

# Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2015

Board of Governors Meeting  
February 17, 2016

*Presented by:*

*David Bea*

*Executive Vice Chancellor for Finance and Administration*



# Overview - Comprehensive Annual Financial Report (CAFR)

- Includes the basic audited financial statements plus supplemental financial and summary information that helps illustrate the College's financial and operational position
- Organized into three sections
  - Introductory Section
  - Financial Section
  - Statistical Section



# CAFR - Introductory Section

- Letter of Transmittal
- Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting (23<sup>rd</sup> consecutive year)
  - Highest form of recognition in governmental accounting and financial reporting
- Organization Chart, Principal Officers
- College Vision, Values, Mission, Goals



# CAFR - Financial Section

- AZ Auditor General Audit opinion (page 13)
  - Unqualified opinion from the Arizona Office of the Auditor General indicates the College's financial statements are reliable, fairly presented, and prepared according to accepted accounting principles
- Management Discussion and Analysis
- Basic Financial Statements
  - Statement of Net Position
  - Statement of Revenues, Expenses and Changes in Net Position
  - Statement of Cash Flows
  - Notes to Financial Statements

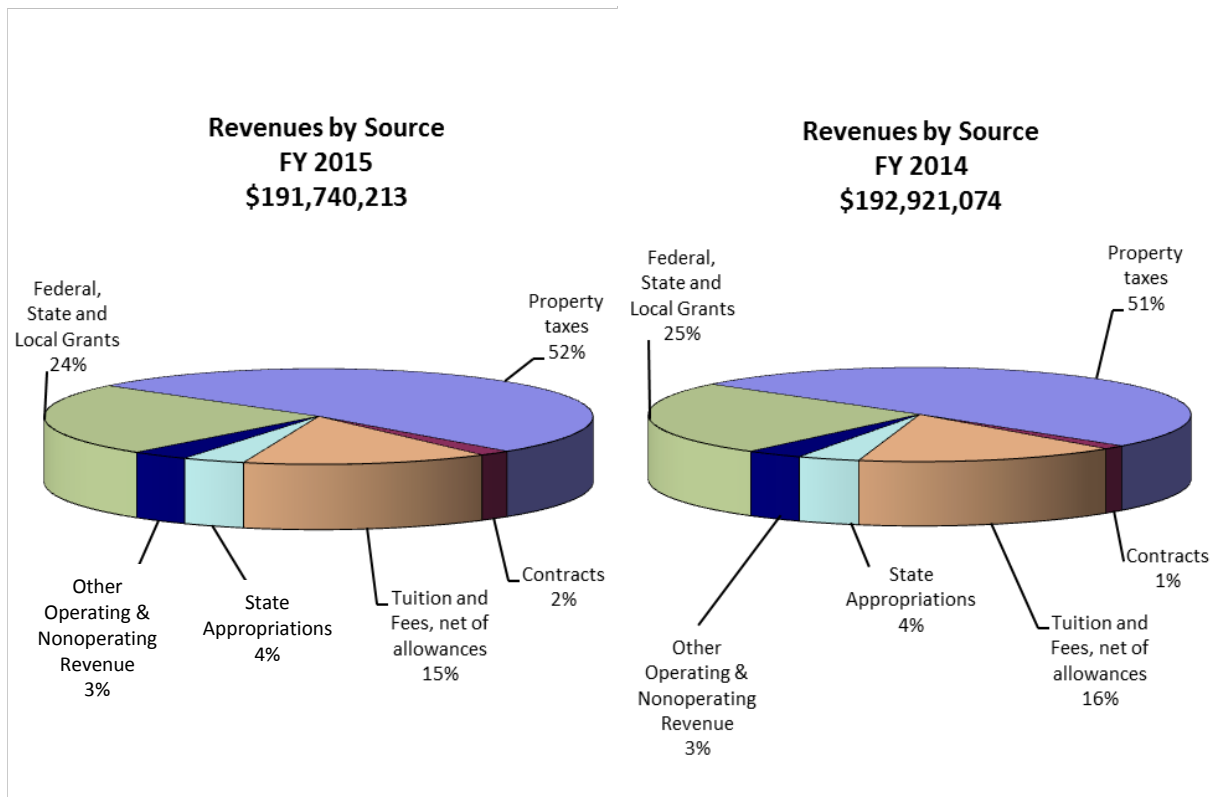


# CAFR - Statistical Information

- Financial Trends
  - Net Position, Expenses, Revenues
- Revenue Capacity
  - Property Tax and Levy Data
- Debt Capacity
  - Debt Schedules and related schedules
- Demographic and Economic Information
  - Pima County data
- Operating Information
  - Staff, Enrollment, Degree Statistics, Capital Asset Schedule



# Revenues by Source



# Revenues by Source

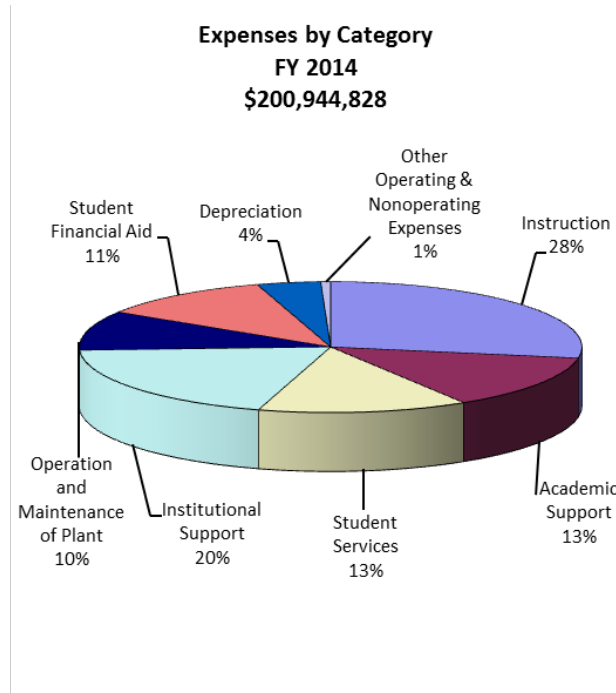
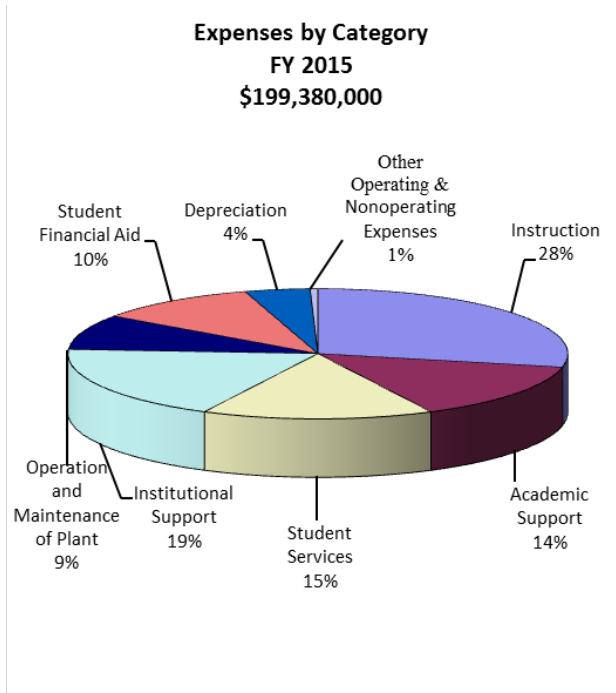
*Revenues by Source*

	<u>FY 2015</u>	<u>FY 2014</u>	<u>\$ Change</u>	<u>% Change</u>
<b><u>Operating Revenues</u></b>				
Tuition and Fees (net of allowances) \$	27,860,572	\$ 30,092,480	(\$2,231,908)	-7.4%
Contracts	3,614,371	2,565,513	1,048,858	40.9%
Commissions and Rents	1,608,709	1,613,283	(4,574)	-0.3%
Other Operating Revenues	<u>1,137,112</u>	<u>1,199,976</u>	<u>(62,864)</u>	-5.2%
<b>Total Operating Revenues</b>	<b>34,220,764</b>	<b>35,471,252</b>	<b>(1,250,488)</b>	<b>-3.5%</b>
<b><u>Nonoperating Revenues</u></b>				
Property Taxes	99,464,621	97,523,572	1,941,049	2.0%
State Appropriations	7,093,500	7,136,600	(43,100)	-0.6%
Federal Grants	45,616,708	47,429,534	(1,812,826)	-3.8%
State and Local Grants	1,573,775	1,666,184	(92,409)	-5.5%
Share of State Sales Tax	2,331,857	2,256,268	75,589	3.4%
Gifts	802,841	861,085	(58,244)	-6.8%
Investment Income	489,706	545,906	(56,200)	-10.3%
Other Nonoperating Revenues	<u>10,100</u>	<u>10,100</u>	<u>10,100</u>	100.0%
<b>Total Nonoperating Revenues</b>	<b>157,383,108</b>	<b>157,419,149</b>	<b>(36,041)</b>	<b>0.0%</b>
Capital Gifts and Grants	136,341	30,673	105,668	344.5%
<b>Total Revenues</b>	<b>\$ 191,740,213</b>	<b>\$ 192,921,074</b>	<b>(\$1,180,861)</b>	<b>-0.6%</b>

*Note: Scholarship Allowances were \$16.3 million*



# Expenses by Category





# Expenses by Category

**Expenses by Category**

	<u>FY 2015</u>	<u>FY 2014</u>	<u>\$ Change</u>	<u>% Change</u>
<b><u>Operating Expenses</u></b>				
Educational and General				
Instruction	\$ 56,521,328	\$ 55,712,283	\$ 809,045	1.5%
Academic Support	28,307,683	26,968,277	1,339,406	5.0%
Student Services	29,761,778	27,093,085	2,668,693	9.9%
Institutional Support	36,990,188	39,336,193	(2,346,005)	-6.0%
Operation and Maintenance of Plant	17,474,890	19,593,974	(2,119,084)	-10.8%
Student Financial Aid	20,923,754	22,739,712	(1,815,958)	-8.0%
Auxiliary Enterprises	972,572	917,261	55,311	6.0%
Depreciation	8,403,706	8,224,999	178,707	2.2%
<b>Total Operating Expenses</b>	<b>199,355,899</b>	<b>200,585,784</b>	<b>(1,229,885)</b>	<b>-0.6%</b>
<b><u>Nonoperating Expenses</u></b>				
Interest on Capital Asset-Related Debt		67,750	(67,750)	-100.0%
Loss on Capital Asset Disposal	24,101	266,394	(242,293)	-91.0%
Other Nonoperating Expenses		24,900	(24,900)	-100.0%
<b>Total Nonoperating Expenses</b>	<b>24,101</b>	<b>359,044</b>	<b>(334,943)</b>	<b>-93.3%</b>
<b>Total Expenses</b>	<b>\$ 199,380,000</b>	<b>\$ 200,944,828</b>	<b>(\$1,564,828)</b>	<b>-0.8%</b>



# Revenues, Expenses, and Changes in Net Position

Item	<u>FY 2015</u>	<u>FY 2014</u>
Total Operating Revenues	\$ 34,220,764	\$ 35,471,252
Total Operating Expenses	<u>199,355,899</u>	<u>200,585,784</u>
Operating Loss	(165,135,135)	(165,114,532)
Net Non-operating Revenues	<u>157,359,007</u>	<u>157,060,105</u>
Deficit before Capital Appropriations, Gifts and Grants	(7,776,128)	(8,054,427)
Capital Appropriations, Gifts and Grants	<u>136,341</u>	<u>30,673</u>
<b>Increase (Decrease) in Net Position</b>	<b>\$ (7,639,787)</b>	<b>\$ (8,023,754)</b>



# Net Position

<b>Item</b>	<b><u>FY 2015</u></b>	<b><u>FY 2014</u></b>	<b><u>\$ Change</u></b>
Cash and Cash Equivalents	\$ 40,034,277	\$ 31,566,523	\$ 8,467,754
Short + Long-term Investments	55,656,676	65,437,925	(9,781,249)
Other Current + Non-Current Assets	<u>126,775,440</u>	<u>130,253,851</u>	<u>(3,478,411)</u>
<b>Total Assets</b>	<b>\$ 222,466,393</b>	<b>\$ 227,258,299</b>	<b>(\$ 4,791,906)</b>
<b>Total Liabilities</b>	<b><u>149,377,777</u></b>	<b><u>20,031,360</u></b>	<b><u>129,346,417</u></b>
<b>Net Position</b>	<b>\$ 67,985,945</b>	<b>\$ 207,226,939</b>	<b>(\$ 139,240,994)</b>
<b><u>Net Position</u></b>			
Invested in Capital Assets (net of related debt)	\$ 111,016,873	\$ 116,017,978	(\$ 5,001,105)
Restricted Net Position	8,869,962	10,665,356	1,795,394
Unrestricted Net Position	<u>(\$ 51,900,890)</u>	<u>\$ 80,543,605</u>	<u>(\$132,444,495)</u>
<b>Total Net Position</b>	<b>\$ 67,985,945</b>	<b>\$ 207,226,939</b>	<b>(\$ 139,240,994)</b>



# FY 2015 Audit Results

- Financial Statement Audit
  - “... the financial statements referred to above present fairly, in all material respects...”
  - “... no internal control weaknesses or instances of noncompliance.”
- Federal Compliance Audit / Single Audit
  - “... the District did not always have adequate internal controls and did not always comply with federal program requirements for one of its major programs”
    - “... the District did not have adequate policies and procedures to sufficiently report changes in students’ enrollment status to ensure that the National Student Loan Data System (NSLDS) was always accurate and up to date.”
    - “It also lacked policies and procedures over its academic progress policy to ensure its students met the required minimum grade point average and that its students stopped receiving assistance once they could no longer complete their educational programs within the required time frames.”



# FY 2015 Audit Results (cont'd)

- Expenditure Limitation (EL) Audit

	FY 2015 (\$ millions)	FY 2014 (\$ millions)
Economic Estimates Commission EL	\$ 112.3	\$ 115.8
PCC Expenditures Subject to the EL	\$ 110.7	\$ 108.7
Amount under/less than the EL	\$ 1.6	\$ 7.1

- Full time Student Equivalent (FTSE) Audit

	FY 2015	FY 2014
Basic Actual	12,137	13,239
Short-Term + Open Entry/Open Exit	3,520	3,858
Adult Basic Education	600	621
Skill Center	<u>201</u>	<u>245</u>
Total FTSE	16,458	17,963



# Summary

1. Unqualified opinion from the Arizona Office of the Auditor General indicating the College's financial statements are reliable, fairly presented, and prepared according to accepted accounting principles.
2. The Board of Governors' Finance and Audit Committee has been meeting regularly and continues to provide additional transparency and monitoring responsibilities of the College's financial, audit, and investment related performance, policies, and procedures. The Committee is an excellent conduit that provides for better sharing of financial information with the Board of Governors and other constituencies, including the public.
3. PCC is debt free, reducing to zero the secondary property taxes Pima County taxpayers pay to the College.
4. Decreased enrollment created lower tuition and fee and lower grant revenue. Concerted efforts to reduce expenses helped mitigate these impacts.
5. GASB 'Statement No. 68, Accounting and Financial Reporting for Pensions', was implemented June 30, 2015. This accounting change impacts the way the College accounts for its share of pension liability for the two defined benefit retirement plans that the College contributes to: the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS).

