712,283
Academic Support	24,914,373	25,221,536	27,061,889	28,307,683	26,968,277
Student Services	27,188,490	28,146,761	28,184,238	29,761,778	27,093,085
Institutional Support	32,910,008	33,893,651	34,664,541	36,990,188	39,336,193
Operation and Maintenance of Plant	14,767,795	16,299,388	15,905,619	17,474,890	19,593,974
Student Financial Aid	16,557,909	15,449,569	17,646,631	20,923,754	22,739,712
Auxiliary Enterprises	877,258	931,331	876,462	972,572	917,261
Depreciation	7,117,410	7,701,083	8,321,837	8,403,706	8,224,999
Total Operating Expenses	175,471,248	179,653,104	187,148,065	199,355,899	200,585,784
Nonoperating Expenses					
Interest on Capital Asset-Related Debt	32,493				67,750
Loss on Capital Asset Disposal	54,672	22,066	19,361	24,101	266,394
Other Nonoperating Expenses					24,900
Total Nonoperating Expenses	87,165	22,066	19,361	24,101	359,044
Total Expenses	\$ 175,558,413	\$ 179,675,170	\$ 187,167,426	\$ 199,380,000	\$ 200,944,828

	Fiscal Year				
	2013	2012	2011	2010	2009
Operating Expenses					
Instruction	\$ 56,722,122	\$ 56,541,376	\$ 57,500,697	\$ 57,464,058	\$ 53,829,194
Academic Support	24,878,589	27,424,159	25,592,122	26,414,846	26,059,669
Student Services	24,615,986	24,475,523	24,400,835	23,398,419	21,425,318
Institutional Support	38,208,264	32,376,945	31,362,563	30,106,066	30,689,156
Operation and Maintenance of Plant	17,134,651	17,805,567	17,188,038	20,361,539	14,402,725
Student Financial Aid	26,244,500	34,764,717	34,799,330	27,564,234	14,444,634
Auxiliary Enterprises	755,713	694,438	594,145	441,050	511,708
Depreciation	7,775,302	7,637,565	7,682,122	7,894,367	8,886,260
Total Operating Expenses	196,335,127	201,720,290	199,119,852	193,644,579	170,248,664
Nonoperating Expenses					
Interest on Capital Asset-Related Debt	207,304	464,825	882,425	1,461,113	2,081,623
Loss on Capital Asset Disposal	10,657	106,875	11,914	23,640	21,355
Other Nonoperating Expenses	43,871		8,773	30,940	138,716
Total Nonoperating Expenses	261,832	571,700	903,112	1,515,693	2,241,694
Total Expenses	\$ 196,596,959	\$ 202,291,990	\$ 200,022,964	\$ 195,160,272	\$ 172,490,358

Source: District Records

Pima County Community College District Financial Trends

Graph of Expenses by Identifiable Activity
Fiscal Years 2018 to 2009



Source: District Records

**Pima County Community College District
Financial Trends**

Schedule of Revenues by Source
Fiscal Years 2018 to 2009

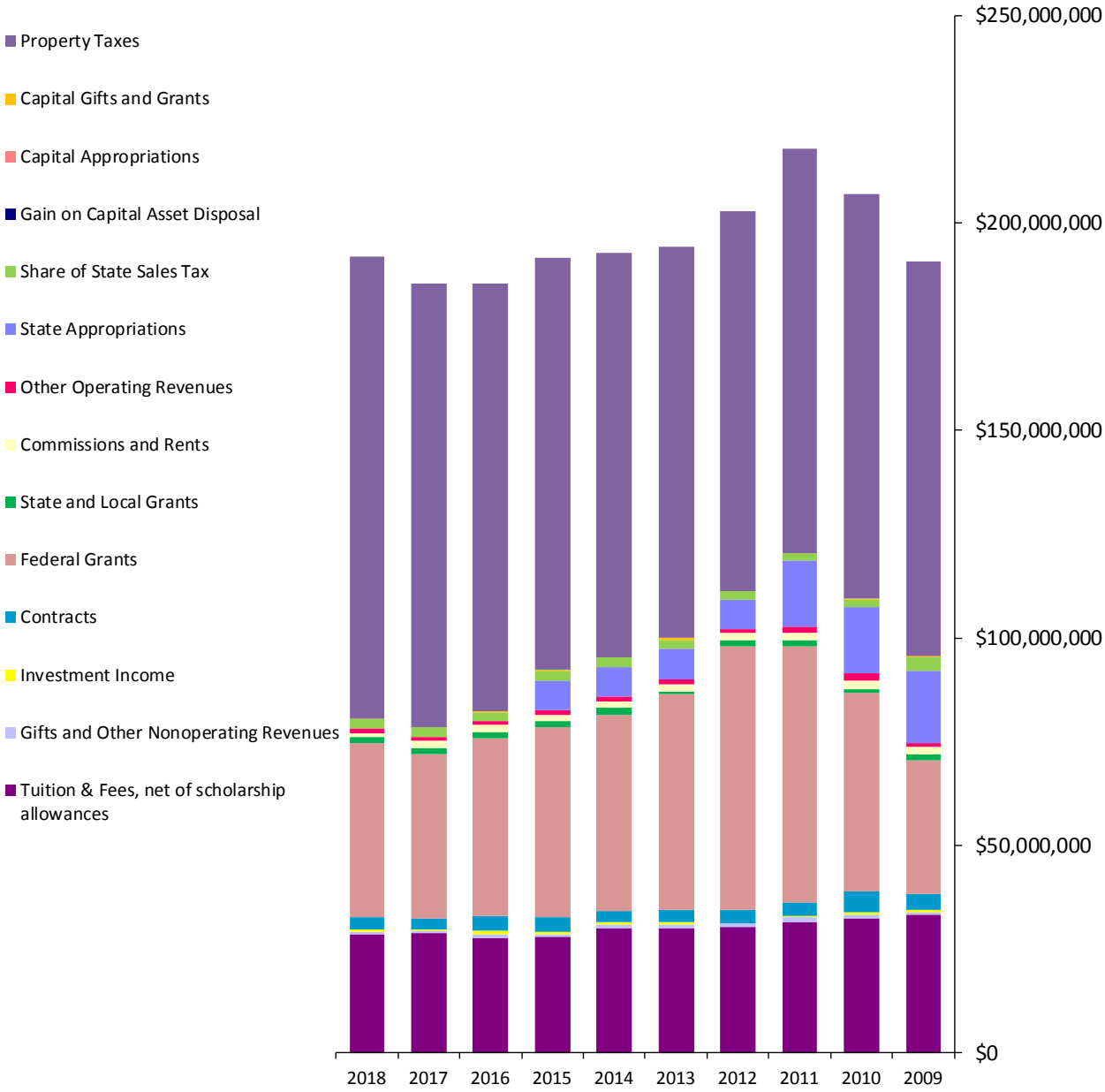
	Fiscal Year				
	2018	2017	2016	2015	2014
Operating Revenues					
Tuition and Fees, net of scholarship allowances	\$ 28,532,331	\$ 28,834,580	\$ 27,792,518	\$ 27,860,572	\$ 30,092,480
Contracts	2,766,925	2,660,348	3,485,053	3,614,371	2,565,513
Commissions and Rents	1,067,161	1,720,067	1,658,484	1,608,709	1,613,283
Other Operating Revenues	1,008,383	924,054	912,844	1,137,112	1,199,976
Total Operating Revenues	33,374,800	34,139,049	33,848,899	34,220,764	35,471,252
Nonoperating Revenues					
Property Taxes	111,324,689	106,823,980	103,274,540	99,464,621	97,523,572
State Appropriations	0	0	0	7,093,500	7,136,600
Federal Grants	42,048,279	39,352,391	42,891,284	45,616,708	47,429,534
State and Local Grants	1,323,106	1,544,239	1,523,348	1,573,775	1,666,184
Share of State Sales Tax	2,418,985	2,341,003	2,282,341	2,331,857	2,256,268
Gifts and Other Nonoperating Revenues	713,930	716,073	900,667	812,941	861,085
Investment Income	626,296	323,910	710,033	489,706	545,906
Capital Gifts and Grants	80,650	39,520	37,655	136,341	30,673
Total Nonoperating Revenues	158,535,935	151,141,116	151,619,868	157,519,449	157,449,822
Total Revenues	\$ 191,910,735	\$ 185,280,165	\$ 185,468,767	\$ 191,740,213	\$ 192,921,074
	Fiscal Year				
	2013	2012	2011	2010	2009
Operating Revenues					
Tuition and Fees, net of scholarship allowances	\$ 30,034,844	\$ 30,315,594	\$ 31,543,208	\$ 32,359,864	\$ 33,365,932
Contracts	2,887,596	3,096,886	3,350,861	5,073,714	3,908,570
Commissions and Rents	1,653,777	1,827,383	1,891,920	1,881,242	1,492,245
Other Operating Revenues	1,099,854	961,978	1,311,330	1,825,203	1,151,767
Total Operating Revenues	35,676,071	36,201,841	38,097,319	41,140,023	39,918,514
Nonoperating Revenues					
Property Taxes	94,150,821	91,581,461	97,431,336	97,583,761	95,074,188
State Appropriations	7,353,500	7,146,400	15,942,100	15,942,100	17,413,618
Federal Grants	51,918,293	63,645,052	61,762,889	47,861,962	32,131,073
State and Local Grants	770,688	1,326,419	1,366,883	996,369	1,730,592
Share of State Sales Tax	2,072,940	1,977,303	1,909,767	1,964,641	3,264,463
Gifts and Other Nonoperating Revenues	895,476	799,030	1,147,421	961,332	659,580
Investment Income	661,368	137,407	220,521	477,231	341,179
Capital Gifts and Grants	800,000	66,200	41,463	136,726	200,826
Total Nonoperating Revenues	158,623,086	166,679,272	179,822,380	165,924,122	150,815,519
Total Revenues	\$ 194,299,157	\$ 202,881,113	\$ 217,919,699	\$ 207,064,145	\$ 190,734,033

Source: District Records

Notes: Data for Contracts, Federal Grants and State and Local Grants were restated beginning fiscal year 2008 to coincide with revised revenue classifications.
For fiscal year 2018, Other Operating Revenues includes a rebate in the amount of \$81,326 received from JP Morgan Chase for credit card purchases.

Pima County Community College District Financial Trends

Graph of Revenues by Source
Fiscal Years 2018 to 2009



Source: District Records

**Pima County Community College District
Revenue Capacity**

Assessed Value and Full Cash Value of All Taxable Property

Last Ten Fiscal Years

Dollars in Thousands

<u>Fiscal Year/Levy Type ¹</u>	<u>Net Assessed Value</u>	<u>Total Direct Tax Rate ²</u>	<u>Limited and Full Cash Values ³</u>	<u>Ratio of Net Assessed to Full Cash Value</u>
2017/2018 Primary	\$8,074,958	1.3890	\$80,459,900	10.04%
2017/2018 Secondary	8,508,990	0.0000	84,772,588	10.04%
Total		1.3890		
2016/2017 Primary	\$7,816,700	1.3733	\$78,911,345	9.91%
2016/2017 Secondary	8,262,665	0.0000	83,520,548	9.89%
Total		1.3733		
2015/2016 Primary	\$7,620,361	1.3689	\$76,489,654	9.96%
2015/2016 Secondary	7,906,190	0.0000	79,550,159	9.94%
Total		1.3689		
2014/2015 Primary	\$7,518,482	1.3344	\$74,402,882	10.11%
2014/2015 Secondary	7,579,899	0.0000	75,389,155	10.05%
Total		1.3344		
2013/2014 Primary	\$7,559,129	1.2746	\$73,262,703	10.32%
2013/2014 Secondary	7,623,691	0.0187	74,590,067	10.22%
Total		1.2933		
2012/2013 Primary	\$8,073,938	1.1484	\$76,085,641	10.61%
2012/2013 Secondary	8,171,212	0.0257	77,731,086	10.51%
Total		1.1741		
2011/2012 Primary	\$8,310,120	1.0846	\$78,036,208	10.65%
2011/2012 Secondary	8,448,282	0.0248	80,152,473	10.54%
Total		1.1094		
2010/2011 Primary	\$8,939,647	0.9755	\$82,348,221	10.86%
2010/2011 Secondary	9,342,561	0.1093	86,228,902	10.83%
Total		1.0848		
2009/2010 Primary	\$8,985,712	0.9356	\$80,593,121	11.15%
2009/2010 Secondary	9,860,981	0.1414	88,095,754	11.19%
Total		1.0770		
2008/09 Primary	\$8,230,967	0.9787	\$73,122,499	11.26%
2008/09 Secondary	9,594,862	0.1502	85,993,246	11.16%
Total		1.1289		

Sources: Pima County Department of Finance CAFR (Fiscal years 2009-2017. June 30, 2018 statistics were unavailable at time of publication); Pima County Department of Finance (fiscal year 2017-2018 adopted budget), Pima County Assessor's Office, and District records.

- Notes:** (1) Primary - Taxes levied to pay for current operation and maintenance expenses. Secondary - Taxes levied to pay principal and interest on bonded indebtedness and special district assessments.
(2) Includes separate Primary and Secondary tax rates.
(3) Limited value is the basis for primary taxes and annual changes therein are restricted by statute; Full Cash Value or Secondary Value approximates market value.

**Pima County Community College District
Revenue Capacity**

Property Tax Levies and Collections ^{1,4}
Last Ten Fiscal Years

Fiscal Year	Original Real Property Tax Levy	Board Ordered Changes thru 06/30/2018	Adjusted Levy	Collections/ Payments Initial Tax Year ²	Percent of Original Levy	Collections/ Payments thru 6/30/2018 ²	Percent of Adjusted Levy	Taxes Receivable as of 6/30/2018 ³
2018	\$ 128,257,618	\$ 0	\$ 128,257,618	\$ 125,803,451	98.09%	\$ 125,803,451	98.09%	\$ 2,454,167
2017	104,106,349	111,597	104,217,946	101,690,985	97.68%	103,913,657	99.71%	304,289
2016	100,655,943	73,927	100,729,870	97,223,208	96.59%	100,461,722	99.73%	268,148
2015	96,201,094	68,607	96,269,701	92,988,525	96.66%	95,980,672	99.70%	289,029
2014	92,461,302	122,425	92,583,727	89,226,779	96.50%	92,213,792	99.60%	369,935
2013	88,643,360	119,108	88,762,468	85,469,057	96.42%	88,411,027	99.60%	351,441
2012	86,335,655	218,366	86,554,021	83,080,271	96.23%	86,175,745	99.56%	378,276
2011	83,858,009	(158,874)	83,699,135	79,954,352	95.34%	83,144,503	99.34%	554,632
2010	80,612,932	(134,041)	80,478,891	77,256,390	95.84%	80,396,727	99.90%	82,164
2009	77,538,112	(64,131)	77,473,981	74,356,208	95.90%	77,436,458	99.95%	37,523
Totals	\$ 938,670,374	\$ 356,984	\$ 939,027,358	\$ 907,049,226		\$ 933,937,754		\$ 5,089,604

Source: All figures are derived from Pima County Treasurer's Tax Ledgers and spreadsheets.

Notes: (1) All amounts shown are for primary property taxes only.

(2) Amounts collected are on a cash basis.

(3) Represents the difference between the adjusted levy and collected to June 30, 2018.

(4) Unsecured personal property taxes are not included in this schedule because the dates of the monthly tax rolls vary each year. For tax years 2008 - 2017 (District fiscal years 2009 - 2018), total unsecured personal property tax board ordered changes were \$13,553 and collections were \$3,141,641 (including rolls and cycles) through June 30, 2018. The total outstanding unsecured personal property tax levy at June 30, 2018 for the period cited stands at \$1,718,017.

**Pima County Community College District
Revenue Capacity**

Schedule of Principal Property Taxpayers

Most Recent Year and Nine Years Prior as of 2017 ¹

Dollars in Thousands

<u>Employer</u>	Estimated Assessed		Percent of Total Assessed		Estimated Assessed		Percent of Total Assessed	
	Value ²	Rank	Value		Value ²	Rank	Value	
Unisource/Tucson Electric Power Co.	\$215,359	1	2.5%		\$153,431	2	1.6%	
Freeport-McMoRan/Phelps Dodge Corp.	\$84,212	2	1.0%		\$156,780	1	1.6%	
Southwest Gas Corporation	\$75,306	3	0.9%		\$63,698	4	0.7%	
ASARCO LLC	\$43,258	4	0.5%		*			
QWEST Corporation	\$35,990	5	0.4%		\$87,000	3	0.9%	
Northwest Hospital LLC	\$31,995	6	0.4%		*			
Sierrita Gas Pipeline LLC	\$30,769	7	0.4%		*			
SMSJ Tucson Holdings, LLC	\$23,629	8	0.3%		*			
DND Neffson Co. (Tucson Mall)	\$22,561	9	0.3%		\$21,013	8	0.2%	
Wal-Mart Stores Incorporated	\$21,809	10	0.3%		*			
DDR Tucson Spectrum II, LLC	*				*			
Raytheon	*				\$33,833	6	0.4%	
Trico Electric Co-Op Inc.	*				\$18,816	9	0.2%	
Star Pass Resort Developments LLC	*				\$15,889	10	0.2%	
Arizona Portland Cement	*				\$23,593	7	0.2%	
ASARCO Mining	*				\$44,047	5	0.5%	
Total Top Ten	\$584,888		6.9%		\$618,100		6.4%	

² Secondary Assessed Valuation for Tax Year: \$8,508,990

\$9,594,862

Source: Pima County Department of Finance (June 30, 2017 CAFR)

Notes: (1) June 30, 2018 statistics were unavailable at time of publication.

* Taxpayers did not fall within the top 10 for the year identified

**Pima County Community College District
Revenue Capacity**

Property Tax Rates, Direct and Overlapping Governments
Last Ten Fiscal Years (Per \$100 of Assessed Value) ⁶

Tax Year	Pima County Community College District ¹	State of Arizona	Central Arizona Water Conservation District	Pima County ²	Flood Control District ³	County Library District	Education Assistance	Cortaro- Marana Irrigation District ⁴
2017	1.3890	0.0000	0.1400	5.2055	0.3135	0.5053	0.4875	75.0000
2016	1.3733	0.0000	0.1400	5.0364	0.3335	0.5153	0.5010	75.0000
2015	1.3689	0.0000	0.1400	5.1344	0.3135	0.5153	0.5054	72.0000
2014	1.3344	0.0000	0.1400	5.0251	0.3035	0.4353	0.5089	69.0000
2013	1.2933	0.0000	0.1400	4.4921	0.2635	0.3753	0.5123	69.0000
2012	1.1741	0.0000	0.1000	4.2425	0.2635	0.3460	0.4717	66.0000
2011	1.1094	0.0000	0.1000	4.2396	0.2635	0.3460	0.4259	66.0000
2010	1.0848	0.0000	0.1000	4.1063	0.2635	0.3100	0.3564	66.0000
2009	1.0770	0.0000	0.1000	4.0639	0.2635	0.2643	0.3306	66.0000
2008	1.1355	0.0000	0.1000	4.0374	0.2935	0.3393	0.0000	66.0000

Tax Year	Flowing Wells Irrigation District ⁴	Silverbell Irrigation District ⁴	City of Tucson	City of South Tucson	Street Lighting Improvement District	Mobile Home Relocation District ⁵	Towns Other ⁶	School Districts Range From To	
2017	19.3500	3.0000	1.4342	0.2487	12.4505	0.0000	7.0000	2.0234	9.0399
2016	19.3500	3.0000	1.5982	0.2528	12.4384	0.0000	7.0000	2.0793	8.9614
2015	19.3500	3.0000	1.5960	0.2528	12.3345	0.5000	7.0000	1.7677	7.6184
2014	19.3500	3.0000	1.4606	0.2528	12.0787	0.5000	7.0000	2.1123	7.5094
2013	19.3500	3.0000	1.4304	2.9776	10.1900	0.5000	7.0000	1.1287	7.4319
2012	19.3500	3.0000	1.2639	2.7640	9.6038	0.5000	7.0000	1.2484	7.3187
2011	19.3500	3.0000	1.1621	2.6603		0.5000	7.0000	1.7682	6.9480
2010	19.3500	3.0000	0.9550	0.1999			7.0000	1.4797	7.0689
2009	19.3500	3.0000	0.9344	0.2035			6.4000	1.3726	7.6340
2008	19.3500	3.0000	0.9601	0.2143			6.4000	1.4622	7.8009

Source: Pima County Department of Finance (June 30, 2017 CAFR), June 30, 2018 statistics were unavailable at time of publication.

Notes: Primary and secondary tax rates (per \$100 of net assessed value) are set by the County Board of Supervisors or the governing boards of other taxing jurisdictions.

The Towns of Marana, Oro Valley, and Sahuarita do not currently levy a property tax.

The Tucson Business Improvement District levy (on a per-business basis) is not shown.

(1) Rate includes any secondary tax levy for debt service on general obligation bonds.

(2) Rate includes the secondary tax levy for debt service on general obligation bonds and fire district assistance.

(3) The Pima County Flood Control District tax levy applies only to real property.

(4) Irrigation districts' tax rates shown are levied on a per acre basis.

(5) Mobile Home Relocation levy applies only to unsecured mobile homes.

(6) The 2008 and 2009 figures represent the Community Facilities Districts of Gladden Farms, Vanderbilt Farms and Quail Creek. The 2010 to 2017 figures represent the aggregate rate for the Community Facilities Districts of: Gladden Farms, Vanderbilt Farms, Quail Creek, Gladden Farms Phase II and Saguaro Springs.

**Pima County Community College District
Revenue Capacity**

Schedule of Tuition
Last Ten Fiscal Years

<u>Academic Year¹</u>	<u>Full-Time Tuition & Fees^{2,3}</u>		<u>Tuition per Credit Hour</u>	
	<u>In State</u>	<u>Out of State</u>	<u>In State</u>	<u>Out of State⁴</u>
2018	\$ 2,640	\$ 9,285	\$ 81.50	\$ 303.00
2017	2,550	9,195	78.50	300.00
2016	2,460	10,755	75.50	352.00
2015	2,300	10,055	70.50	329.00
2014	2,150	10,055	65.50	329.00
2013	2,060	9,725	63.50	319.00
2012	1,910	8,975	58.50	294.00
2011	1,760	8,225	53.50	269.00
2010	1,685	7,910	51.50	259.00
2009	1,625	7,610	49.50	249.00

Source: District Records

Notes: Beginning in January 2012, the College began charging additional tuition, known as differential tuition, for courses that are more costly for the College to offer. These rates are not reflected in the table.

- (1) Tuition rate changes are effective at the beginning of each academic year.
- (2) These amounts are for full-time students taking 30 credit hours during the academic year.
- (3) Amounts include: semester processing fees of \$20 per year for 2009 - 2014 and \$30 per year starting in 2015; student service fees of \$2.00 per credit hour in academic years 2009 - 2010, \$2.50 per credit hour in academic years 2011 - 2013, and \$3.00 beginning in 2014; technology fees of \$2.00 per credit hour in academic years 2009 - 2013, and \$2.50 per credit hour beginning in academic year 2014.
- (4) Rates shown are for 7 or more credit hours.
- (5) In addition to tuition, course fees and additional fees may apply. For more information on course fees, check the online class schedules, the printed Schedule of Classes, or call or stop by any campus Student Services Center.
- (6) Tuition, fees, and refunds are subject to change without notice.
- (7) These rates are NOT intended to represent an estimate of the cost of attending Pima Community College.

**Pima County Community College District
Debt Capacity**

Schedule of Ratios of Outstanding Debt

Last Ten Fiscal Years

Dollars in Thousands

	Fiscal Year				
	2018	2017	2016	2015	2014
General Bonded Debt					
Total General Bonded Debt	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Per Headcount	0	0	0	0	0
Per FTSE	0	0	0	0	0
Per Capita (Pima County)	0	0	0	0	0
Other Debt					
Revenue Bonds	0	0	0	0	0
Capital Lease Obligations	1,329	0	0	0	0
Total Outstanding Debt	\$ 1,329	\$ 0	\$ 0	\$ 0	\$ 0
Per Headcount	0.03	0	0	0	0
Per FTSE	0.09	0	0	0	0
Per Capita (Pima County)	0	0	0	0	0

	Fiscal Year				
	2013	2012	2011	2010	2009
General Bonded Debt					
Total General Bonded Debt	\$ 1,355	\$ 3,280	\$ 5,100	\$ 14,635	\$ 27,335
Per Headcount	0.03	0.06	0.08	0.24	0.44
Per FTSE	0.07	0.15	0.23	0.66	1.31
Per Capita (Pima County)	0	0	0	0.01	0.03
Other Debt					
Revenue Bonds	0	0	0	0	100
Capital Lease Obligations	0	3,365	3,615	3,855	4,080
Total Outstanding Debt	\$ 1,355	\$ 6,645	\$ 8,715	\$ 18,490	\$ 31,515
Per Headcount	0.03	0.11	0.14	0.30	0.51
Per FTSE	0.07	0.30	0.38	0.84	1.51
Per Capita (Pima County)	0	0.01	0.01	0.02	0.03

Source: District Records. Per Capita calculations based on forecasted population from "Arizona's Economy" magazine, Fall Issues. <https://www.azeconomy.org>

**Pima County Community College District
Debt Capacity**

Revenue Bond Coverage ¹
Last Ten Fiscal Years

Fiscal Year	Revenue: Registration & Other Student Fees ²	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2018	\$8,156,612	\$0	\$0	\$0	N/A
2017	7,912,843	0	0	0	N/A
2016	7,589,713	0	0	0	N/A
2015	10,121,770	0	0	0	N/A
2014	11,335,291	0	0	0	N/A
2013	11,957,351	0	0	0	N/A
2012	12,724,354	0	0	0	N/A
2011	13,746,061	0	0	0	N/A
2010	12,420,570	0	0	0	N/A
2009	12,726,254	100,000	14,000	114,000	111.63
Totals	\$ 108,690,819	\$ 100,000	\$ 14,000	\$ 114,000	

Source: District Records

- Notes:** (1) Includes revenue bonds and pledged revenue refunding obligations.
(2) Repayment of revenue bond debt is secured by a pledge of student fees as defined by the bond indentures.

**Pima County Community College District
Debt Capacity**

Ratio of General Bonded Debt to Assessed Value and Net Bonded Debt per Capita
Last Ten Fiscal Years, as of June 30, 2018
Dollars in Thousands

Fiscal Year	General Obligation Bond Debt	Secondary Net Assessed Value	Percent Net General Bond Debt to Assessed Value	Population at July 1	Net General Bonded Debt per Capita
2018	\$ 0	\$8,508,990	0.00%	1,032,900	\$ 0
2017	0	8,262,665	0.00%	1,018,600	0
2016	0	7,906,190	0.00%	1,016,700	0
2015	0	7,579,899	0.00%	1,022,100	0
2014	0	7,623,691	0.00%	1,007,200	0
2013	1,355	8,171,212	0.02%	996,000	0
2012	3,280	8,448,282	0.04%	990,400	0
2011	5,100	9,342,561	0.05%	986,100	0.01
2010	14,635	9,860,981	0.15%	981,200	0.01
2009	27,335	9,594,862	0.28%	984,300	0.03

Source: District Records; secondary net assessed values and population from Pima County Department of Finance (Fiscal years 2009-2017, CAFR. June 30, 2018 statistics were unavailable at time of publication); Pima County Department of Finance (Fiscal year 2017-2018 adopted budget), and Fall 2018 issue of "Arizona's Economy", <http://ebr.eller.arizona.edu>.

**Pima County Community College District
Debt Capacity**

Computation of Direct and Overlapping Governmental Debt Outstanding

At June 30, 2017¹

Dollars in thousands

<u>Governmental unit</u>	<u>Debt Outstanding</u>	<u>Amount Overlapping³</u>
Debt repaid with property tax		
City of Tucson	\$ 200,270	\$ 200,270
School Districts	621,965	<u>621,965</u>
Total Overlapping		<u>\$ 822,235</u>
Debt repaid with property tax		
Pima County ²	\$ 336,954	\$ 336,954
Pima County Community College District	0	<u>0</u>
Total Direct		<u>\$ 336,954</u>
Other Debt:		
Certificates of Participation	\$ 141,194	\$ 141,194
Installment note payable	3,597	3,597
Capital Lease Payable	88	88
Transportation bonds	89,689	<u>89,689</u>
Total other debt		<u>\$ 234,568</u>
Total direct, overlapping, and other debt		<u><u>\$ 1,393,757</u></u>

Source: District Records and Pima County Department of Finance (June 30, 2017 CAFR)

Notes: (1) June 30, 2018 amounts were unavailable at the time of publication.

(2) Excludes improvement districts.

(3) Overlapping governments are those that coincide with the geographic boundaries of the District. All overlapping governments are 100% within the District's boundaries. This schedule estimates the portion of the outstanding debt borne by the residents and businesses in Pima County. When considering the District's ability to issue and repay long-term debt, the process should recognize the entire debt burden borne by the residents and businesses therein. However, this does not imply that every taxpayer is a resident of each government and therefore is responsible for the repayment of debt of each overlapping government.

**Pima County Community College District
Debt Capacity**

Ratio of Direct and Overlapping Debt to Property Values and per Capita

Last Ten Fiscal Years, as of June 30, 2017

Dollars in Thousands

<u>Fiscal Year</u>	<u>Total Overlapping Debt</u>	<u>Secondary Net Assessed Value</u>	<u>Percentage of Assessed Value</u>	<u>Population at July 1¹</u>	<u>Debt per Capita</u>
2017	\$1,393,757	\$ 8,262,665	16.87%	1,025,000	\$ 1.360
2016	1,445,104	7,906,190	18.28%	1,016,700	1.421
2015	1,501,691	7,579,899	19.81%	1,022,100	1.469
2014	1,153,220	7,623,691	15.13%	1,007,200	1.145
2013	1,311,417	8,171,212	16.05%	996,000	1.317
2012	1,284,219	8,448,282	15.20%	990,400	1.297
2011	1,335,431	9,342,561	14.29%	986,100	1.353
2010	1,302,802	9,860,981	13.21%	981,200	1.328
2009	1,213,050	9,594,862	12.64%	984,300	1.232
2008	1,137,114	8,220,396	13.83%	984,000	1.156

Source: Pima County Department of Finance (June 30, 2017 CAFR) June 30, 2018 statistics were unavailable at the time of publication

Notes: (1) Population based on calendar year and prior year data is updated to reflect new source data.

Overlapping governments are those that coincide (at least in part), with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the District. When considering the District's ability to issue and repay long-term debt, the process should recognize the entire debt burden borne by the residents and businesses therein. However, this does not imply that every taxpayer is a resident and is responsible for the repayment of debt of each overlapping government.

**Pima County Community College District
Debt Capacity**

Legal Debt Margin
Last Ten Fiscal Years
Dollars in Thousands

	2018	2017	2016	2015	2014
Assessed Value	\$ 8,508,990	\$ 8,262,665	\$ 7,906,190	\$ 7,579,899	\$ 7,623,691
Legal Debt Margin					
Debt Limit (15% of assessed value)	1,276,348	1,239,400	1,185,929	1,136,985	1,143,554
Debt applicable to limit:					
General obligation bonds	0	0	0	0	0
Leases	1,329	0	0	0	0
Total net debt applicable to the limit	1,329	0	0	0	0
Legal debt margin	\$ 1,275,019	\$ 1,239,400	\$ 1,185,929	\$ 1,136,985	\$ 1,143,554
Total net debt applicable to the limit as a percentage of debt limit.	0.10%	0.00%	0.00%	0.00%	0.00%

	2013	2012	2011	2010	2009
Assessed Value	\$ 8,171,212	\$ 8,448,282	\$ 9,342,561	\$ 9,860,981	\$ 9,594,862
Legal Debt Margin					
Debt Limit (15% of assessed value)	1,225,682	1,267,242	1,401,384	1,479,147	1,439,229
Debt applicable to limit:					
General obligation bonds	1,355	3,280	5,100	14,635	27,335
Leases	0	3,365	3,615	4,451	4,701
Total net debt applicable to the limit	1,355	6,645	8,715	19,086	32,036
Legal debt margin	\$ 1,224,327	\$ 1,260,597	\$ 1,392,669	\$ 1,460,061	\$ 1,407,193
Total net debt applicable to the limit as a percentage of debt limit.	0.11%	0.52%	0.62%	1.29%	2.23%

Source: District records and Pima County Department of Finance (June 30, 2017 CAFR and FY 2017-2018 Adopted Budget)

Pima County Community College District Demographic and Economic Information

Schedule of Principal Employers

Most Recent Year and Nine Years Prior as of 2016 ³

<u>Employer</u>	<u>2016</u>			<u>2007</u>		
	<u>FTE</u> ¹	<u>Rank</u>	<u>Percent of Total County Employment</u>	<u>FTE</u> ¹	<u>Rank</u>	<u>Percent of Total County Employment</u>
University of Arizona	11,251	1	2.4%	10,354	2	2.3%
Raytheon Missile Systems	9,600	2	2.0%	11,184	1	2.5%
State of Arizona	8,580	3	1.8%	9,927	3	2.2%
Davis-Monthan Air Force Base	8,406	4	1.8%	8,233	5	1.8%
Pima County	7,060	5	1.5%	7,290	7	1.6%
Tucson Unified School District No. 1	6,770	6	1.4%	7,419	6	1.6%
Banner - University Medicine ²	6,272	7	1.3%	*		
U.S. Customs and Border Protection/U.S. Border Patrol	5,739	8	1.2%	*		
Freeport-McMoRan Copper & Gold Inc.	5,530	9	1.2%	4,900	10	1.1%
Wal-Mart Stores Inc.	5,500	10	1.2%	5,625	9	1.2%
U.S. Army Intelligence Center of Excellence & Fort Huachuca	*			9,119	4	2.0%
City of Tucson	*			5,848	8	1.3%
Total	74,708		15.8%	79,899		17.6%
Total Work Force	476,900			453,500		

* Employer did not fall within the top 10 for the year identified

Sources: 2016: "The Star 200" - The Arizona Daily Star.

2007: Pima County Department of Finance (June 30, 2011 CAFR); and, azeconomy.org.

Notes:

(1) FTE equals approximate full time equivalent employment.

(2) Formerly UA Healthcare, and, The University of Arizona Health Network.

(3) 2018 and 2017 statistics were unavailable at time of publication.

**Pima County Community College District
Demographic and Economic Information**

Schedule of Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>County Population</u>	<u>Countywide Personal Income (in thousands)</u>	<u>Countywide Personal Income per Capita</u>	<u>Countywide Unemployment Rate</u>
2018	1,032,900	\$43,223,000	\$41,846	4.4%
2017	1,018,600	\$41,350,000	\$40,595	4.9%
2016	1,015,500	\$40,359,000	\$39,743	5.7%
2015	1,015,100	\$39,106,000	\$38,524	5.5%
2014	1,002,700	\$37,867,000	\$37,765	6.9%
2013	996,700	\$36,838,000	\$36,960	7.6%
2012	990,300	\$37,000,000	\$37,362	9.7%
2011	976,900	\$36,696,700	\$37,564	9.1%
2010	1,030,700	\$34,974,000	\$33,932	8.6%
2009	1,017,200	\$32,898,000	\$32,342	7.9%

Source: 2018 Population and personal income data are forecast estimates obtained from "Arizona's Economy" magazine's Forecast Tables. Countywide unemployment rate for June 2018 obtained from "Arizona Economy" magazine's Arizona Economic Indicators for the Tucson Metropolitan Statistical Area (MSA). October 2018: Fall Issue. <http://www.ebr.eller.arizona.edu> and District Records.

**Pima County Community College District
Operating Information**

Administrators, Faculty and Staff Statistics
Last Ten Fiscal Years

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Administrators										
Regular	50	48	51	56	56	55	54	53	53	53
Faculty										
Regular	347	360	391	390	391	391	391	392	388	389
Adjunct	551	516	519	547	569	630	692	772	742	703
Staff										
Regular	1,058	1,084	1,121	1,090	1,051	1,019	1,059	1,037	1,016	1,047
Temporary	139	141	144	157	168	162	192	197	206	203
Student	27	26	25	35	38	39	39	33	52	54

Source: District Records

Note: Figures for Regular positions are based on budgeted full-time equivalents. Figures for Adjunct, Temporary & Student positions are based on estimates from actual costs.

**Pima County Community College District
Operating Information**

Admissions, Enrollment and Degree Statistics
Last Ten Fiscal Years

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Students Statistics ^{2,3}										
Part-Time %	68%	69%	68%	68%	67%	66%	66%	66%	66%	71%
Full-Time %	32%	31%	32%	32%	33%	34%	34%	34%	34%	29%
Degrees Awarded	2,351	2,585	2,626	2,721	2,644	2,634	2,549	2,282	2,162	2,232
Certificates Awarded	3,018	3,062	3,365	3,013	2,880	2,856	2,622	2,775	2,471	2,314
Ethnicity										
Hispanic/Latino %	41%	41%	41%	39%	38%	36%	33%	30%	27%	27%
Black or African American %	5%	5%	4%	4%	5%	5%	5%	4%	4%	4%
Asian %	3%	3%	3%	3%	3%	4%	4%	4%	4%	3%
American Indian or Alaska Native %	2%	2%	2%	2%	2%	2%	3%	2%	3%	3%
Two or More Races %	4%	4%	4%	3%	3%	3%	3%	4%		
White %	41%	41%	42%	43%	45%	47%	47%	47%	52%	53%
Not Reported %	4%	4%	4%	6%	4%	3%	5%	9%	10%	10%
Gender										
Male %	43%	44%	44%	44%	45%	45%	44%	44%	45%	45%
Female %	51%	50%	50%	51%	51%	52%	53%	54%	53%	54%
Not Reported %	6%	6%	6%	5%	4%	3%	3%	2%	2%	1%

Source: District Records

Note: (1) Starting in Fall 2010, PCCCD transitioned to new race/ethnicity categories as mandated by the Federal Integrated Postsecondary Education Data System. A survey was carried out during Fall 2010 in which students were asked if they were Hispanic or Latino and to select one or more of five race categories. If they selected "Yes" to Hispanic/Latino then they are counted in that category. If they responded "No", they were counted in the other categories. Students could choose more than one race and those students are reported as "Two or More Races." If students did not respond to the survey, they were mapped to the new categories based on data from previous semesters (if available). All other students were reported as unknown.

(2) Student statistics are based on credit students only.

(3) Full-Time and Part-Time status is based on Fall data.

**Pima County Community College District
Operating Information**

**Historic Enrollment – Headcount and Full Time Student Equivalent
Last Ten Fiscal Years**

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Headcount										
Total District	40,983	41,976	42,787	44,513	49,504	53,550	59,303	62,973	61,961	62,306

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
FTSE										
Campus										
Community	3,351	2,963	2,264	2,145	2,255	2,500	2,688	2,902	2,860	3,165
Desert Vista	1,291	1,358	1,728	1,749	1,882	1,998	2,317	2,373	2,045	1,732
Downtown	2,341	2,517	2,655	2,948	3,411	3,773	4,271	4,441	4,346	3,922
East	1,730	1,804	2,152	2,437	2,652	2,845	3,302	3,520	3,461	3,142
Northwest	1,497	1,543	1,663	1,972	2,182	2,382	2,881	2,987	2,756	2,317
West	3,777	3,704	4,091	4,358	4,747	5,188	5,702	5,886	5,787	5,417
Center for Training & Dev.	197	255	235	201	245	256	296	342	245	234
Public Safety Institute	600	635	594	648	589	572	570	455	521	960
Total District	14,784	14,779	15,382	16,458	17,963	19,514	22,027	22,906	22,021	20,889

Source: District Records

**Pima County Community College District
Operating Information**

Schedule of Capital Asset Information
Last Ten Fiscal Years

	Fiscal Year				
	2018	2017	2016	2015	2014
Computer / Audio Visual	\$ 6,261,708	\$ 6,941,501	\$ 7,151,494	\$ 7,035,466	\$ 6,920,823
Education & Recreation	1,041,380	1,041,380	809,372	837,034	923,817
Library Books	6,630,026	7,052,667	7,307,717	7,165,411	7,322,133
Medical & Technical	11,840,597	11,206,162	10,765,663	9,992,965	8,661,480
Office Equipment & Furniture	285,676	158,526	199,884	216,382	250,107
Other	5,538,675	4,874,522	4,675,145	3,933,473	3,507,462
Physical Plant	1,672,125	1,782,590	1,881,053	2,006,180	1,980,542
Vehicles	3,928,535	3,816,431	3,766,376	3,720,857	3,664,253
Buildings	190,452,158	190,452,158	190,452,158	189,947,916	189,670,381
Construction in Progress	2,361,583	47,392	0	0	0
Land	10,971,088	10,971,088	10,971,088	10,971,088	10,971,088
Land Improvements	4,320,223	4,320,223	4,320,223	4,320,223	4,320,223
Leasehold Improvements	3,260,062	3,260,062	3,260,062	3,260,062	3,260,062
	<u>\$ 248,563,836</u>	<u>\$ 245,924,702</u>	<u>\$ 245,560,235</u>	<u>\$ 243,407,057</u>	<u>\$ 241,452,371</u>

	Fiscal Year				
	2013	2012	2011	2010	2009
Computer / Audio Visual	\$ 7,923,704	\$ 8,025,772	\$ 8,417,256	\$ 9,582,667	\$ 8,855,484
Education & Recreation	1,217,677	1,192,609	1,113,565	1,146,282	1,124,515
Library Books	7,401,241	7,248,861	7,089,440	6,839,290	7,008,859
Medical & Technical	7,390,865	6,033,567	5,421,527	5,203,044	4,775,005
Office Equipment & Furniture	421,304	479,842	563,088	917,161	1,205,699
Other	3,218,678	2,259,692	2,134,436	1,912,687	2,033,173
Physical Plant	2,127,709	2,242,208	2,242,137	2,208,687	2,225,582
Vehicles	3,606,332	3,441,151	3,332,506	3,374,845	3,168,611
Buildings	178,676,673	178,480,684	178,480,684	178,365,580	177,745,881
Construction in Progress	3,851,830	1,450,322	171,778	0	325,611
Land	10,971,088	10,971,088	10,971,088	10,971,088	10,971,088
Land Improvements	4,320,223	4,320,223	4,320,223	4,320,223	4,320,223
Leasehold Improvements	3,260,062	3,260,062	3,385,100	3,385,100	3,385,100
	<u>\$ 234,387,386</u>	<u>\$ 229,406,081</u>	<u>\$ 227,642,828</u>	<u>\$ 228,226,654</u>	<u>\$ 227,144,831</u>

Source: District Records

Note: Amounts shown are historical cost and do not include depreciation.

**Pima County Community College District
Operating Information**

Statutory Limit to Budgeted Expenditures - Expenditure Limitation

Pima County Community College District, like all community colleges in Arizona, is subject to numerous budgetary and related legal requirements. Article 9, Section 21, of the Arizona Constitution sets limits on the College’s legal budget capacity. In general, the Governing Board, as the governing body of the College, cannot authorize expenditures from local revenues in excess of the expenditure limitation determined annually for the College by the Arizona Economic Estimates Commission. The expenditure limitation is determined each year by adjusting the amount of actual payments of local revenues received by the College during fiscal year 1979-1980 to reflect inflation and subsequent student enrollment for the College.

Fiscal Year	Statutory Expenditure Limitation ¹	Budgeted Expenditures Subject to the Limitation ²	Unused Legal Limit
2017	\$ 100,884,152	\$ 100,884,151	\$ 1
2016	\$ 114,444,168	\$ 105,319,375	\$ 9,124,793
2015	\$ 112,293,950	\$ 110,712,581	\$ 1,581,369
2014	\$ 115,829,735	\$ 108,736,671	\$ 7,093,064
2013	\$ 126,021,541	\$ 126,021,540	\$ 1
2012	\$ 125,892,320	\$ 125,892,319	\$ 1
2011	\$ 122,989,612	\$ 122,989,611	\$ 1
2010	\$ 105,379,583	\$ 105,379,582	\$ 1
2009	\$ 98,068,940	\$ 98,068,939	\$ 1
2008	\$ 92,895,350	\$ 92,895,349	\$ 1

Source: State of Arizona Office of the Auditor General Expenditure Limitation Reports

Notes: (1) The Statutory Expenditure Limitation is calculated by the Arizona Department of Revenue Economic Estimates Commission and applies to Current (General, Auxiliary Enterprises, and Restricted) and Plant Funds (Unexpended and Retirement of Indebtedness).

(2) Budgeted expenditures are net of allowable exclusions.

Links to Additional Information

Additional information about Pima Community College is available on our website: www.pima.edu. Specific information related to this Comprehensive Annual Financial Report includes:

Glossary for Financial Reports: www.pima.edu/about-pima/reports/finance-reports/docs-annual-financial/PCC-FinancialStatements-Glossary.pdf.

PCC Finance webpage: www.pima.edu/administrative-services/finance/index.html. Including links to:

- 1) Property Tax information
- 2) Metrics comparing PCC to other Arizona Community Colleges
- 3) PCC Financial Ratios
- 4) Bond Ratings
- 5) Finance Newsletters
- 6) Understanding Property Tax whitepaper

PCC Financial Reports webpage: www.pima.edu/about-pima/reports/finance-reports/index.html. Including links to:

- 1) Economic Impact Report
- 2) PCC Monthly Financial Reports
- 3) PCC Annual Budget
- 4) PCC Comprehensive Annual Financial Reports (CAFR) FY 2005-present
- 5) State of Arizona Office of the Auditor General reports, including:
 - a) Highlights from Audits
 - b) Reports on Internal Control and Compliance
 - c) Expenditure Limitation Reports
 - d) A-133 Single Audit Reports
 - e) Audited Full-Time Equivalent Student Enrollment Report (FTSE)

PCC Budget webpage: www.pima.edu/administrative-services/finance/budget/index.html. Including links to:

- 1) Budget related documents by fiscal year
- 2) Financial related presentations made to the College Community
- 3) Employee Salary Look-up
- 4) Strategic Planning Committee documents

PCC Board of Governor's Finance and Audit Committee webpage: www.pima.edu/about-pima/board-of-governors/board-committees/finance-audit-committee/index.html. Including links to:

- 1) Meeting resources
- 2) Agendas, Notices, Supporting Material, and Meeting Minutes
- 3) Annual Reports to the Board of Governors
- 4) Committee Membership

PCC Reports webpage: www.pima.edu/about-pima/reports/index.html. Including links to:

- 1) Student Reports: www.pima.edu/about-pima/reports/student-reports/index.html
- 2) Federal Reporting: www.pima.edu/about-pima/reports/federal-reporting/index.html
- 3) Finance Reports: www.pima.edu/about-pima/reports/finance-reports/index.html
- 4) Other Reports: www.pima.edu/about-pima/reports/other-reports/index.html

PCC Accreditation webpage: www.pima.edu/about-pima/accreditation/index.html

Pima Community College is an equal opportunity, affirmative action employer and educational institution committed to excellence through diversity. Upon request, reasonable accommodations will be made for individuals with disabilities. Every effort will be made to provide reasonable accommodations in a timely manner. For public and employee accommodation requests, as well as information related to the ADA complaint process, contact the College ADA Coordinator at 520-206-4539 or 4905C E. Broadway Blvd., Tucson, AZ 85709-1130. For PCC student accommodation requests, please contact Access and Disability Resources, 520-206-6688 or adrhelp@pima.edu.