

**MEETING OF AUDIT COMMITTEE  
Community College of Philadelphia  
Monday, September 29, 2014 – 10:45 a.m.**

**TO:** Audit Committee of the Board of Trustees  
**FROM:** Todd E. Murphy *TEM*  
**DATE:** September 24, 2014  
**SUBJECT:** **Committee Meeting**

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A meeting of the Audit Committee will be held on **Monday, September 29, 2014 at 10:45 a.m.** in the College's **Isadore A. Shrager Boardroom, M2-1.** Light refreshments will be provided for the meeting.

**AGENDA – PUBLIC SESSION**

**(1) 2013-14 Final Budget Results (Information Item):**

Mr. Spiewak will provide an overview of the College's budget results for fiscal year 2013-14. The various factors which contributed to the favorable financial performance results for the year will be reviewed in detail.

**(2) 2013-14 Fiscal Year Audit Report (Action Item):**

Mr. Brian Page, Engagement Partner, and Ms. Elizabeth Ireland, Senior Manager, from Grant Thornton will present the results of the 2013-14 fiscal year audit. Attached separately is the draft of the 2014 Financial Statements. **(Attachment A)** As shown in the Statement of Revenues, Expenses and Changes in Net Position, the College had a negative change in net position of \$4,534,544 for the year. Absent the impact of the Other Post-Employment Benefits Liability, net position for the College would have increased by \$4,106,657. The Financial Statements include the GASB 44 statistical reporting. These are found on pages 53 to 62 of the 2014 Financial Statements. Committee recommendation of acceptance of the 2013-14 fiscal year Grant Thornton audit report to the full Board is requested.

**(3) Internal Audit Plan 2014-2016 Year Update (Information Item):**

Mr. Robert Lucas, Internal Auditor, will present a status report on the 2014-2016 Audit Plan.

**(4) February 2015 Meeting Date (Information Item):**

The next meeting of the Audit Committee will be scheduled in February 2015. At that time, the Committee will discuss the 2013-2014 A-133 audit report.

**EXECUTIVE SESSION**

During any audit committee meeting; Management, The Independent Auditors or the Internal Auditor may request an Executive Session to meet privately with the Audit Committee.

TEM/lh  
Attachments

cc: Dr. Donald Generals, Jr.  
Mr. James P. Spiewak  
Jill Garfinkle Weitz, Esq.  
Mr. Robert Lucas  
Representing Grant Thornton: Mr. Brian Page and Ms. Elizabeth Ireland

# **ATTACHMENT A**

**2013-14 DRAFT FINANCIAL STATEMENTS**

Financial Statements and Report of Independent  
Certified Public Accountants

**Community College of Philadelphia**  
(A Component Unit of the City of Philadelphia)

June 30, 2014 and 2013

DRAFT

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**Report of Independent Certified Public Accountants**

Signed report to be inserted upon issuance

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## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2014 and 2013

### INTRODUCTION

This Management's Discussion and Analysis (MD&A) is based upon facts, decisions, and conditions known as of the date of the audit report. The results for 2014 are compared to those for the 2013 fiscal year. The MD&A should be read conjunction with the financial statements and accompanying notes which follow this section.

Community College of Philadelphia has prepared its financial statements in accordance with Government Accounting Standards Board (GASB) principles which establish standards for external financial reporting for public colleges and universities and require the financial statements be presented to focus on the College as a whole. The financial results of the Community College of Philadelphia Foundation (the Foundation) are reported as a component unit. These statements include the statistical reporting section in accordance with GASB Statement 44.

This Management's Discussion and Analysis (MD&A) is based upon facts, decisions, and conditions known as of the date of the audit report. The results for 2014 are compared to those for the 2013 fiscal year.

### Financial and Institutional Highlights

- Credit enrollments continue to be strong. Final credit FTEs were 64 less (.4%) than the prior year which is better than state-wide and national trends. All semesters, except for the summer 2014 semester, exceeded the budget and the prior year actuals.
- Several renovation projects were completed or reached substantial completion status during the year. These projects included: a suite of classrooms, teaching laboratories and offices for the Architecture, Design and Construction Programs; renovation of four chemistry labs and preparatory space; creation of a biochemistry and an engineering technology laboratories; and creation of a research laboratory.
- For the tenth consecutive year, a balanced budget was achieved.
- Net position decreased by \$4.53 million or 5.9%.
- Operating Revenues increased by \$3.24million or 9.5%.
- Operating Expenses increased by \$2.14 million or 1.3%.
- Nonoperating revenues decreased by 1.68 million or 1.5%

### Overview of Financial Statements

The College's financial statements focus on the College as a whole, rather than upon individual funds or activities. The GASB reporting model is designed to provide readers with a broad overview of the College's finances and is comprised of three basic statements:

- The *Statement of Net Position* presents information on the College's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets serve as one indicator of how the financial position of the College is changing
- The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the College's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.
- The *Statement of Cash Flows* is reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations, financing, and investing receipts and disbursements.



**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

June 30, 2014 and 2013

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes contain details on both the accounting policies and procedures that the College has adopted as well as additional information for certain amounts reported in the financial statements.

**Net Position**

The College's net position reflect its investment in capital assets (e.g., land, buildings, machinery, and equipment), less accumulated depreciation and outstanding debt incurred to acquire those assets. The College uses these capital assets to provide services to students, faculty, and administration; consequently, these assets are not available for future spending. Although the College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At June 30, 2014, the College's Net Position was \$72,538,040 with assets of \$228.5 million exceeding liabilities of \$156.0 million. As a result of financial circumstances which contributed to asset growth, net position increased by \$4.1 million in the 2014 fiscal year prior to recording the impact of the post-employment benefit liability. The change in net assets after recording the post-employment benefit accrual was a negative \$4.5 million. 'Unrestricted net assets' fell from a negative \$15.3 million to a negative \$26.0 million. Absent the cumulative impact of the post-employment benefit liability (GASB 45) reporting requirements, unrestricted net assets would currently be at a level of \$21.4 million. The other factor significantly reducing the unrestricted net asset value was unfunded depreciation expense for 2014 in the amount of \$10.5 million.

The negative unrestricted net asset position (\$26.0 million) reflects the cumulative impact of the post-employment benefit expense accruals in the amount of \$47.4 million.

Community College of Philadelphia  
(A Component Unit of the City of Philadelphia)

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

June 30, 2014 and 2013

Summary of Net Position

	June 30, 2014	2013	2012
<b>Assets:</b>			
Current assets	\$ 32.7	\$ 31.8	\$ 31.8
Noncurrent assets:			
Capital assets net of depreciation	179.5	183.0	179.5
Bond proceeds available for campus construction	0.2	2.4	2.9
Other	<u>16.1</u>	<u>15.8</u>	<u>17.2</u>
<b>Total assets</b>	<u>\$ 228.5</u>	<u>\$ 233.0</u>	<u>\$ 231.4</u>
<b>Liabilities:</b>			
Current liabilities	\$ 29.8	\$ 31.4	\$ 29.5
Noncurrent liabilities	<u>126.1</u>	<u>124.5</u>	<u>118.8</u>
<b>Total liabilities</b>	<u>\$ 155.9</u>	<u>\$ 155.9</u>	<u>\$ 148.3</u>
<b>Net position:</b>			
Net investment in capital assets	\$ 93.8	\$ 89.7	\$ 86.3
Unrestricted	<u>(26.0)</u>	<u>(15.3)</u>	<u>(4.6)</u>
Restricted:			
Expendable	<u>4.7</u>	<u>2.7</u>	<u>1.4</u>
<b>Total net position</b>	<u>\$ 72.5</u>	<u>\$ 77.1</u>	<u>\$ 83.1</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

June 30, 2014 and 2013

**Assets**

Current Assets increased by \$.8 million in fiscal year 2014. Net receivables decreased while cash and cash equivalents and short-term investments increased. The decrease in accounts receivable was primarily related to payment received during the 2014 fiscal year from the Foundation for capital campaign pledges as well as the timing of the settlement of the due to/from Foundation account at June 30, 2014. Other receivables are related to students, vendors and governmental agencies.

Noncurrent assets decreased by \$5.3 million. Bond Proceeds available for campus construction decreased as the College completed renovation projects on the Main Campus in the West Building. These completed projects included the creation of a suite of classrooms, teaching labs and offices for the Architecture, Design, and Construction programs (ADC), creating a new biochemistry lab and an engineering technology lab in the space formerly occupied by the ADC program, creation of a research lab, and renovations of two chemistry labs and preparatory space. Renovations to two additional chemistry labs were at substantial completion status as of June 30, 2014. The College's investment in capital assets as of June 30, 2014 net of accumulated depreciation was \$179.5 million, a decrease of \$3.46 million over the amount reported for 2013, \$183.0 million. The decrease in the net value of assets is related to the increase in accumulated depreciation which exceeded the value of capital additions.

**Liabilities**

Total current liabilities decreased by \$1.6 million in fiscal year 2014. Accounts payable and accrued liabilities decreased by \$564,000. Included in this category of current liabilities is \$1,079,362 that represents the value of medical claims incurred prior to June 30, 2014 that have not yet been processed and billed by the College's health care providers. The College self-insures its employee medical plan. A reinsurance limit of \$225,000 was in place for the 2014 fiscal year to cap institutional financial exposure for individuals with extraordinarily large claims in a policy year.

The current portion of long-term debt decreased by \$2.34 million. This decrease was related to making the final payments for the 2013 bond issue (which was a refinancing of the remaining principal of the 2009 bond issue) and a decrease in the amount due for the 2008 bond issue based upon the amortization schedule. Payables to government agencies increased by \$1.1 million primarily due to unused State PHEAA funds

The College's outstanding long-term debt was at \$71.3 million as of June 2014, a decrease of \$6.19 million from June 2013 reflecting principal payments made during the fiscal year. The present value of future post-retirement benefits other than pensions, projected to be paid to retired employees, was prepared as of July 1, 2013 for reporting as of June 30, 2014. As a result of some changes in actuarial assumptions, the amount of the liability increased by \$8,641,201 in fiscal year 2014. The increase was tempered by some changes made in the conditions of eligibility for the post-retirement benefit that were included in the new collective bargaining agreement. The College has elected to phase in the reporting of the post-employment benefit liability over a 30 year period and to continue to fund the costs of the post-retirement benefit out of the College's annual budgeted revenues. A separate trust has not been established to fund any portion of this liability. The cumulative estimated value for the accrued post-employment benefit liability in fiscal years 2014, 2013, and 2012 was \$47,396,561, \$38,755,360, and \$30,225,327 respectively. Absent this reporting requirement, the College's net assets as of June 30, 2013 would have been at a level of \$119.9 million.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

June 30, 2014 and 2013

Capital lease obligations include technology associated with academic and administrative computing as well as digital press and copier equipment. It also includes the remaining obligations (\$3.6 million) associated with a fifteen year performance guarantee contract with Johnson Controls, Inc. Under the terms of this contract, the College completed ten separate capital projects, having a value of \$5.3 million, which addressed critical infrastructure renewal needs at the College's main campus facilities and are reducing operating costs through energy and other facility operating cost savings. The performance contract terms guarantee that the operational costs savings from the ten projects will pay a substantial portion of the capital lease expense.

**Statement of revenues, Expenses and Changes in Net Position**

The change in net position for fiscal years 2014, 2013, and 2012 was a negative \$4.5 million, negative \$4.2 million and negative \$2.8 million, respectively. The following table quantifies the changes:

Revenues, Expenses and Changes in Net Position

	2014	2013	2012
	(In millions)		
Operating revenues:			
Net tuition and fees	\$ 35.3	\$ 32.0	\$ 30.1
Auxiliary enterprises and other sources	<u>1.8</u>	<u>1.9</u>	<u>2.1</u>
Total	<u>37.1</u>	<u>33.9</u>	<u>32.2</u>
Operating expenses	<u>166.1</u>	<u>164.0</u>	<u>157.0</u>
Operating loss	(129.0)	(130.1)	(124.8)
Net nonoperating revenues	<u>110.5</u>	<u>112.2</u>	<u>108.0</u>
Change in net assets before other revenues	(18.5)	(17.9)	(16.8)
Net capital revenue and changes to endowments	<u>14.0</u>	<u>13.7</u>	<u>14.0</u>
Total change in net position	<u>\$ (4.5)</u>	<u>\$ (4.2)</u>	<u>\$ (2.8)</u>

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

June 30, 2014 and 2013

**Operating Revenues**

The largest sources of operating revenue for the College are student tuition and fees and auxiliary enterprise revenues. In 2014, the tuition charge per credit was \$153, an increase of \$5 over the 2013 per credit tuition charge of \$148. The Technology Fee was unchanged at \$28 per credit. The General College Fee, which supports student life programs and athletics, remained unchanged at \$4 per credit. The College charges course fees which range from \$75 to \$300 in selected high-cost courses. Average total tuition and fee revenue per credit for 2014 was \$192.61, an increase of \$4.84 or 2.6% over the average per credit charge in fiscal 2013 of \$187.61. Auxiliary enterprise revenues are generated from bookstore, food service and parking operations.

Tuition and fee revenue totaled \$78,732,758 in fiscal year 2014, \$75,272,804 in 2013 and \$73,744,923 in 2012, which is offset by the 'scholarship allowance' amounts for 2014, 2013, and 2012, respectively of, \$43,395,057, \$43,269,962, and \$43,563,813. The scholarship allowance represents tuition and fee payments made using public and private grants and scholarships. The relatively stable scholarship allowance amounts between fiscal 2014 and fiscal 2013 are reflective of the stable enrollments coupled with the small increase in the federal Pell financial aid award amounts for the 2014 fiscal year. The increase in Student Tuition was driven by two factors: the \$5 per credit hour increase that went into effect for the Fall 2013 semester and a change in billing policy for course withdraws prior to census date.

Gift revenue in the amount of \$100,000 was received in 2014 and is reported in the Statement of Revenues, Expenses and Changes in Net Assets. This value reflects a contribution received from the Community College of Philadelphia Foundation that was used to partially pay the College's cost for its partnership with Single Stop USA. Single Stop USA, is a nonprofit organization that delivers services to families nationwide by connecting students to state and federal financial resources and local community services. The aim is to help students overcome economic barriers, continue with their education and move towards economic mobility.

**Nonoperating Revenues**

State appropriations in fiscal year 2014, excluding capital appropriations, totaled \$28,179,310 a slight decrease of \$60,514 over the \$28,239,824 received in fiscal year 2013. In fiscal year 2012, the College received \$28,229,309.

Total 2014 City funding was \$26,409,207, a \$1 million increase (3.9%) over the amount received in fiscal years 2013 and 2012. Of the funding appropriation, \$18,346,138 was used for operating budget purposes in 2014. In fiscal year 2013, \$18,063,705 of the total appropriation was used for operating purposes and \$17,562,197 in fiscal year 2012. Net investment income was \$695,167 in fiscal year 2014, \$332,708 in 2013, and \$1,098,141 in 2012. Included in net investment income for 2014 is an unrealized gain of \$323,866, and a realized loss of \$109,351 for all investment activity as of June 30, 2014.

In fiscal year 2012-13, the College received a gift from the Community College of Philadelphia Foundation in the amount of \$2,809,152. This represented the value of contributions and pledges received for the construction projects. State grants and contracts decreased by approximately \$600,000 and nongovernmental grants increased by approximately \$585,000. The decrease in state grants and contracts was primarily related to the receipt of a RACP grant in fiscal year 2013 while the increase in nongovernmental grants was related to additional funding for the Gateway to College program.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

June 30, 2014 and 2013

**Capital Appropriations**

The State provided capital funding for debt service and capital purchases in the amounts of \$6,109,663 and \$6,384,089 for fiscal years 2014 and 2013 respectively. The amount received in fiscal year 2012 was \$6,327,091. The College used \$7,859,206 of the total City appropriation of \$26,409,207 in fiscal year 2014 for debt service and capital purchases. In fiscal years 2013 and 2012, City appropriations used for debt service and capital purchases was \$7,435,502 and \$7,757,010 respectively. Included in unearned revenues is \$407,722 of funds associated with the conversion of general purpose classrooms to "smart" classrooms. The \$407,722 represents funding from the State (\$203,861) and use of City appropriations (\$203,861) received in 2014.

Expenses by Function

June 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Instruction	\$66,209,598	\$66,436,3016	\$62,162,440
Public service	108,954	155,657	62,796
Academic support	17,492,238	17,246,555	17,723,410
Student services	22,810,350	21,913,072	21,075,190
Institutional support	25,229,115	26,216,369	23,281,334
Physical plant operations	12,585,835	12,741,867	12,244,438
Depreciation	10,490,412	10,423,443	9,764,169
Student aid	10,459,176	8,327,636	10,014,970
Auxiliary enterprises	<u>770,012</u>	<u>559,068</u>	<u>632,992</u>
 Total operating expenses	 <u>\$166,155,690</u>	 <u>\$164,019,983</u>	 <u>\$156,961,739</u>

Exclusive of Student Aid and Depreciation expenses, the College's operating expenses totaled \$145,206,102 in fiscal 2014, \$145,268,904 in fiscal 2013, and \$137,182,600 in fiscal 2012. September 1, 2013 began year three of a five-year labor contract that was ratified by the union in September, 2013.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

June 30, 2014 and 2013

In fiscal 2008, the College implemented the GASB 45 accounting standard. This standard requires that the present value of future post-retirement benefits other than pensions, projected to be paid to retired employees be recorded as an expense in public institutions' financial statements. The value of the expense for fiscal years 2014, 2013 and 2012 was \$8,641,201, \$8,530,033, and \$7,611,002, respectively

Expenses by Natural Classifications  
June 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Expenses:			
Salaries	\$ 75,438	\$ 76,015	\$ 76,796
Benefits	35,885	34,247	32,062
Contracted services	9,697	11,373	6,057
Supplies	3,232	3,636	2,760
Depreciation	10,490	10,423	9,764
Student aid	10,459	8,328	10,015
Other	12,314	11,468	11,895
GASB 45 (Other post-employment benefits) accrual	<u>8,641</u>	<u>8,530</u>	<u>7,611</u>
Total operating expenses	<u>166,156</u>	<u>164,020</u>	<u>156,960</u>
Interest on capital asset-related debt service	<u>4,258</u>	<u>4,689</u>	<u>3,927</u>
Total nonoperating expenses	<u>4,258</u>	<u>4,689</u>	<u>3,927</u>
Total expenses	<u>\$ 170,414</u>	<u>\$ 168,709</u>	<u>\$ 160,887</u>

In fiscal year 2014, expenses associated with the College's operating budget increased modestly by 2.3% (\$2.9 million) over the expenses in fiscal year 2013. Operating budget expenses were tightly managed with fiscal year 2014 salaries lower than those of 2013. Fringe benefit costs were higher (\$1.6 million) primarily due to medical claims experience that exceeded prior year totals. Expenses associated with restricted grants decreased by \$1.48 million (10.6%) from the fiscal year 2013 expenses. This decrease was related to the TAACCCT grant which, in fiscal year 2004, had \$2.37 million less expenses in fiscal year 2013.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

June 30, 2014 and 2013

***Schedule of Fund Balances***

The following chart shows fund balances in the four fund groups: Unrestricted, Restricted, Endowment and Plant. The 2012, 2013 and 2014 amounts reported for unrestricted operations funds were reduced by the impact of GASB 45 reporting of an accrued expense liability for post-employment benefits. The impact of GASB 45 reporting 2014 was \$8,641,201, in 2013 was \$8,530,033 and in 2012 was \$7,611,002. The negative unrestricted plant fund balance reflects the cumulative impact of unfunded depreciation expense.

	2014	2013	2012
Total unrestricted fund	\$ (16,669,094)	\$ (8,297,655)	\$ 100,502
Endowment fund:			
True and term endowment	-	-	-
Quasi endowment (unrestricted)	1,762,678	1,859,894	1,914,234
Total endowment	1,762,678	1,859,894	1,914,234
Plant fund:			
Net invested in capital assets	93,771,457	89,660,198	86,330,902
Restricted expendable - capital	4,742,069	2,740,642	1,364,726
Unrestricted	(11,069,072)	(8,890,495)	(6,567,991)
Total plant fund	87,444,454	83,510,345	81,127,637
Total net position	\$ 72,538,038	\$ 77,072,584	\$ 83,142,373

***Community College of Philadelphia Foundation***

The College Foundation was established in 1985. Total assets for 2014, 2013, and 2012 were \$12.6 million, \$12.6 million and \$12.0 million, respectively. Total unrestricted net position for 2014, 2013, and 2012 for the Foundation was \$1.6 million, \$1.5 million and \$1.3 million, respectively. The remaining net position is restricted based upon donor intent. The Foundation provided \$2.8 million to the College from the proceeds of the Capital Campaign during fiscal year 2013.

***Future Impacts***

For fiscal year 2015, City funding to the College was increased by an additional \$500,000. The final State budget included an additional \$3.5 million in operating funds for community colleges; the additional funding to the College was \$462,509. Student tuition and fees remained at the same level as fiscal year 2013-14. Credit FTE enrollments for the fall 2014 semester are trending 1% below 2014 enrollments of fall 2013.



Community College of Philadelphia  
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**STATEMENTS OF NET POSITION**

June 30, 2014 and 2013

ASSETS	Business-type activities		Component unit	
	The Community College of Philadelphia		The Community College of Philadelphia Foundation	
	2014	2013	2014	2013
<b>Current assets:</b>				
Cash and cash equivalents (Note B)	\$ 10,601,463	\$ 11,967,374	\$ 127,848	\$ 344,345
Short-term investments (Note B)	13,384,688	10,325,397	1,738,570	3,485,382
Accounts receivable, net (Note C)	4,410,755	5,414,648	534,445	383,344
Receivable from government agencies (Note G)	2,650,481	2,752,692	-	-
Accrued interest receivable	48,062	47,943	-	-
Other assets	1,559,866	1,338,150	-	-
<b>Total current assets</b>	<b>32,655,315</b>	<b>31,846,204</b>	<b>2,400,863</b>	<b>4,213,071</b>
<b>Noncurrent assets:</b>				
Endowment investments (Note B)	-	-	8,415,537	7,460,107
Accounts receivable, net (Note C)	-	-	977,110	926,381
Bond proceeds available for campus construction	207,733	2,444,146	-	-
Other long term investments (Note B)	16,134,491	15,750,134	-	-
Capital assets, net (Note D)	179,492,948	182,960,237	-	-
<b>Total noncurrent assets</b>	<b>195,835,172</b>	<b>201,154,517</b>	<b>9,392,647</b>	<b>8,386,488</b>
<b>Total assets</b>	<b>\$ 228,490,487</b>	<b>\$ 233,000,721</b>	<b>\$ 11,793,510</b>	<b>\$ 12,599,559</b>

See accompanying notes to financial statements.

Community College of Philadelphia  
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**STATEMENTS OF NET POSITION - CONTINUED**

June 30, 2014 and 2013

LIABILITIES AND NET POSITION	Business-type activities		Component unit	
	The Community College of Philadelphia		The Community College of Philadelphia Foundation	
	2014	2013	2014	2013
Current liabilities:				
Accounts payable and accrued liabilities (Note E)	\$ 15,429,984	\$ 15,994,555	\$ 359,368	\$ 1,959,082
Payable to government agencies (Note G)	3,025,477	1,907,504	-	-
Deposits	460,793	186,902	-	-
Unearned revenue	2,561,108	2,430,576	1,067,505	986,999
Current portion of capital lease obligation (Note F)	1,909,178	2,324,476	-	-
Current portion of long-term debt (Note F)	6,157,176	8,498,508	-	-
Unamortized bond premium	51,170	51,170	-	-
Total current liabilities	29,594,886	31,393,691	1,426,873	2,946,081
Noncurrent liabilities:				
Accrued liabilities (Note E)	1,149,303	902,430	-	-
Annuity payable	-	-	9,367	377
Capital lease obligation (Note F)	6,069,858	6,890,209	-	-
Long-term debt (Note F)	71,323,947	77,517,384	-	-
Unamortized bond premium	417,892	469,063	-	-
Other post-employment benefits liability (Note I)	47,396,561	38,755,360	-	-
Total noncurrent liabilities	126,357,561	124,534,446	9,367	377
Total liabilities	155,952,447	155,928,137	1,436,240	2,946,458
Net position:				
Net investment in capital assets	93,771,458	89,660,198	-	-
Restricted (Note H):				
Nonexpendable:				
Scholarships, awards and faculty chair	-	-	6,638,178	5,791,697
Annuities	-	-	9,021	11,347
Expendable:				
Scholarships, awards and faculty chair	-	-	1,465,496	1,775,546
Capital projects	4,742,069	2,740,642	613,710	577,902
Unrestricted	(25,975,487)	(15,328,256)	1,630,865	1,496,609
Total net position	\$ 72,538,040	\$ 77,072,584	\$ 10,357,270	\$ 9,653,101

See accompanying notes to financial statements.

Community College of Philadelphia  
(A Component Unit of the City of Philadelphia)

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

Years ended June 30, 2014 and 2013

	Business-type activities		Component unit	
	The Community College of Philadelphia		The Community College of Philadelphia Foundation	
	2014	2013	2014	2013
Operating revenues:				
Student tuition	\$ 61,356,712	\$ 58,228,544	\$ -	\$ -
Student fees	17,376,046	17,044,260	-	-
Less scholarship allowance	<u>(43,395,057)</u>	<u>(43,269,962)</u>	<u>-</u>	<u>-</u>
Net student fees	35,337,701	32,002,842	-	-
Auxiliary enterprises	1,671,145	1,775,612	-	-
Gifts	-	-	532,223	738,617
Other sources	<u>166,024</u>	<u>158,047</u>	<u>130,783</u>	<u>70,208</u>
Total operating revenues	<u>37,174,870</u>	<u>33,936,501</u>	<u>663,006</u>	<u>808,825</u>
Operating expenses (Note K):				
Educational and general:				
Instruction	66,209,598	66,436,316	28,607	80,469
Public service	108,954	155,657	-	-
Academic support	17,492,238	17,246,555	-	-
Student services	22,810,350	21,913,072	24,082	7,589
Institutional support	25,229,115	26,216,369	2,110,740	1,582,774
Physical plant operations	12,585,835	12,741,867	-	-
Depreciation	10,490,412	10,423,443	-	-
Student aid	10,459,176	8,327,636	270,038	238,178
Auxiliary enterprises	<u>770,012</u>	<u>559,068</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>166,155,690</u>	<u>164,019,983</u>	<u>2,433,467</u>	<u>1,909,010</u>
Operating (loss) surplus	<u>\$ (128,980,820)</u>	<u>\$ (130,083,482)</u>	<u>\$ (1,770,461)</u>	<u>\$ (1,100,185)</u>

See accompanying notes to financial statements.

Community College of Philadelphia  
(A Component Unit of the City of Philadelphia)

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

Years ended June 30, 2014 and 2013

	Business-type activities		Component unit	
	The Community College of Philadelphia		The Community College of Philadelphia Foundation	
	2014	2013	2014	2013
Nonoperating revenues (expenses):				
State appropriations (Note L)	\$ 28,179,310	\$ 28,239,824	\$ -	\$ -
City appropriations (Note L)	18,346,138	18,063,705	-	-
Federal grants and contracts	58,795,574	58,714,660	-	-
Gifts from the Community College of Philadelphia Foundation	100,000	2,809,152	(100,000)	(2,809,152)
State grants and contracts	6,591,410	7,190,874	-	-
Nongovernmental grants and contracts	1,703,933	1,119,415	1,746,152	1,078,297
Net investment income	695,167	332,708	828,478	1,036,731
Interest on capital asset-related debt service	(4,258,483)	(4,689,268)	-	-
Other nonoperating revenues	324,356	379,512	-	-
Net nonoperating revenues	<u>110,477,405</u>	<u>112,160,582</u>	<u>2,474,630</u>	<u>(694,124)</u>
(Loss) gain before other revenues, expenses, gains or losses	(18,503,415)	(17,922,900)	704,169	(1,794,309)
Capital appropriations	<u>13,968,871</u>	<u>13,729,591</u>	<u>-</u>	<u>-</u>
(Decrease) increase in net position	(4,534,544)	(4,193,309)	704,169	(1,794,309)
Net position, beginning, as restated (Note A)	<u>77,072,584</u>	<u>81,265,893</u>	<u>9,653,101</u>	<u>11,447,410</u>
Net position, ending	<u>\$ 72,538,040</u>	<u>\$ 77,072,584</u>	<u>\$ 10,357,270</u>	<u>\$ 9,653,101</u>

See accompanying notes to financial statements.

Community College of Philadelphia  
(A Component Unit of the City of Philadelphia)

(Business-Type Activities - College only)

**STATEMENTS OF CASH FLOWS**

Years ended June 30,

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Tuition and fees	\$ 35,016,023	\$ 31,910,181
Payments to suppliers	(22,531,001)	(27,987,848)
Payments to employees	(76,666,839)	(74,669,197)
Payments for employee benefits	(36,319,049)	(34,201,811)
Payments for student aid	(10,459,176)	(8,327,636)
Auxiliary enterprises	1,685,121	1,772,166
Other cash receipts	<u>166,024</u>	<u>158,047</u>
Net cash used in operating activities	<u>(109,108,897)</u>	<u>(111,346,098)</u>
Cash flows from noncapital financing activities:		
State appropriations	28,168,713	28,209,309
City appropriations	18,346,138	18,063,705
Gifts and grants	68,319,487	69,353,397
Other nonoperating	<u>598,247</u>	<u>442,920</u>
Net cash provided by noncapital financing activities	<u>115,432,585</u>	<u>116,069,331</u>
Cash flows from capital and related financing activities:		
State capital appropriations	6,109,663	6,384,089
City capital appropriations	7,859,208	7,345,502
Decrease in bond proceeds available for campus construction	2,236,413	503,364
Proceeds from capital debt	-	6,775,092
Purchases of capital assets	(5,854,492)	(9,875,352)
Principal on capital debt	(10,939,049)	(12,968,909)
Interest on capital debt	<u>(4,352,741)</u>	<u>(4,777,353)</u>
Net cash used in capital and related financing activities	<u>(4,940,998)</u>	<u>(6,613,567)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	20,833,100	47,400,465
Purchases of investments	(24,276,749)	(45,440,628)
Interest on investments	<u>695,048</u>	<u>335,000</u>
Net cash provided by (used in) investing activities	<u>(2,748,601)</u>	<u>2,294,837</u>
Increase (decrease) in cash	(1,365,911)	404,503
Cash and cash equivalents, beginning	<u>11,967,374</u>	<u>11,562,871</u>
Cash and cash equivalents, ending	<u>\$ 10,601,463</u>	<u>\$ 11,967,374</u>

See accompanying notes to financial statements.

Community College of Philadelphia  
(A Component Unit of the City of Philadelphia)

(Business-Type Activities - College only)

**STATEMENTS OF CASH FLOWS**

Years ended June 30,

	<u>2014</u>	<u>2013</u>
Reconciliation of net operating loss to net cash used in operating activities:		
Operating loss	\$ (128,980,820)	\$ (130,083,482)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation	10,490,412	10,423,443
Changes in assets and liabilities:		
Accounts receivable	948,329	(1,681,822)
Prepaid and other assets	(221,716)	(201,454)
Loans to students and employees	157,775	102,870
Accounts payable and accrued liabilities	(271,373)	1,453,169
Deferred revenues	127,295	111,145
Other post employment benefits	<u>8,641,201</u>	<u>8,530,033</u>
Net cash used in operating activities	<u>\$ (109,108,897)</u>	<u>\$ (111,346,098)</u>
Supplemental disclosure of noncash capital financing activity:		
Capital assets acquired via capital lease	<u>\$ 699,553</u>	<u>\$ 1,116,328</u>

See accompanying notes to financial statements.

Community College of Philadelphia  
(A Component Unit of the City of Philadelphia)

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014 and 2013

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Organization**

The Community College of Philadelphia (the College) operates in accordance with the provisions of Commonwealth of Pennsylvania (the Commonwealth) legislation and through the sponsorship of the City of Philadelphia (the City). For financial reporting purposes, the College has been determined to be a component unit of the City, and as such has adopted the applicable provisions of the Government Accounting Standards Board (GASB).

*Component Unit*

The Community College of Philadelphia Foundation (the Foundation), was established to serve as an organization responsible for College fund-raising activities.

The by-laws of the Foundation give the College's board of trustees' the authority to amend the Articles of Incorporation of the Foundation at any time. The Foundation is considered to be a discretely presented component unit of the College, and all financial transactions are reported within the financial statements of the College.

**2. Measurement Focus, Basis of Accounting, and Basis of Presentation**

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, as prescribed by the GASB. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The College has determined that it functions as a Business Type Activity, as defined by the GASB. The effect of interfund activity has been eliminated from these financial statements.

The College's policy is to define operating activities in the statement of revenues, expenses and changes in net position as those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as nonoperating activities. These nonoperating activities include the College's operating and capital appropriations from the Commonwealth of Pennsylvania and the City of Philadelphia; federal, state, and private grants; net investment income; gifts; interest expense; and disposals of capital assets.

**3. Government Appropriations**

Revenue from the Commonwealth of Pennsylvania and the City of Philadelphia is recognized in the fiscal year during which the funds are appropriated to the College. The College is fiscally dependent upon these appropriations. Specific accounting policies with regard to government appropriations are as follows:

(Continued)

Community College of Philadelphia  
(A Component Unit of the City of Philadelphia)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*Commonwealth of Pennsylvania*

General state legislation establishing community colleges provides for the reimbursement of certain college expenses from Commonwealth funds appropriated for this purpose. Act 46 enacted in July 2005 changed the original basis of allocating operating funds to Commonwealth community colleges from a formula approach based upon full-time equivalent (FTE) students taught in the current fiscal year to a state-wide community college appropriation. Under Act 46, the state-wide operating budget appropriation for community colleges is to be distributed among each of the 14 colleges in three parts: base funding, growth funding and high priority (economic development) program funding. The provisions of Act 46 are intended to ensure that base operating funding for each college will at least equal the amount of funds received in the prior year. Annually, 25% of any new dollars in the operating funding granted community colleges is to be distributed proportionally among the colleges experiencing growth in the prior year based upon their share of the FTE growth. Colleges whose enrollments are stable or decline do not receive any increase from the growth funding.

The other significant operating funding change as a result of Act 46 was the establishment of Economic Development (high priority) program funding. High priority program funding is based upon prior year enrollments in program areas defined by the State to contribute to trained worker growth in critical employment areas. Using prior-year FTE enrollments in targeted programs as the allocation mechanism, each college is to receive a proportionate share of the available funds allocated to high priority programs.

For the fiscal 2013 and 2014 fiscal years, the provisions of Act 46 were not followed in allocating operational funds to Pennsylvania community colleges. In fiscal 2011 and fiscal 2012, the total state operating allocation to community colleges was unchanged from 2010 funding levels, but 9.1% of the revenues were allocated by the State from Federal Economic Stimulus Funds provided by the Federal Government to the Commonwealth of Pennsylvania. The State appropriation to the College funded from Federal Stimulus funds was \$2.8 million in each of the two years. Federal Stimulus funding was not replaced upon the expiration of the federal program. The fiscal 2012-13 operating allocation to the College was reduced by the \$2.8 million previously funded through the Federal Stimulus Funds in the 2011 and 2012 fiscal years.

Under the provisions of Act 46, a separate revolving pool was established for community college capital funding. Capital funding, which may include major equipment and furniture purchases, capital improvements to buildings and grounds, debt service on major capital projects, and net rental costs for eligible capital leases, is reimbursed at the rate of 50%. Capital costs not previously approved for annual funding are subject to a competitive application process, with the allocation of available funds made by the Pennsylvania Department of Education using state-wide criteria.

Any excesses or deficiencies between provisional payments and the final annual reimbursement calculation of annual Commonwealth funding are reflected as a payable or receivable from the Commonwealth.

(Continued)



NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014 and 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Net Position

The College classifies its net position into the following four net position categories:

*Net investment in capital assets:* Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

*Restricted - nonexpendable:* Net position subject to externally imposed conditions that the College must maintain them in perpetuity.

*Restricted - expendable:* Net position whose use is subject to externally imposed conditions that can be fulfilled by the actions of the College or by the passage of time.

*Unrestricted:* All other categories of net position. Unrestricted net position may be designated by actions of the College's board of trustees.

The College has adopted a policy of generally utilizing restricted – expendable funds, when available, prior to unrestricted funds.

5. Cash and Cash Equivalents

The College considers all petty cash accounts and demand deposits with financial banking institutions to be cash. The College considers all short-term investments (primarily certificates of deposit) with a maturity of 90 days or less to be cash equivalents.

6. Investments

Investments in marketable securities are stated at fair value. Valuations for marketable securities are provided by external investment managers or are based on audited financial statements when available.

Dividends, interest and net gains or losses on investments of endowments and similar funds are reported in the statement of revenues, expenses and changes in net position. Any net earnings not expended are included in net position categories as follows:

- (i) as increases in restricted - nonexpendable net position if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- (ii) as increases in restricted - expendable net position if the terms of the gift or the College's interpretation of relevant state law impose restrictions on the current use of the income or net gains; and
- (iii) as increases in unrestricted net position in all other cases.

(Continued)

Community College of Philadelphia  
(A Component Unit of the City of Philadelphia)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014 and 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The College policy permits investments in obligations of the U.S. Treasury; certificates of deposit; commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record; bankers' acceptances; repurchase agreements; and the Commonfund's Intermediate Term Fund and Multi-Strategy Bond Fund, and specifically approved fixed income securities. The investment practice of the Foundation includes the use of the Commonfund Multi-Strategy Equity Funds, Multi-Strategy Bond Funds, and specifically approved fixed income securities.

7. Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings and equipment are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of donation. Interest costs on debt related to capital assets are capitalized during the construction period.

Assets are depreciated using the straight-line method. The range of estimated useful lives by asset categories is summarized as follows:

<u>Asset category</u>	<u>Years</u>
Buildings	10 to 50
Furniture and equipment	3 to 10
Library books	10
Audiovisual media	5
Computer desktop software	3
Computer system software	10

The costs of normal maintenance and repairs that do not increase the value of the asset or materially extend assets' lives are not capitalized.

8. Compensated Absences

Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation is the amount earned by all eligible employees through the statement of net position date. Upon retirement, these employees are entitled to receive payment for this accrued balance as defined in the College policy and collective bargaining agreements.

9. Students' Deposits and Unearned Revenue

Deposits and advance payments received for tuition and fees related to certain summer programs and tuition received for the following academic year are deferred and are recorded as revenues when instruction is provided.

(Continued)

Community College of Philadelphia  
(A Component Unit of the City of Philadelphia)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**10. Student Fees**

Included in student fees are general college fees of \$1,536,150 and \$1,459,960 for the years ended June 30, 2014 and 2013, respectively, which have been designated for use by the various student organizations and activities.

**11. Tax Status**

The College generally is exempt from federal and state taxes due to its status as an unincorporated association established by the Pennsylvania Community College Act of 1963 (the Act). Under the Act, community colleges are considered to be activities of the Commonwealth.

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Internal Revenue Service (IRS) determined the Foundation is also classified as a public charity under Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code to serve as an organization responsible for College fund-raising activities.

**12. Use of Estimates**

The preparation of financial statements in conformity with U.S. 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**13. Scholarship Discounts and Allowances**

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on students' behalf. Certain governmental grants are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

**14. Self-Insurance**

The Community College of Philadelphia Board of Trustees approved the College's participation in a self-insurance medical plan through Independence Blue Cross, which became effective September 1, 2009. A reinsurance limit of \$225,000 is in place to limit institutional financial exposure for individuals with extraordinarily large claims in a policy year. The College has established a self-insurance accrued liability account for incurred claims as well as an estimate of claims incurred but not reported..

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014 and 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

15. Reclassifications

Certain reclassifications have been made to the 2013 financial statement information to conform to the 2014 financial statement presentation. There was no impact on the previously reported change in net position of the College.

16. Recent Accounting Pronouncements

The GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, in November 2010 (GASB 61), which was effective for the College's fiscal year ended June 30, 2013. This statement is an amendment of GASB Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements—Management's Discussion and Analysis—for State and Local Governments*. GASB 61 amends certain requirements for inclusion of component units in the reporting government's financial reporting entity and the conditions under which component units are consolidated as blended component units rather than discretely presented. Under the amended guidance, the College's component unit foundation continues to be reported as a component unit because the College is financially accountable for the foundation, as defined in the standard. The Foundation continues to be discretely presented because 1) the Board and management of the Foundation are separate from those of the College, 2) the Foundation provides scholarships and other benefits directly to students of the College, as well as providing fundraising on behalf of the College itself, and 3) the Foundation has no outstanding debt.

The GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62), in December 2010, which was effective for the College's fiscal year ended June 30, 2013. The statement incorporates into the GASB's own pronouncements certain accounting and financial reporting guidance that is included in pronouncements issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements including Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. GASB 62 did not have an impact on the College's financial statements because the provisions of the standard are generally consistent with the original GASB and AICPA requirements, except where clarification was necessary to appropriately apply the standards to governmental entities.

The College adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), for the year ended June 30, 2013. The GASB 63 objective is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The adoption of GASB 63 did not have a significant impact on the financial statements as the underlying accounting and financial reporting guidance has not changed. The College has no items that are classified as deferred inflows or outflows of resources as of June 30, 2014.

(Continued)

Community College of Philadelphia  
(A Component Unit of the City of Philadelphia)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), was adopted for the College's fiscal year ended June 30, 2014, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. As a result of the adoption of GASB 65, debt issuance costs, are recognized as expense in the period incurred, rather than as an asset. Conforming changes were made retroactively to all years presented. The following is a reconciliation of major categories effected by this change as of and for the year ended June 30, 2013:

	As previously reported	Adjustments	As restated
<b>Statement of Net Position</b>			
Short term unamortized bond issuance costs	\$ 153,680	\$ (153,680)	\$ -
Long term unamortized bond issuance costs	1,277,911	(1,277,911)	-
Short term unamortized bond premium	(32,651)	(18,519)	(51,170)
Long term unamortized bond premium	(209,794)	(259,269)	(469,063)
Net investment in capital assets	(91,369,577)	1,709,379	(89,660,198)
<b>Statement of Revenues, Expenses and Changes in Net Position</b>			
Interest on capital asset related debt service	4,856,369	(167,101)	4,689,268
Net position, beginning	(83,142,373)	1,876,480	(81,265,893)

**NOTE B - DEPOSITS AND INVESTMENTS**

The College invests its funds in accordance with the Board of Trustees' investment policy, which authorizes the College to invest in cash equivalents which consist of treasury bills, money market funds, commercial paper, bankers' acceptances, repurchase agreements and certificates of deposit; fixed income securities including U.S. government and agency securities, corporate notes and bonds, asset-backed bonds, floating rate securities and Yankee notes and bonds; and mutual funds including the Commonfund Multi-Strategy Bond Fund and Commonfund Intermediate Fund. Regardless of fund classifications, certain general tenets apply. Investments in all classifications seek to maintain significant liquidity and maximize annual income for the College while avoiding excessive risk. Specific objectives include maintaining sufficient liquidity to meet anticipated cash needs and the preservation of principal. The College recognizes that it may be necessary to forego opportunities for potential large gains to achieve a reasonable risk posture. Certain investments are prohibited, including equity securities, commodities and futures contracts, private placements, options, limited partnerships, venture capital, tangible personal property, direct real estate, short selling, margin transactions and certain derivative instruments. Diversification, insofar as it reduces portfolio risk, is required. At least annually, the Board of Trustees will review the investment policy and performance to determine any appropriate revisions.

(Continued)

Community College of Philadelphia  
(A Component Unit of the City of Philadelphia)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE B - DEPOSITS AND INVESTMENTS - Continued**

Operating funds may be invested only in corporate bonds rated at minimum A – by Standard and Poor's or A3 by Moody's Investors Service, Inc. (Moody's) that are of U.S. dollar denomination. Investments in asset-backed and mortgage-backed bonds are limited to those rated AAA/Aaa. Investments in commercial paper must be rated A1/P1 or better. The maximum percentage of investments in any one sector is limited to 100% for U.S. government and agency, 25% for asset-backed bonds, 40% for corporate notes and bonds, and 25% for mortgage-backed bonds.

Deposits are comprised of demand deposit accounts with financial institutions. At both June 30, 2014 and 2013, cash on hand was \$4,000. At June 30, 2014 and 2013, the carrying amount of deposits was \$10,597,463 and \$11,963,374, and the bank balance was \$11,625,165 and \$13,065,228, respectively. The differences were caused primarily by items in transit. Deposits of \$1,000,000 were covered by federal depository insurance of \$250,000 for each of four bank accounts at both June 30, 2014 and 2013.

Demand deposits include \$369,281 in restricted cash at June 30, 2014, which represents unused proceeds of the 2014 SPSBA PNC Loan to be used for specific state-approved capital projects and included in cash and cash equivalents in the accompanying statements of net position.

The following is the carrying value (fair value) of deposits and investments at June 30, 2014:

	College	Foundation
<b>Deposits:</b>		
Demand deposits	\$ 10,597,463	\$ 127,848
<b>Investments:</b>		
Insured money market deposit	2,194,886	-
U.S. Treasury obligations	4,739,619	-
U.S. government agency obligations	1,815,598	-
Corporate and foreign bonds	3,915,844	384,087
Intermediate fixed income mutual fund	5,522,522	-
Equity mutual fund	-	5,648,714
Multi-strategy bond mutual fund	5,336,381	2,236,480
Money market mutual funds	5,994,329	1,738,570
Private real estate	-	146,257
<b>Total deposits and investments</b>	<b>\$ 40,116,642</b>	<b>\$ 10,281,955</b>

(Continued)

Community College of Philadelphia  
(A Component Unit of the City of Philadelphia)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE B - DEPOSITS AND INVESTMENTS - Continued**

The following is the carrying value (fair value) of deposits and investments at June 30, 2013:

	College	Foundation
Deposits:		
Demand deposits	\$ 11,963,374	\$ 344,345
Investments:		
Insured money market deposit	3,160,910	-
U.S. Treasury obligations	3,735,124	-
U.S. government agency obligations	2,387,710	-
Corporate and foreign bonds	3,819,385	-
Intermediate fixed income mutual fund	5,510,950	-
Multi-strategy equity mutual fund	-	5,479,208
Multi-strategy bond mutual fund	5,210,826	1,980,899
Money market mutual funds	2,250,626	3,485,382
Total deposits and investments	<u>\$ 38,038,905</u>	<u>\$ 11,289,834</u>

In addition to the deposits and investments listed above, the College also has bond proceeds available for campus construction held by Sovereign Bank, the State Public School Building Authority, and the Bank of New York (the trustees), under the terms of various bond indentures. Bond proceeds available for campus construction are carried in the financial statements at fair value and consist of short-term investments and government securities. As of June 30, 2014 and 2013, bond proceeds available for campus construction include the following:

	2014	2013
Construction funds	\$ 207,733	\$ 2,444,146

The College's investments are subject to various risks. Among these risks are custodial credit risk, credit risk, and interest rate risk. Each one of these risks is discussed in more detail below.

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to the College. The College does not have a deposit policy for custodial credit risk. Commonwealth of Pennsylvania Act 72 of 1971, as amended, allows banking institutions to satisfy the collateralization requirement by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. Such pooled collateral is pledged with the financial institutions' trust departments.

(Continued)

Community College of Philadelphia  
(A Component Unit of the City of Philadelphia)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE B - DEPOSITS AND INVESTMENTS - Continued**

At June 30, 2014 and 2013, the College's bank balance was exposed to custodial credit risk as follows:

	<u>2014</u>	<u>2013</u>
Uninsured and collateral held by pledging bank's trust department not in the College's name	\$ 10,625,165	\$ 12,065,228

The College participates in the Certificate of Deposit Account Registry Service (CDARS) for its certificate of deposit and Insured Cash Sweep (ICS). CDARS and ICS allow the College to access Federal Deposit Insurance Corporation (FDIC) insurance on multi-million dollar certificates of deposit and money market deposit accounts to earn rates that compare favorably to treasuries and money market mutual funds. Custodial credit risk has been eliminated for the College's certificate of deposit as a result of its participation in the CDARS program.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's.

The multi-strategy bond fund and the intermediate fixed income fund are mutual funds managed by the Commonfund. The credit quality of the investments that comprise these funds are:

	<u>June 30, 2014</u>	
	<u>Multi-Strategy Bond</u>	<u>Intermediate</u>
Government	17%	39%
Agency	27	10
AAA	8	19
AA	4	8
A	12	16
BBB	16	7
Below BBB	10	1
Non-Rated/Other	6	—
<b>Total</b>	<b>100%</b>	<b>100%</b>

(Continued)



Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE B - DEPOSITS AND INVESTMENTS - Continued**

		June 30, 2013	
		Multi-Strategy	
		Bond	Intermediate
Government		21%	22%
Agency		26	13
AAA		8	20
AA		3	11
A		10	22
BBB		14	9
Below BBB		11	3
Non-Rated/Other		7	—
Total		100%	100%

The credit quality of the fixed income investments in which the College directly invests, including U.S. Treasury obligations, U.S. government agency obligations, and corporate bonds is as follows:

		June 30, 2014	June 30, 2013
		Fixed income securities	Fixed income securities
Aaa		63%	62%
Aa		—	7
A		20	16
Baa		17	15
Total		100%	100%

(Continued)

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE B - DEPOSITS AND INVESTMENTS - Continued**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income investments. The College's investment policy does not specifically address limitations in the maturities of investments. The weighted average maturities of the College's fixed income investments at June 30, 2014 and 2013 are as follows:

	June 30, 2014	June 30, 2013
	Weighted average maturity (years)	Weighted average maturity (years)
U.S. Treasury obligations	2.53	4.00
U.S. government agency obligations	3.35	3.00
Corporate bonds	4.76	5.10

**NOTE C - ACCOUNTS RECEIVABLE**

Accounts receivable include the following at June 30:

	2014		2013	
		Component unit		Component unit
	College	Foundation	College	Foundation
Tuition and fee receivables	\$ 6,191,729	\$ -	\$ 5,049,777	\$ -
Grants receivable	60,384	390,516	30,478	108,136
Other receivables	1,468,680	-	1,969,407	-
Pledges receivable	-	1,223,573	-	1,310,553
Receivable from Foundation	167,852	-	963,091	-
	7,888,645	1,614,089	8,012,753	1,418,689
Less allowance for doubtful accounts	(3,477,890)	(102,534)	(2,598,105)	(108,964)
Total	\$ 4,410,755	\$ 1,511,555	\$ 5,414,648	\$ 1,309,725

(Continued)

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE C - ACCOUNTS RECEIVABLE - Continued**

The College anticipates that all of its accounts receivable will be collected within one year.

Accounts receivable, tuition and fees and other are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based on the College's historical losses and periodic review of individual accounts. The allowance was \$3,477,890 and \$2,598,105 for the years ended June 30, 2014 and 2013, respectively. \$977,110 of the Foundation's pledges receivable are expected to be collected subsequent to June 30, 2014, generally on a five-year payment schedule.

**NOTE D - CAPITAL ASSETS**

Capital assets consist of the following at June 30, 2014:

	Balance July 1, 2013	Additions	Retirements and adjustments	Balance June 30, 2014
<b>Capital assets not depreciated:</b>				
Land and improvements	\$ 29,054,933	\$ -	\$ -	\$' 29,054,933
Construction in progress	1,116,503	3,647,681	(4,412,432)	351,752
Works of art	705,208	-	-	705,208
	<u>30,876,644</u>	<u>3,647,681</u>	<u>(4,412,432)</u>	<u>30,111,893</u>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	227,040,303	6,245,328	(757,932)	232,527,699
Equipment and furniture	38,791,583	921,332	(3,080,078)	36,632,837
Library books	4,839,108	179,569	-	5,018,677
Microforms	1,671,710	-	-	1,671,710
Software	4,039,594	-	-	4,039,594
System software	8,080,668	34,425	-	8,115,093
<b>Total before depreciation</b>	<u>284,462,966</u>	<u>7,380,654</u>	<u>(3,838,010)</u>	<u>288,005,610</u>
	<u>\$315,339,610</u>	<u>\$ 11,028,335</u>	<u>\$ (8,250,442)</u>	<u>\$318,117,503</u>

(Continued)

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE D - CAPITAL ASSETS - Continued**

Accumulated depreciation by asset categories is summarized as follows:

	Balance July 1, 2013	Depreciation	Retirements	Balance June 30, 2014
Buildings and improvements	\$ 89,867,806	\$ 6,038,571	\$ (721,002)	\$ 95,185,374
Equipment and furniture	26,535,759	3,809,712	(3,524,228)	26,821,244
Library books	4,010,826	154,201	-	4,165,027
Microforms	1,655,015	9,209	-	1,664,225
Software	3,419,047	10,115	-	3,429,162
System software	6,890,921	468,604	-	7,359,525
<b>Total</b>	<b>\$132,379,374</b>	<b>\$ 10,490,413</b>	<b>\$ (4,245,230)</b>	<b>138,624,557</b>
<b>Net capital assets</b>				<b>\$179,492,948</b>

Capital assets consist of the following at June 30, 2013:

	Balance July 1, 2012	Additions	Retirements and adjustments	Balance June 30, 2013
<b>Capital assets not depreciated:</b>				
Land and improvements	\$ 28,072,235	\$ 982,698	\$ -	\$ 29,054,933
Construction in progress	17,590,440	5,598,370	(22,072,307)	1,116,503
Works of art	705,208	-	-	705,208
	<u>46,367,883</u>	<u>6,581,068</u>	<u>(22,072,307)</u>	<u>30,876,644</u>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	202,508,856	24,531,447	-	227,040,303
Equipment and furniture	38,853,330	1,609,066	(1,670,813)	38,791,583
Library books	4,657,905	181,203	-	4,839,108
Microforms	1,671,710	-	-	1,671,710
Software	4,039,594	-	-	4,039,594
System software	8,080,668	-	-	8,080,668
<b>Total before depreciation</b>	<u>259,812,063</u>	<u>26,321,716</u>	<u>(1,670,813)</u>	<u>284,462,966</u>
	<u>\$ 306,179,946</u>	<u>\$ 32,902,784</u>	<u>\$ (23,743,120)</u>	<u>\$ 315,339,610</u>

(Continued)

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE D - CAPITAL ASSETS - Continued**

Accumulated depreciation by asset categories is summarized as follows:

	Balance July 1, 2012	Depreciation	Retirements	Balance June 30, 2013
Buildings and improvements	\$ 84,013,359	\$ 5,854,447	\$ -	\$ 89,867,806
Equipment and furniture	28,028,785	3,246,466	(4,739,493)	26,535,758
Library books	3,856,699	154,127	-	4,010,826
Microforms	1,641,286	13,729	-	1,655,015
Software	3,408,932	10,115	-	3,419,047
System software	5,746,362	1,144,559	-	6,890,921
<b>Total</b>	<b>\$ 126,695,423</b>	<b>\$ 10,423,443</b>	<b>\$ (4,739,493)</b>	<b>132,379,372</b>
<b>Net capital assets</b>				<b>\$ 182,960,237</b>

**NOTE E - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities consisted of the following at June 30:

	2014		2013	
	College	Component unit Foundation	College	Component unit Foundation
Category:				
Vendors and others	\$ 7,849,176	\$ 191,516	\$ 6,335,591	\$ 995,990
Accrued salaries	2,674,853	-	4,085,888	-
Accrued benefits	2,063,472	-	2,016,985	-
Compensated absences	3,098,015	-	3,141,021	-
Retirement incentive payments	388,775	-	826,619	-
Payroll withholding taxes	206,129	-	148,925	-
Accrued interest	298,867	-	341,956	-
Payable to College	-	167,852	-	963,092
<b>Total</b>	<b>\$ 16,579,287</b>	<b>\$ 359,368</b>	<b>\$ 16,896,985</b>	<b>\$ 1,959,082</b>

Retirement incentive payments are described in Note I.

(Continued)

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE E - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES - Continued**

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Beginning balance	Additions	Deductions	Total ending balance	Current portion
2014					
Long-term liabilities:					
Accrued liabilities	\$ 16,896,985	\$ 596,920	\$ (914,618)	\$ 16,579,287	\$ 15,429,984
Payable to government agencies	1,907,504	2,096,125	(978,152)	3,025,477	3,025,477
Capital lease obligation	9,214,685	1,168,631	(2,404,280)	7,979,036	1,909,178
Long-term debt	86,015,892	-	(8,534,769)	77,481,123	6,157,176
Unamortized bond premium	520,234	-	(51,170)	469,064	51,170
Other post-employment benefits	38,755,360	8,641,201	-	47,396,561	-
	<u>\$ 153,310,660</u>	<u>\$ 12,502,877</u>	<u>\$ (12,882,989)</u>	<u>\$ 152,930,548</u>	<u>\$ 26,572,985</u>

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Beginning balance	Additions	Deductions	Total ending balance	Current portion
2013					
Long-term liabilities:					
Accrued liabilities	\$ 15,470,712	\$ 1,975,995	\$ (549,722)	\$ 16,896,985	\$ 15,994,555
Payable to government agencies	2,418,723	-	(511,219)	1,907,504	1,907,504
Capital lease obligation	7,179,616	4,023,805	(1,988,736)	9,214,685	2,324,476
Long-term debt	90,220,973	6,775,092	(10,980,173)	86,015,892	8,498,508
Unamortized bond premium	602,957	-	(82,723)	520,234	51,170
Other post-employment benefits	30,225,327	8,530,033	-	38,755,360	-
	<u>\$ 146,118,308</u>	<u>\$ 21,304,925</u>	<u>\$ (14,112,573)</u>	<u>\$ 153,310,660</u>	<u>\$ 28,776,213</u>

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE F - DEBT**

The College's debt financing is primarily provided through Community College Revenue Bonds issued by the Hospitals and Higher Education Facilities Authority and the State Public School Building Authority.

Debt consisted of the following at June 30, 2014:

	Balance July 1, 2013	Additions	Principal payments	Balance June 30, 2014	Current portion
2006 Series(c)	\$ 1,205,000	\$ -	\$ (325,000)	\$ 880,000	\$ 340,000
2007 Series(d)	20,315,000	-	(1,965,000)	18,350,000	2,055,000
2008 Series(e)	57,915,000	-	(3,775,000)	54,140,000	2,675,000
2013B Series(f)	1,336,553	-	(1,336,553)	-	-
SPSBA Loan(g)	526,486	-	(281,154)	245,332	245,332
SPSBA Loan(h)	706,474	-	(199,451)	507,023	202,861
SPSBA Loan(i)	1,611,379	-	(377,242)	1,234,137	353,606
SPSBA Loan(j)	2,400,000	-	(275,369)	2,124,631	285,377
	<u>\$ 86,015,892</u>	<u>\$ -</u>	<u>\$ (8,534,769)</u>	<u>\$ 77,481,123</u>	<u>\$ 6,157,176</u>

	Balance July 1, 2012	Additions	Principal payments	Balance June 30, 2013	Current portion
1999 Series(a)	\$ 2,525,000	\$ -	\$ (2,525,000)	\$ -	\$ -
2003 Series(b)	800,000	-	(800,000)	-	-
2006 Series(c)	1,520,000	-	(315,000)	1,205,000	325,000
2007 Series(d)	22,185,000	-	(1,870,000)	20,315,000	1,965,000
2008 Series(e)	61,490,000	-	(3,575,000)	57,915,000	3,775,000
2013B Series(f)	-	2,575,092	(1,238,539)	1,336,553	1,336,553
SPSBA Loan(g)	794,300	-	(267,814)	526,486	278,037
SPSBA Loan(h)	906,673	-	(200,199)	706,474	196,910
SPSBA Loan(i)	-	1,800,000	(188,621)	1,611,379	346,639
SPSBA Loan(j)	-	2,400,000	-	2,400,000	275,369
	<u>\$ 90,220,973</u>	<u>\$ 6,775,092</u>	<u>\$ (10,980,173)</u>	<u>\$ 86,015,892</u>	<u>\$ 8,498,508</u>

(Continued)

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE F - DEBT - Continued**

Future annual principal and interest payments at June 30, 2014 are as follows:

	Principal	Interest	Total
June 30:			
2015	\$ 6,157,176	\$ 4,101,700	\$ 10,258,876
2016	6,170,886	3,796,374	9,967,260
2017	6,145,316	3,530,135	9,675,451
2018	5,950,163	3,237,249	9,187,412
2019	5,329,480	2,916,632	8,246,112
2020	5,580,817	2,664,532	8,245,349
2021	5,842,284	2,394,068	8,236,352
2022	5,815,000	2,105,850	7,920,850
2023	6,130,000	1,792,390	7,922,390
2024	4,320,000	1,461,600	5,781,600
2025	4,580,000	1,202,400	5,782,400
2026	4,855,000	927,600	5,782,600
2027	5,150,000	636,300	5,786,300
2028	5,455,000	327,300	5,782,300
	<u>\$ 77,481,123</u>	<u>\$ 31,094,130</u>	<u>\$ 108,575,253</u>

**1. 2006 Series**

Under a loan agreement dated September 15, 2006 with the State Public School Building Authority, the College borrowed \$3,000,000 of 2006 Series Community College Revenue Bonds. Of the total obligation, \$3,000,000 went toward deferred maintenance including roof repairs (Bonnell, West, Gymnasium, Winnet Building and West Philadelphia Regional Center); exterior brick repairs (Winnet Building and Gymnasium); and 16th Street sidewalk replacement. The College also received \$50,000 from the Authority that was applied to issuance cost. The Bonds are scheduled to be repaid over a 10-year period through June 20, 2017 at the interest rate of 4.5%, with an average annual debt service payment of \$349,372.

Remaining principal payments required by the loan agreement are as follows:

	Principal
2015	\$ 340,000
2016	355,000
2017	185,000
	<u>\$ 880,000</u>



Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE F - DEBT - Continued**

**2. 2007 Series**

Under a loan agreement dated February 21, 2007 with the State Public School Building Authority, the College borrowed \$30,525,000 of 2007 Community College Refunding Revenue Bonds. Of the total obligation, \$30,525,000 (including bond premium net of bond discount and issuance cost of \$449,782) was used to purchase U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 1998 Series Bonds and 2001 Series Bonds. As a result, that portion of the 1998 Series Bonds and 2001 Series Bonds is considered to be defeased, and the related liability (\$6,730,000 and \$23,970,000, respectively) has been removed from the statement of net position. The 1998 and 2001 Series Bonds were called as of November 1, 2011, and the related escrow with the trustee of the defeased bonds is zero. The 2007 Series Bonds are payable over 16½ years at rates from 4.00% to 5.00%, with an average annual debt service payment of \$2,602,675.

Principal payments required by the loan agreement are as follows:

	Principal
2015	\$ 2,055,000
2016	2,160,000
2017	2,270,000
2018	2,385,000
2019	1,750,000
2020-2023	7,730,000
	<u>\$ 18,350,000</u>

**3. 2008 Series**

Under a loan agreement dated October 9, 2008 with the State Public School Building Authority, the College borrowed \$74,770,000 of 2008 Series Community College Revenue Bonds. The bonds are being issued for the benefit of the College to finance a project consisting of: (a) the construction, equipping and furnishing of an approximately 45,000 square foot building for instructional facilities and student meeting spaces on the main campus of the College, and other capital projects related thereto; (b) the renovation and expansion of administrative buildings for the provision of student services on the main campus of the College; (c) the expansion of the campus facilities comprising the Northeast Regional Center of the College in Northeast Philadelphia; and (d) the payment of costs and expenses incident to the issuance of the bonds. The College also received \$50,000 from the State Public School Building Authority that was applied to issuance cost. The bonds are scheduled to be repaid over a 20-year period through June 15, 2028 at the interest rate of 3.00% to 6.25%, with an average annual debt service payment of \$6,064,257.

(Continued)

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE F - DEBT - Continued**

Remaining principal payments required by the loan agreement are as follows:

	Principal
2015	\$ 2,675,000
2016	2,795,000
2017	2,930,000
2018	3,110,000
2019	3,270,000
2020 - 2023	15,000,000
2024 - 2028	24,360,000
	<u>\$ 54,140,000</u>

**4. 2013B Series**

Under a loan agreement dated March 29, 2013 with the State Public School Building Authority, the College borrowed \$2,575,092 for the purpose of refinancing the remaining principal from the 1999 Series Bonds. The net present value savings of this transaction is \$54,642 of the refunded principal. The bond is scheduled to be repaid over a two-year period through May 1, 2014 at a fixed annual interest rate of 1.198%, with an average annual debt service payment of \$1,296,923. The 2013B Series have been fully repaid as of May 1, 2014.

**5. Revolving Loan Obligation**

Under a loan agreement dated February 26, 2010 with the State Public School Building Authority, the College borrowed \$1,350,000 for the purpose of completing three capital projects: Mint Building Masonry Renewal, West Building elevator renovations and the replacement of the Northwest Regional Center chiller plant. The loan is scheduled to be repaid over a five-year period through May 15, 2015 at a fixed annual interest rate of 2.50%, with an average annual debt service payment of \$290,402.

Remaining principal payments required by the loan agreement are as follows:

	Principal
2015	\$ 245,332
2016	<u>-</u>
	<u>\$ 245,332</u>

(Continued)

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

NOTE F - DEBT - Continued

6. Revolving Loan Obligation

Under a loan agreement dated July 15, 2011 with the State Public School Building Authority, the College borrowed \$1,000,000 for the purpose of completing the build out of 7,291 square feet of space to be leased adjacent to the current West Regional Center. The loan is scheduled to be repaid over a five-year period through July 15, 2016 at a fixed annual interest rate of 3.00%, with an average annual debt service payment of \$216,899.

Remaining principal payments required by the loan agreement are as follows:

			Principal
2015			\$ 202,861
2016			208,992
2017			<u>95,170</u>
			<u>\$ 507,023</u>

7. Revolving Loan Obligation

Under a loan agreement dated January 31, 2013 with the State Public School Building Authority, the College borrowed \$1,800,000 for the purpose of completing the renewal and update of four chemistry labs, an instrumentation lab and the associated prep room in the West Building on the College's Main Campus. The loan is scheduled to be repaid over a five-year period through September 15, 2017 at a fixed annual interest rate of 2.00%, with an average annual debt service payment of \$377,242.

Remaining principal payments required by the loan agreement are as follows:

			Principal
2015			\$ 353,606
2016			360,673
2017			367,963
2018			<u>151,894</u>
			<u>\$ 1,234,137</u>

(Continued)

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

NOTE F - DEBT - Continued

8. Revolving Loan Obligation

Under a loan agreement dated April 1, 2013 with the State Public School Building Authority, the College borrowed \$2,400,000 for the purpose of renovations to several spaces in the West Building on the College's Main Campus to address critical programmatic needs. The loan is scheduled to be repaid over a five-year period through November 1, 2020 at a fixed annual interest rate of 2.027%, with an average annual debt service payment of \$325,551.

Remaining principal payments required by the loan agreement are as follows:

	Principal
2015	\$ 285,377
2016	291,220
2017	297,184
2018	303,269
2019	309,479
2020 - 2021	638,102
	<u>\$ 2,124,631</u>

9. Operating Leases

The College leases certain equipment and property under operating lease arrangements that expire through 2022. Rental expense for operating leases was \$825,362 and \$851,300 for the years ended June 30, 2014 and 2013, respectively.

Future minimum lease payments required under operating leases are as follows:

2015	\$ 640,761
2016	274,032
2017	197,529
2018	156,987
2019	161,696
2020 - 2022	338,091
	<u>\$ 1,769,096</u>

(Continued)

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

NOTE F - DEBT - Continued

10. Capital Leases

The College leases certain equipment under capital lease arrangements that expire in 2023. These leases are recorded at the lower of cost or present value and amounted to \$7,979,036 and \$9,214,685 at June 30, 2014 and 2013, respectively. Amortization charges of capital leases were \$2,404,280 and \$1,988,736 for the years ended June 30, 2014 and 2013, respectively.

Future minimum lease payments under capital leases are as follows:

	Principal	Interest	Total
June 30:			
2015	\$ 1,909,178	\$ 208,374	\$ 2,117,552
2016	1,566,605	158,522	1,725,127
2017	1,315,812	116,589	1,432,401
2018	971,847	83,321	1,055,168
2019	564,094	60,907	625,001
2020 - 2023	1,651,500	93,810	1,745,310
	<u>\$ 7,979,036</u>	<u>\$ 721,523</u>	<u>\$ 8,700,559</u>

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE G - (PAYABLE TO) RECEIVABLE FROM GOVERNMENT AGENCIES**

(Payable to) receivable from government agencies includes the following at June 30:

	2014		2013	
	Payable	Receivable	Payable	Receivable
Commonwealth of Pennsylvania:				
Provision for potential audit findings and reimbursement calculation	\$ 38,487	\$ -	\$ 49,084	\$ -
Grants and special projects	-	388,981	-	439,175
PHEAA for grants	2,846,825	-	1,858,420	2,923
	<u>2,885,312</u>	<u>388,981</u>	<u>1,907,504</u>	<u>442,098</u>
City of Philadelphia grants receivable	-	-	-	17,069
Federal:				
Financial aid programs	-	259,926	-	346,172
Grants and special projects	140,165	2,001,574	-	1,947,353
	<u>140,165</u>	<u>2,261,500</u>	<u>-</u>	<u>2,310,594</u>
Total	<u>\$ 3,025,477</u>	<u>\$ 2,650,481</u>	<u>\$ 1,907,504</u>	<u>\$ 2,752,692</u>

**NOTE H - RESTRICTED NET POSITION**

The College is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. These funds are comprised of the following at June 30:

	2014		2013	
	College	Component unit Foundation	College	Component unit Foundation
Restricted - nonexpendable:				
Endowment funds	\$ -	\$ 6,638,178	\$ -	\$ 5,791,697
Gift annuity	-	9,021	-	11,347
	<u>-</u>	<u>6,647,199</u>	<u>-</u>	<u>5,803,044</u>
Restricted - expendable:				
Scholarships and awards	-	1,465,496	-	1,775,546
Capital program	4,742,069	613,710	2,740,642	577,902
	<u>4,742,069</u>	<u>2,079,206</u>	<u>2,740,642</u>	<u>2,353,448</u>
Total	<u>\$ 4,742,069</u>	<u>\$ 8,726,405</u>	<u>\$ 2,740,642</u>	<u>\$ 8,156,492</u>

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE I - EMPLOYEE BENEFITS**

**1. Defined Benefit Plans**

Retirement benefits are provided for substantially all employees through payments to one of the board-authorized retirement programs. The authorized pension plans at June 30, 2014 and 2013 are the Teachers' Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments. Although the College no longer offers participation in the State Employees Retirement System (SERS) or the Pennsylvania Public School Employees Retirement System (PSERS), it has grandfathered continued participation for those employees currently enrolled. The College has 11 employees participating in the SERS and 21 employees in the PSERS.

The PSERS and SERS are defined benefit plans and are administered by the Commonwealth as established under legislative authority. Contributions are made by employees, the College and the Commonwealth according to the schedule below. Death benefits are available to employee beneficiaries according to various options at time of death. The financial statements for PSERS and SERS can be obtained from the following: Commonwealth of Pennsylvania, Public School Employees' Retirement System, 5 North Fifth Street, P.O. Box 125, Harrisburg, PA 17108-0125; and Commonwealth of Pennsylvania, State Employees' Retirement System, 30 North Third Street, P.O. Box 1147, Harrisburg, PA 17108-1147.

A retirement incentive option has been offered to employees 62 or older, who have completed at least 15 years of full-time service, and whose combined age and years of service equal at least 80. This option expires August 31, 2014. At June 30, 2014, there were two people who accepted the early retirement and incentive options; the present value of future payments of \$139,673 and \$478,804 has been accrued at June 30, 2014 and 2013, respectively. Future payments in the next two fiscal years are expected to be \$145,266 and \$-0-, respectively.

Effective September 1, 2014, the collective bargaining agreement provides for a retirement incentive for full-time employees at age 63, 64 or 65 with at least 20 years of service. The incentive payment is a percentage of final pay based on years of service.

**2. Defined Contribution Plans**

The College also sponsors two defined contribution plans, and as such, benefits depend solely on amounts contributed to the plan plus investment earnings. Full-time faculty and administrative employees are eligible to participate from the date of employment, and clerical employees have a one-year waiting period. Participation is mandatory for full-time faculty and administrative employees upon reaching the age of 30 or after two years of employment, whichever is the later date. Participation is mandatory for full-time classified and confidential employees upon reaching the age of 30 or after four years of employment, whichever is the later date. Part-time faculty may participate after earning four seniority units, as defined in the collective bargaining agreement. College policy and collective bargaining agreements require that both the employee and the College contribute amounts, as set forth below, based on the employee's earnings.

(Continued)

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE I - EMPLOYEE BENEFITS - Continued**

The College's contributions for each employee (and interest allocated to the employee's accounts) are fully vested. Death benefits in the amount of the full present value of accumulation are provided to the beneficiary of a participant who dies prior to retirement. Various payment options are available. The College has 1,219 employees participating in this program.

The payroll for employees covered by the four plans was \$65,026,016 and \$62,337,917; and the College's total payroll is \$76,380,018 and \$76,649,169 at June 30, 2014 and 2013, respectively. Contributions made by the College during fiscal 2013 and 2014 totaled \$5,475,891 and \$5,718,375, respectively, representing 8.78% and 8.79%, respectively, of covered payroll. College employees contributed \$4,855,664 and \$4,901,936, respectively. A summary of retirement benefits follows:

Type of employee	Defined contribution plans	PSERS	SERS
Full-time faculty	10% of base contract	8.46% of all earnings	15.12% of all earnings
Visiting lecturers	5% of base contract	N/A	N/A
Part-time faculty	5% of all earnings	N/A	N/A
Administrators and other staff	10% of base contract	8.46% of all earnings	15.12% of all earnings
Others	10% of annual salary	8.46% of all earnings	15.12% of all earnings
Employee contribution	5% of base salary	Members prior to July 22, 1983: 6.5% of all earnings Members after July 22, 1983: 7.5% of all earnings	6.25% of all earnings

Other Post-employment Benefits Liability

**3. Plan Description**

The College's Retirement Benefits Plan is a single-employer plan, which offers board-authorized post-employment benefits, other than pension, to eligible retirees. The plan provides post-retirement medical, prescription drug, dental and life insurance benefits. The plan is unfunded, and no financial report is prepared. These benefits are accounted for in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*.

**4. Funding Policy**

The contribution requirements of plan members and the College are established and may be amended by the College's Board of Trustees. The plan is funded on a pay-as-you-go basis (i.e., premiums are paid to fund the health care benefits provided to current retirees). The College paid premiums of \$2,478,737 and \$1,873,156 for the fiscal years ended June 30, 2014 and 2013, respectively. Total retiree contributions made by plan members were \$625,488 and \$589,471 for the fiscal years ended June 30, 2014 and 2013, respectively.



Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE I - EMPLOYEE BENEFITS - Continued**

The Retiree Drug Subsidy (RDS) was created as part of the 2003 federal law that created the Medicare prescription drug program and was included to encourage employers to retain the prescription benefits offered to Medicare-eligible retirees. Under the law, employers that retain prescription drug coverage for retirees that is at least equivalent to Medicare Part D coverage receive a subsidy from the U.S. government equal to 28% of the employer's annual drug costs that fall within a certain range. The College received payments of \$260,502 for the fiscal year ended June 30, 2013 and \$232,609 for fiscal year ended June 30, 2014.

The College also provides life insurance for retirees until the end of the contract year in which the employee turns 65 years of age. Contract year is defined as fiscal year for Administrators/Confidential and academic year for Faculty/Classified. The College paid premiums of \$10,129 covering 36 retirees for the fiscal year ended June 30, 2013 and \$14,915, covering 38 retirees for the fiscal year ended June 30, 2014.

**5. Annual OPEB Cost and Net OPEB Obligation**

The College's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following show the components of the Community College of Philadelphia's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the College's net OPEB obligation:

	2014	2013	2012
Annual required contribution	\$ 13,249,915	\$ 12,255,644	\$ 10,982,860
Annual OPEB cost (expense)	13,249,915	12,255,644	10,982,860
Contributions made	(4,608,714)	(3,725,611)	(3,371,858)
Increase in net OPEB obligation	8,641,201	8,530,033	7,611,002
Net OPEB obligation at July 1	38,755,360	30,225,327	22,614,325
Net OPEB obligation at June 30	\$ 47,396,561	\$ 38,755,360	\$ 30,225,327

(Continued)

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE I - EMPLOYEE BENEFITS - Continued**

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

	<u>Annual OPEB principal</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB total</u>
Fiscal year ended:			
June 30, 2014	\$ 13,249,915	34.78%	\$ 47,396,561
June 30, 2013	12,255,644	30.39	38,755,360
June 30, 2012	10,982,860	30.70	30,225,327

**6. Funded Status and Funding Progress**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarial amounts determined regarding the funded status of the plan and the annual required contributions of the College are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The funded status of the plan as of the most recent valuation date is as follows:

Actuarial valuation date	July 1, 2013
Actuarial value of assets	\$ -
Actuarial accrued liability	<u>142,548,317</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 142,548,317</u>
Funded ratio	0%
Annual covered payroll (Note K)	\$ 76,380,018
UAAL as a percentage of covered payroll	186.63%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about the plan's funding.

(Continued)

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE I - EMPLOYEE BENEFITS - Continued**

**7. Actuarial Methods and Assumptions**

The calculations are based on the types of benefits provided under the terms of the College's Retirement Benefits Plan at the time of the valuation. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following actuarial methods and significant assumptions were used for the July 1, 2013 valuation:

Actuarial cost method	Projected unit credit
Amortization method	Closed, level dollar amortization over 30 years
Remaining amortization period	23 years
Discount rate	4.00%
Medical trend rate	7.50% gradually decreasing to 4.50% in 2027
Prescription-drug trend rate	7.50% gradually decreasing to 4.50% in 2021
Dental trend rate	3.00%
Mortality table	RP-2000 healthy mortality table projected to 2014 with scale AA

**NOTE J - COMMITMENTS AND CONTINGENCIES**

Based upon the provisions of Act 46 enacted in 2005 and effective with the June 2007 fiscal year, the Commonwealth no longer audits the funding received. In lieu of the state audit, an enrollment verification and capital expenditure audit is completed by the College's independent auditor. The College has accrued for audit findings through 2006, the last year Commonwealth audits were performed.

The use of grant monies received is subject to compliance audits by the disbursing governmental agency. The College believes it is in compliance with all significant grant requirements.

The nature of the educational industry is such that, from time to time, the College is exposed to various risks of loss related to torts; alleged negligence; acts of discrimination; breach of contract; labor disputes; disagreements arising from the interpretation of laws or regulations; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services. The College addresses these risks by purchasing commercial insurance. The College's retention of risk is limited to the deductibles on its insurance policies, which range from \$-0- to \$150,000 per claim depending on the nature of the claim.

There have been no significant reductions in insurance coverage from the prior year. There have been no instances where a settlement amount exceeded the insurance coverage for each of the last three years. It is not expected that the resolution of any outstanding claims and litigation will have a material adverse effect on the accompanying financial statements.

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE K - OPERATING EXPENSES**

The College and component unit Foundation's operating expenses, on a natural classification basis, were comprised of the following:

	2014		2013	
	College	Component unit Foundation	College	Component unit Foundation
Salaries	\$ 75,438,209	\$ 941,809	\$ 76,015,530	\$ 633,639
Benefits	35,884,685	250,719	34,247,087	133,897
Contracted services	9,696,574	296,273	11,372,678	260,438
Supplies	3,231,590	122,298	3,635,794	91,302
Depreciation	10,490,412	-	10,423,443	-
Student aid	10,459,176	387,194	8,327,636	302,451
Other post-retirement benefits	8,641,201	-	8,530,033	-
Gifts from the Community College of Philadelphia Foundation	-	100,000	-	2,809,152
Other	12,313,843	435,174	11,467,782	487,283
<b>Total</b>	<b>\$ 166,155,690</b>	<b>\$ 2,533,467</b>	<b>\$ 164,019,983</b>	<b>\$ 4,718,162</b>

**NOTE L - CITY AND STATE APPROPRIATIONS**

Appropriations from the Commonwealth and the City for the years ended June 30, 2014 and 2013 are as follows:

	2014		2013	
	Operations	Capital	Operations	Capital
Commonwealth of Pennsylvania	\$ 28,179,310	\$ 6,109,663	\$ 28,239,824	\$ 6,384,089
City of Philadelphia	18,346,138	7,859,208	18,063,705	7,345,502
<b>Total appropriations</b>	<b>\$ 46,525,448</b>	<b>\$ 13,968,871</b>	<b>\$ 46,303,529</b>	<b>\$ 13,729,591</b>

Community College of Philadelphia  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2014 and 2013

**NOTE M - PASS-THROUGH GRANTS**

The College distributed \$44,548,421 in 2014 and \$42,430,511 in 2013 for student loans through the U.S. Department of Education Federal Direct Loan Program. These distributions and related funding sources are not included as expenses and revenues, nor as cash disbursements and cash receipts in the accompanying financial statements.

**NOTE N - SUBSEQUENT EVENTS**

The College has evaluated subsequent events through September 30, 2014 noting no items which would require disclosure in the financial statements.

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SUPPLEMENTAL INFORMATION

Community College of Philadelphia  
(A Component Unit of the City of Philadelphia)

**SCHEDULE OF FUNDING PROGRESS**

June 30, 2014 and 2013

Valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL (OAAL) percentage of covered payroll ((a-b)/c)
July 1, 2007	\$ -	\$ 72,351,392	\$ 72,351,392	\$ -	\$ 64,747,493	111.74%
July 1, 2009	-	81,337,622	81,337,622	-	73,489,322	110.68
July 1, 2011	-	103,846,976	103,846,976	-	76,796,463	135.22
July 1, 2012	-	124,575,199	124,575,199	-	76,015,530	163.88
July 1, 2013	-	142,548,317	142,548,317	-	76,380,018	186.63

Schedule of contributions from the College

Fiscal year	Annual required contribution	Contribution	Percentage contributed
June 30, 2008	\$ 7,257,715	\$ 2,063,042	28.43%
June 30, 2009	7,463,367	2,281,821	30.57
June 30, 2010	8,590,625	2,391,154	27.83
June 30, 2011	8,872,232	2,833,597	31.94
June 30, 2012	10,982,860	3,371,858	30.70
June 30, 2013	12,255,644	3,725,611	30.40
June 30, 2014	13,249,915	4,608,714	34.78

The information presented above was determined as part of the actuarial valuation at the date indicated.

Actuarial cost method	Projected Unit Credit
Asset valuation method	N/A
Remaining amortization period	23 years

Actuarial assumptions:

Discount rate	4.00%
Medical cost trend rate	7.50% gradually decreasing to 4.50% in 2027
Prescription drug cost trend rate	7.50% gradually decreasing to 4.50% in 2021
Dental cost trend rate	3.00%
Mortality table	RP-2000 healthy mortality table projected to 2014 with scale AA

Community College of Philadelphia  
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**STATISTICAL SECTION - SCHEDULE OF REVENUES BY SOURCE (UNAUDITED)**

Year ended June 30,

(Amounts expressed in thousands)

	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Revenues:</b>									
Student tuition and fees (net of scholarship allowances)	\$ 35,338	\$ 32,003	\$ 30,181	\$ 28,132	\$ 29,608	\$ 31,618	\$ 29,723	\$ 27,146	\$ 26,258
State grants and contracts	-	-	-	-	-	-	-	-	-
Nongovernmental grants and contracts	-	-	-	-	-	-	-	75	50
Sales of auxiliary enterprises	1,671	1,776	1,827	1,734	1,650	1,371	1,274	1,132	1,075
Other operating revenues	166	158	168	180	194	95	76	73	65
<b>Total operating revenues</b>	<b>37,175</b>	<b>33,937</b>	<b>32,176</b>	<b>30,046</b>	<b>31,452</b>	<b>33,084</b>	<b>31,073</b>	<b>28,426</b>	<b>27,448</b>
City appropriations	18,346	18,064	17,652	18,092	18,946	19,245	20,243	19,644	18,958
State appropriations	28,179	28,240	28,229	29,275	28,750	31,496	31,554	30,855	29,564
Federal grants and contracts	58,796	58,715	56,839	58,890	51,131	32,552	30,668	27,391	28,823
State grants and contracts	6,591	7,191	6,495	5,967	5,585	5,831	7,818	8,570	8,662
Gifts from the Community College of Philadelphia Foundation	100	2,809	-	-	-	-	-	-	-
Nongovernmental grants and contracts	1,704	1,119	1,014	1,419	1,580	2,688	1,632	1,332	785
Private gifts	-	-	-	-	-	-	-	-	1
Net investment income	695	333	1,098	718	1,587	249	1,084	1,780	1,148
Other nonoperating revenue	324	379	540	333	353	354	1,237	321	151
<b>Total nonoperating revenues</b>	<b>114,735</b>	<b>116,850</b>	<b>111,867</b>	<b>114,694</b>	<b>107,932</b>	<b>92,415</b>	<b>94,236</b>	<b>89,893</b>	<b>88,092</b>
<b>Capital appropriations</b>	<b>13,969</b>	<b>13,730</b>	<b>14,084</b>	<b>13,648</b>	<b>13,979</b>	<b>13,721</b>	<b>8,316</b>	<b>7,762</b>	<b>7,235</b>
<b>Total revenues</b>	<b>\$ 165,879</b>	<b>\$ 164,517</b>	<b>\$ 158,127</b>	<b>\$ 158,388</b>	<b>\$ 153,363</b>	<b>\$ 139,220</b>	<b>\$ 133,625</b>	<b>\$ 126,081</b>	<b>\$ 122,775</b>

See accompanying report of independent certified public accountants.



Community College of Philadelphia  
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**STATISTICAL SECTION - SCHEDULE OF REVENUES BY SOURCE (UNAUDITED)**

Year ended June 30,

(Amounts expressed in percentages)

	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Revenues:</b>									
Student tuition and fees (net of scholarship allowances)	21.30%	19.45%	19.09%	17.76%	19.31%	22.71%	22.24%	21.53%	21.39%
State grants and contracts	-	-	-	-	-	-	-	-	-
Nongovernmental grants and contracts	-	-	-	-	-	-	-	0.06	0.04
Sales of auxiliary enterprises	1.01%	1.08	1.16	1.09	1.08	0.98	0.95	0.90	0.88
Other operating revenues	0.10%	0.10	0.11	0.11	0.13	0.07	0.06	0.06	0.05
<b>Total operating revenues</b>	<b>22.41%</b>	<b>20.63</b>	<b>20.36</b>	<b>18.96</b>	<b>20.52</b>	<b>23.76</b>	<b>23.25</b>	<b>22.55</b>	<b>22.36</b>
City appropriations	11.06%	10.98%	11.16%	11.42%	12.35%	13.82%	15.15%	15.58%	15.44%
State appropriations	16.99%	17.17	17.85	18.48	18.75	22.62	23.61	24.47	24.08
Federal grants and contracts	35.45%	35.69	35.95	37.18	33.34	23.38	22.95	21.72	23.48
State grants and contracts	3.97%	4.37	4.11	3.77	3.64	4.19	5.85	6.80	7.06
Gifts from the Community College of Philadelphia Foundation	0.06%	1.70	-	-	-	-	-	-	-
Nongovernmental grants and contracts	1.02%	0.68	0.64	0.90	1.03	1.93	1.22	1.06	0.64
Private gifts	-	-	-	-	-	-	-	-	-
Net investment income	0.42%	0.20	0.69	0.45	1.03	0.18	0.81	1.41	0.94
Other nonoperating revenue	0.20%	0.23	0.33	0.22	0.23	0.26	0.94	0.25	0.11
<b>Total nonoperating revenues</b>	<b>69.17%</b>	<b>71.02</b>	<b>70.73</b>	<b>72.42</b>	<b>70.37</b>	<b>66.38</b>	<b>70.53</b>	<b>71.29</b>	<b>71.75</b>
<b>Capital appropriations</b>	<b>8.42%</b>	<b>8.35</b>	<b>8.91</b>	<b>8.62</b>	<b>9.11</b>	<b>9.86</b>	<b>6.22</b>	<b>6.16</b>	<b>5.89</b>
<b>Total revenues</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

See accompanying report of independent certified public accountants.

Community College of Philadelphia  
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**STATISTICAL SECTION - SCHEDULE OF EXPENSES BY USE (UNAUDITED)**

Year ended June 30,

(Amounts expressed in thousands)

	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses:									
Salaries	\$ 75,438	\$ 76,015	\$ 76,796	\$ 78,168	\$ 73,489	\$ 69,694	\$ 68,333	\$ 64,747	\$ 63,350
Benefits	35,885	34,247	32,062	32,500	30,231	27,121	25,210	25,309	23,980
Contracted services	9,697	11,373	6,057	5,376	4,881	5,214	4,869	4,089	4,212
Supplies	3,232	3,636	2,760	3,253	2,198	2,107	2,416	1,996	2,183
Depreciation	10,490	10,423	9,764	7,660	6,493	6,588	6,374	5,947	6,086
Student aid	10,459	8,328	10,015	7,376	7,935	4,409	4,326	4,342	6,975
Other	12,314	11,468	11,895	12,948	11,730	12,269	11,692	11,109	11,383
GASB 45 (Other post-employment benefits) accrual	8,641	8,530	7,611	6,039	6,199	5,181	5,195	-	-
Total operating expenses	166,156	164,020	156,960	153,320	143,156	132,583	128,415	117,539	118,169
Interest on capital asset-related debt service	4,258	4,689	3,927	3,542	1,841	1,889	2,273	1,993	2,603
Total nonoperating expenses	4,258	4,689	3,927	3,542	1,841	1,889	2,273	1,993	2,603
Total expenses	\$ 170,414	\$ 168,709	\$ 160,887	\$ 156,862	\$ 144,997	\$ 134,472	\$ 130,688	\$ 119,532	\$ 120,772

See accompanying report of independent certified public accountants.

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**STATISTICAL SECTION - SCHEDULE OF EXPENSES BY USE(UNAUDITED)**

Year ended June 30,

(Amounts expressed in percentages)

	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses:									
Salaries	44.27%	45.06%	47.73%	49.83%	50.68%	51.83%	52.29%	54.17%	52.45%
Benefits	21.04%	20.28%	19.93	20.72	20.85	20.17	19.29	21.17	19.86
Contracted services	5.69%	6.74%	3.77	3.43	3.37	3.88	3.72	3.42	3.49
Supplies	1.90%	2.16%	1.72	2.07	1.52	1.57	1.85	1.67	1.81
Depreciation	6.16%	6.18%	6.07	4.88	4.48	4.90	4.88	4.98	5.04
Student aid	6.14%	4.94%	6.22	4.70	5.47	3.28	3.31	3.63	5.78
Other	7.23%	6.80%	7.39	8.26	8.09	9.12	8.95	9.29	9.41
GASB 45 (Other post-employment benefits) accrual	5.07%	5.06%	4.73	3.85	4.27	3.85	3.97	-	-
Total operating expenses	<u>97.50%</u>	<u>97.22%</u>	<u>97.56</u>	<u>97.74</u>	<u>98.73</u>	<u>98.60</u>	<u>98.26</u>	<u>98.33</u>	<u>97.84</u>
Interest on capital asset-related debt service	<u>2.50%</u>	<u>2.78%</u>	<u>2.44</u>	<u>2.26</u>	<u>1.27</u>	<u>1.40</u>	<u>1.74</u>	<u>1.67</u>	<u>2.16</u>
Total nonoperating expenses	<u>2.50%</u>	<u>2.78%</u>	<u>2.44</u>	<u>2.26</u>	<u>1.27</u>	<u>1.40</u>	<u>1.74</u>	<u>1.67</u>	<u>2.16</u>
Total expenses	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

See accompanying report of independent certified public accountants.

Community College of Philadelphia  
(A Component Unit of the City of Philadelphia)

**STATISTICAL SECTION - SCHEDULE OF EXPENSES BY FUNCTION (UNAUDITED)**

Year ended June 30,

(Amounts expressed in thousands)

	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses by function:									
Instruction	\$ 66,210	\$ 66,436	\$ 62,162	\$ 62,184	\$ 57,714	\$ 53,368	\$ 51,996	\$ 48,457	\$ 47,272
Public services	109	156	63	92	46	123	93	30	70
Academic support	17,492	17,247	17,723	19,251	18,540	16,828	14,920	13,927	12,577
Student services	22,811	21,913	21,075	21,744	20,241	18,212	17,776	16,315	17,030
Institutional support	25,229	26,216	23,281	22,003	20,095	21,385	21,296	17,956	17,365
Operation and maintenance of plant	12,586	12,742	12,244	12,392	11,307	10,905	10,949	9,964	9,632
Depreciation	10,490	10,423	9,764	7,660	6,493	6,588	6,374	5,947	6,086
Student aid	10,459	8,328	10,015	7,377	7,935	4,409	4,326	4,342	7,440
Auxiliary enterprises	770	559	633	617	785	765	685	601	618
Other	-	-	-	-	-	-	-	-	78
Interest on capital debt	4,258	4,689	3,927	3,542	1,841	1,889	2,273	1,993	2,603
Total expenses by function	\$ 170,414	\$ 168,709	\$ 160,887	\$ 156,862	\$ 144,997	\$ 134,472	\$ 130,688	\$ 119,532	\$ 120,771

(Amounts expressed in percentages)

	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses by function:									
Instruction	38.85%	39.38%	38.64%	39.64%	39.80%	39.69%	39.79%	40.54%	39.14%
Public services	0.06%	0.09%	0.04	0.06	0.03	0.09	0.07	0.03	0.06
Academic support	10.26%	10.22%	11.02	12.28	12.79	12.51	11.42	11.65	10.41
Student services	13.39%	12.99%	13.10	13.86	13.96	13.54	13.60	13.65	14.10
Institutional support	14.80%	15.54%	14.47	14.03	13.86	15.90	16.30	15.02	14.38
Operation and maintenance of plant	7.39%	7.55%	7.61	7.90	7.80	8.12	8.37	8.33	7.98
Depreciation	6.16%	6.18%	6.07	4.88	4.48	4.90	4.88	4.98	5.04
Student aid	6.14%	5.94%	6.22	4.70	5.47	3.28	3.31	3.63	6.16
Auxiliary enterprises	0.45%	0.33%	0.39	0.39	0.54	0.57	0.52	0.50	0.51
Other	-	-	-	-	-	-	-	-	0.06
Interest on capital debt	2.50%	2.78%	2.44	2.26	1.27	1.40	1.74	1.67	2.16
Total expenses by function	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

See accompanying report of independent certified public accountants.

Community College of Philadelphia  
(A Component Unit of the City of Philadelphia)

**STATISTICAL SECTION - SCHEDULE OF NET POSITION AND CHANGES IN NET POSITION (UNAUDITED)**

Year ended June 30,

(Amounts expressed in thousands)

	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total revenues (from schedule of revenues by source less capital appropriations)	\$ 151,910	\$ 150,786	\$ 144,042	\$ 144,740	\$ 139,384	\$ 125,499	\$ 125,309	\$ 118,318	\$ 115,541
Total operating expenses (from schedule of expenses by use)	<u>170,414</u>	<u>168,709</u>	<u>160,887</u>	<u>156,862</u>	<u>144,997</u>	<u>134,472</u>	<u>130,688</u>	<u>119,532</u>	<u>120,771</u>
Income before other revenues and expenses	(18,504)	(17,923)	(16,845)	(12,122)	(5,613)	(8,973)	(5,379)	(1,214)	(5,230)
Capital grants and contracts	-	-	-	-	-	-	-	35	235
Deductions to permanent endowments	-	-	-	-	-	-	(14)	(106)	(22)
Total changes in net position	(18,504)	(17,923)	(16,845)	(12,122)	(5,613)	(8,973)	(5,393)	(1,285)	(5,017)
Net position, beginning	-	81,265	85,903	84,377	76,011	71,263	68,340	61,863	59,646
Net position, ending	<u>\$ (18,504)</u>	<u>\$ 63,342</u>	<u>\$ 69,058</u>	<u>\$ 72,255</u>	<u>\$ 70,398</u>	<u>\$ 62,290</u>	<u>\$ 62,947</u>	<u>\$ 60,578</u>	<u>\$ 54,629</u>
Net investment in capital assets	\$ 93,771	\$ 89,660	\$ 86,331	\$ 80,136	\$ 69,278	\$ 60,947	\$ 54,231	\$ 49,504	\$ 49,416
Restricted - nonexpendable	-	-	-	-	-	-	-	13	79
Restricted - expendable	4,742	2,740	1,364	731	511	511	1,874	920	145
Unrestricted	<u>(25,975)</u>	<u>(15,328)</u>	<u>(4,553)</u>	<u>5,036</u>	<u>14,588</u>	<u>14,553</u>	<u>15,158</u>	<u>17,903</u>	<u>12,222</u>
Total net position	<u>\$ 72,538</u>	<u>\$ 77,072</u>	<u>\$ 83,142</u>	<u>\$ 85,903</u>	<u>\$ 84,377</u>	<u>\$ 76,011</u>	<u>\$ 71,263</u>	<u>\$ 68,340</u>	<u>\$ 61,862</u>

Source: Audited financial statements.

See accompanying report of independent certified public accountants.

Community College of Philadelphia  
(A Component Unit of the City of Philadelphia)

**STATISTICAL SECTION - FISCAL YEAR ENROLLMENT AND DEGREE STATISTICS (UNAUDITED)**

Year ended June 30,

	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Enrollments and student demographics:</b>									
Credit FTE	15,051	15,116	15,769	16,091	15,808	14,208	13,942	13,570	13,594
Unduplicated Credit Headcount	28,096	28,264	29,094	29,032	28,783	26,868	26,212	26,157	26,293
Percentage - Men	37.7%	36.9%	35.5%	35.5%	34.5%	33.7%	33.2%	32.8%	32.9%
Percentage - Women	62.3	63.1	64.5	64.5	65.5	66.3	66.8	67.2	67.1
Percentage - Black	50.2%	49.7%	49.9%	49.2%	48.9%	48.6%	48.0%	48.3%	47.8%
Percentage - White	24.3	25.1	24.6	24.4	25.0	25.7	25.2	26.0	26.8
Percentage - Asian	8.2	7.7	7.3	7.2	7.1	7.4	7.7	7.6	7.3
Percentage - Hispanic	11.4	10.6	4.9	6.5	7.0	6.8	6.3	5.9	5.6
Percentage - American Indian/other	0.4	0.4	0.5	0.5	0.4	0.4	0.4	0.5	0.5
Percentage - Unknown	5.6	6.5	12.9	12.2	11.6	11.1	12.4	11.7	12.0
<b>Degrees awarded:</b>									
Associate	1,857	1,712	1,828	1,702	1,667	1,741	1,592	1,481	1,465
Certificate	338	167	180	214	216	259	319	232	170

Source: Department of Institutional Research.

**UNDERGRADUATE AVERAGE ANNUAL TUITION AND FEES**

Community College of Philadelphia in Comparison to Other Selected Colleges

(Full-time Academic Year Tuition and Fee Charges)

	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
Community College of Philadelphia	\$ 4,440	\$ 4,320	\$ 4,080	\$ 3,840	\$ 3,696	\$ 3,528	\$ 3,528	\$ 3,336	\$ 3,120
Bucks County Community College	3,856	3,707	3,888	3,744	3,264	3,096	2,976	2,904	2,784
Delaware County Community College	3,776	3,768	3,312	3,144	3,072	2,880	2,760	2,616	2,532
Montgomery County Community College	3,672	3,500	3,498	3,276	3,052	2,520	2,424	2,328	2,256
Temple University	14,096	13,596	13,596	12,424	11,764	11,448	10,802	10,380	9,640
West Chester University	8,850	8,620	8,274	7,680	7,211	6,737	6,518	6,293	6,147
Drexel University	37,505	36,090	34,405	33,005	31,865	30,440	29,085	25,450	24,280

Note: Community College values reflect amounts charged to sponsoring district residents.

Source: College and University Institutional Websites.

See accompanying report of independent certified public accountants.

Community College of Philadelphia  
(A Component Unit of the City of Philadelphia)

**STATISTICAL SECTION - FACULTY AND STAFF STATISTICS (UNAUDITED)**

For Fall Term in Year

	2014	2013	2012	2011	2010	2009	2008	2007	2006
Faculty:									
Part-time	643	734	757	771	737	684	641	623	787
Full-time	407	412	418	413	395	393	395	399	399
Percentage tenured	79.9%	80.6%	83.0%	84.0%	79.5%	79.6%	78.5%	76.1%	74.1%
Administrative and support staff:									
Part-time	12	20	22	19	19	23	31	31	28
Full-time	441	447	472	460	462	457	426	429	424
Total employees:									
Part-time	655	754	779	790	756	707	672	654	815
Full-time	848	859	890	873	857	850	821	828	823
Students per full-time staff:									
Number credit students	19,066	18,692	19,751	19,503	19,047	17,327	17,352	16,871	16,889
Faculty	47	46	47	47	48	44	44	42	42
Administrative and support staff	43	42	42	42	44	38	41	39	40
Average annual faculty salary	64,059	66,137	66,236	67,266	65,381	63,408	60,799	57,346	58,473

Source: Institutional Human Resource Records.

See accompanying report of independent certified public accountants.

**GROSS SQUARE FEET OF COLLEGE BUILDINGS**

	2014	2013	2012	2011	2010	2009	2008	2007	2006
Main Campus -- Buildings	911,051	911,051	900,613	900,613	852,445	852,445	852,445	852,445	852,445
Main Campus -- 17 Street Garage	230,360	230,360	230,360	230,660	230,660	230,360	230,360	230,360	230,360
Main Campus Recreation Deck	62,600	62,600	62,600	62,600	62,600	62,600	62,600	62,600	62,600
Main Campus -- CBI Garage	74,902	74,902	74,902	74,902	74,902	74,902	74,902	74,902	74,902
Main Campus -- 434 North 15th Street	88,500	88,500	88,500	88,500	-	-	-	-	-
Northeast Regional Center	109,075	109,075	109,075	109,075	109,075	59,876	59,876	59,876	59,876
West Regional Center	39,394	39,394	39,394	32,090	32,090	32,090	32,090	32,090	32,090
Northwest Regional Center	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000
Total gross square feet	<u>1,605,882</u>	<u>1,605,882</u>	<u>1,595,444</u>	<u>1,588,440</u>	<u>1,451,772</u>	<u>1,402,273</u>	<u>1,402,273</u>	<u>1,402,273</u>	<u>1,402,273</u>

Source: Institutional Physical Plant Records.

See accompanying report of independent certified public accountants.

**Demographic Statistics**  
City of Philadelphia Last Eight Calendar Years

	<b>Population as of June 30</b>	<b>Average annual unemployment rate</b>
Year:		
2005 – 06	1,463,281	6.7
2006 – 07	1,448,394	6.2
2007 – 08	1,449,634	6.0
2008 – 09	1,540,351	7.1
2009 – 10	1,547,297	9.8
2010 – 11	1,526,006	10.9
2011 – 12	1,536,471	10.8
2012 – 13	1,547,607	10.5
2013 – 14	1,553,165	7.8

Sources: United States Census Bureau and Bureau of Labor Statistics

See accompanying independent auditors' report.



Community College of Philadelphia  
(A Component Unit of the City of Philadelphia)

**COMPONENT UNIT SCHEDULE OF NET POSITION**

Years ended June 30,

(In thousands)

Assets:

Cash on deposit and on hand	\$ 10,729
Equity in pooled cash and investments	-
Equity in treasurer's account	-
Investments	39,673
Internal balances	-
Amounts held by fiscal agent	-
Notes receivable	-
Taxes receivable	-
Accounts receivable	9,509
Allowance for doubtful accounts	(3,587)
Interest and dividends receivable	48
Due from other governments	2,651
Restricted assets	(271)
Inventories	-
Other assets	1,560
Property, plant and equipment	<u>179,493</u>
Total assets	<u>\$ 239,805</u>

Liabilities:

Notes payable	\$ -
Vouchers and accounts payable	13,114
Salaries and wages payable	2,675
Accrued expenses	1,149
Funds held in escrow	461
Due to other governments	3,025
Deferred revenue	3,629
Current portion of long-term obligations	8,275
Noncurrent portion of long-term obligations	77,185
Other Post Employment Benefits (GASB 45)	<u>47,397</u>
Total liabilities	<u>\$ 156,910</u>

Net position:

Net investment in capital assets	\$ 93,771
Restricted for:	
Capital projects	5,356
Debt service	-
Community development projects	-
Behavioral health programs	-
Intergovernmental financing	-
Tuition stabilization and scholarships	8,113
Rate stabilization	-
Unrestricted (deficit)	<u>(24,345)</u>
Total net position	<u>\$ 82,895</u>

See accompanying report of independent certified public accountants.

Community College of Philadelphia  
(A Component Unit of the City of Philadelphia)

## COMPONENT UNIT SCHEDULE OF ACTIVITIES

Years ended June 30, 2014

(In thousands)

			Program revenues		Net expense and changes in net position
			Operating grants and contributions	Capital grants and contributions	Education activities
	Expenses	Charge for services			
Community college services	\$ 172,848	\$ 37,009	\$ 68,837	\$ -	\$ 67,002
				General revenues:	
				Taxes	
				Grants and contributions*	60,494
				Interest and investment earnings	1,524
				Miscellaneous	1,153
				Special items	-
				Transfers	-
				Total general revenues, special items and transfers	63,171
				Change in net assets	(3,831)
				Net position - beginning	86,726
				Net position - ending	\$ 82,895

\* Includes Commonwealth appropriations of \$34,289 and City of Philadelphia appropriations of \$26,205.

See accompanying notes to financial statements.

Community College of Philadelphia  
(A Component Unit of the City of Philadelphia)

**COMPONENT UNIT CAPITAL ASSET FORMAT**

Years ended June 30, 2014 and 2013

	Beginning balance	Increases	Decreases	Ending balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 29,054,933	\$ -	\$ -	\$ 29,054,933
Fine arts	705,208	-	-	705,208
Construction in process	1,116,503	3,647,681	(4,412,432)	351,752
Total capital assets not being depreciated	30,876,644	3,647,681	(4,412,432)	30,111,893
Capital assets being depreciated:				
Buildings	226,864,126	6,245,329	(757,932)	232,351,523
Other improvements	18,030,087	213,994	-	18,244,081
Equipment	38,242,626	845,750	(3,003,037)	36,085,339
Furniture	1,149,951	75,581	(77,041)	1,148,491
Leasehold improvements	176,176	-	-	176,176
Infrastructure	-	-	-	-
Total capital assets being depreciated	284,462,966	7,380,654	(3,838,010)	288,005,610
Less accumulated depreciation for:				
Buildings	89,712,732	6,024,117	(721,002)	95,015,847
Other improvements	15,975,808	642,130	-	16,617,938
Equipment	25,474,851	3,791,144	(3,447,946)	25,818,049
Furniture	1,060,908	18,567	(76,282)	1,003,193
Leasehold improvements	155,074	14,454	-	169,528
Infrastructure	-	-	-	-
Total accumulated depreciation	132,379,373	10,490,412	(4,245,230)	138,624,555
Total capital assets being depreciated, net	152,083,593	(3,109,758)	407,220	149,381,055
Business-type activities capital assets, net	\$ 182,960,237	\$ 537,923	\$ (4,005,212)	\$ 179,492,948

See accompanying report of independent certified public accountants.

**Report of Independent Certified Public Accountants on Internal Control over Financial Reporting  
and on Compliance and Other Matters on an Audit of Financial Statements Performed In  
Accordance with Government Auditing Standards**

Signed report to be inserted upon issuance