

**MEETING OF AUDIT COMMITTEE**  
**Community College of Philadelphia**  
**Wednesday, September 30, 2015 – 9:00 a.m.**

Present: Mr. Anthony J. Simonetta, Mr. Matthew Bergheiser, Mr. Jeremiah White, Donald Generals, Ed.D., Mr. Todd E. Murphy, Mr. James P. Spiewak, Robert Lucas; and representing Grant Thornton: Mr. Brian Page, Mr. Andy Beck

**AGENDA – PUBLIC SESSION**

**1. Approve Minutes of Audit Committee Meeting on June 10, 2015 (Action Item):**

**Action:** Mr. Simonetta asked for a motion to recommend acceptance of the June 10, 2015 Audit Committee meeting minutes. Mr. Bergheiser made the motion. Mr. White seconded the motion. The motion passed unanimously.

**2. 2014-15 Final Budget Results (Information Item):**

Mr. Spiewak provided a brief overview of the College's budget status and reminded Committee members that much of the discussion regarding the budget took place at the Business Affairs Committee meeting held on September 22, 2015. He pointed out the College ended the year with a small surplus of \$127,204. Tuition and fee revenues were slightly under budget, but were offset by an additional \$462,000 in State funding. Total operating expenditures ended the year \$1.2 million less than budgeted. A number of budgeted positions remained vacant during the year resulting in a positive budget variance in salaries. The retirement incentive program added unbudgeted costs of \$740,000 to the FY 14-15 budget year but will result in projected salary savings of \$3.9 million over the next five years. Attachment A (2014-2015 Final Budget Results) provides reasons for variances in revenue and expense categories.

Mr. Simonetta asked if the State budget impasse had an impact on the College. Mr. Eapen advised the Committee that the College was able to have the City make its quarterly payment early to help with the cash flow. In addition, the College is securing a line of credit with Univest Bank in the amount of \$5 Million.

**3. 2014-15 Fiscal Year Audit Report (Action Item):**

Attachment B contains the presentation and Attachment C contains audit results for the 2014-2015 fiscal year made by Mr. Brian Page, Engagement Partner, and Mr. Andy Beck, Senior Manager, from Grant Thornton. Mr. Page began the discussion by reviewing the required communications, roles and responsibilities for the financial statements including the auditors, the Board (and Audit Committee). Mr. Page pointed out that they do not give an opinion on the statistical section of the financial statements and supplementary information.

Mr. Beck then discussed the scope and areas of focus of Grant Thornton's audit. Specifically, he mentioned reasonableness tests regarding tuition, deferrals, receivables and management's doubtful account allowance calculation as compared to the enrollment population, as well as State and City appropriations and investment earnings and the new accounting pronouncement implementation of GASB 68. Under this new accounting standard the College is required to record their share of the value of the cost sharing plan with PERS and SERS. The College was required to record a \$2 million dollar liability as a result of the actuarial calculation for its share of the two plans. This amount is reflected as a prior year adjustment for fiscal year 2014 and is mentioned in this year's audit opinion.

Mr. Simonetta asked what discount rate was associated with the two plans. Mr. Page referenced that all of the assumptions used are outlined in the required footnote disclosure on page 49 of the Financial Statements, which is at 7.5%.

Mr. Page reviewed internal controls procedures and explained that his team does a test and walkthrough the College's internal controls over areas related to governance, financial reporting, information technology and other key areas such as revenues, employee compensation and payables.

Mr. Page then walked through the summary of audit adjustments. There were no significant audit adjustments, however there were two passed audit adjustments that related to audit fees and accounts payable and are outlined in the presentation. These adjustments amounted to less than 1% from an income statement perspective and are considered immaterial to the College's financial statements.

Mr. Page then stated that there had been no disagreements with management in the preparation of the financial statements, and there had been no difficulties encountered in performing the audit. The audit team was in fact very pleased with how quickly management responded to their questions and points of inquiry. It should be noted that there were no material weaknesses or significant deficiencies in the 2014-2015 financial statements.

Several technical updates, projects, regulatory issues and upcoming accounting pronouncements were discussed with the Committee, which are outlined in the Presentation. Specifically, the new accounting pronouncements GASB 72 & GASB 75 were discussed. Under GASB 72 the College will be required to include more disclosures with respect to investments. Depending upon the method used to determine their fair value, investments will now need to be separated into three categories. Under GASB 75, which is effective for fiscal years beginning after June 15, 2017, the College will be required to record the full value of other post employee benefit liabilities in their entirety. Currently, the College is phasing this in over a thirty year amortization period. Consequently, the College will have a large decrease in its net assets going forward.

Mr. Page then highlighted some industry updates regarding Moody's outlook on community colleges as well as an increase in appropriations nationally. Mr. Simonetta asked what the impact is related to the focus on for-profit colleges. Mr. Page stated that outcome measures are the most important impact, such as retention and job placement. Prospective students want to know the value received from a College. He stated that one of the Texas System College's posts these measures on their website.

Mr. White asked if Grant Thornton could provide specific trend data on Community Colleges. Mr. Page will research and provide an update to the Committee although it may be more than a year old.

Mr. Page discussed Public Private Partnerships (P3) in detail. Specifically, he advised that in P3 ventures it is important to look at the debt capacity, transfer risk, procurement process, due diligence, and governance considerations as well as all Bond agreements. Mr. Simonetta asked if the College should have a policy in place for this. Mr. Page affirmed and said through their tax practice that Grant Thornton may have a template the College can use to develop one.

Mr. White asked, given the trends in higher education, if there is anything long term the College should be engaged in. Mr. Page stated program changes, cost containment and student retention are critical issues now and should be an area of focus. Dr. Generals reminded the Committee that student retention may cost more but will generate revenues in future years.

**Action:** Mr. Bergheiser made a motion to accept the 2014-2015 Financial Statement Audit. Mr. White seconded. The motion passed unanimously.

#### **4. Internal Audit Plan 2014-2016 Year Update (Information Item):**

Mr. Lucas provided an update on the 2014-2016 internal audit plan. He provided a copy of a summary report and a copy of the audit plan for the remainder of the two-year period ending in June 2016 to the Committee members (Attachment D). Mr. Lucas stated that he had issued four draft audit reports to management since the last meeting. He also noted that he performed a special project at the request of Mr. Eapen.

Mr. Lucas also noted that he continues to work with management to review the status of previously issued audit comments. He noted that management has made progress clearing open items since the last meeting with several items completed. Mr. Lucas stated that he will provide the Committee with a copy of the Internal Audit Follow-Up Matrix for their review at the next Committee meeting.

Mr. White noted that the College had recently had a security analysis performed by a consulting firm. He asked Mr. Lucas whether the findings in that report would be tracked by Internal Audit. Mr. Lucas stated that he had recently received a copy of the final report and that he had several plans for the recommendations in the report. First, an audit of the College's Business Continuity Plan (BCP) was currently on hold pending the finalization of this security analysis. The results of this analysis would be taken into account to help determine when and to what extent the internal audit of the BCP would be performed. In addition, Mr. Lucas noted that Mr. Eapen had a summary of all of the consulting firm's recommendations on College safety and security for tracking purposes. Mr. Lucas stated that he would also review this summary. Lastly, Mr. Lucas noted that he participates in the Emergency Management Team (EMT) meeting held each month. The security analysis is now available to provide guidance for the EMT and the team members will use it going forward as a guide for appropriate planning and testing of various incident scenarios.

Mr. Lucas stated that he had prepared a presentation for managers and staff on internal controls as discussed at the last Committee meeting. He has made one presentation so far to the Finance group with other presentations planned through January for the remaining divisions and departments.

**5. February 2015 Meeting Date (Information Item):**

Mr. Murphy reminded the Committee that its next meeting will be to discuss the results of the College's A-133 Audit. Typically this meeting is scheduled for the month of February, since the deadline to submit the results to the Department of Education is March 31<sup>st</sup> of each year. Mr. Page felt that the audit team will complete the process in December 2015 and that the Audit Committee could expect to meet shortly thereafter.

**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. No executive session was considered necessary.

TEM/lh  
Attachments

cc: Dr. Donald Generals, Jr.  
Mr. Jacob Eapen  
Mr. Robert Lucas  
Mr. Jim Spiewak  
Representing Grant Thornton: Mr. Brian Page

# **ATTACHMENT A**

## **2014-2015 FINAL BUDGET RESULTS**

Community College of Philadelphia  
Enrollment Information (FTEs and Credit Hours)  
Fiscal Year 2014-15

	Actual FY 13-14		Budgeted FY 14-15		Actual FY 14-15		Actual FY 14-15		Credit Hour Variance - Budgeted vs. Actual		% Variance
	FTEs	Hours	FTEs	Hours	FTEs	Hours	FTEs	Hours			
<b><u>CREDIT</u></b>											
Summer 2	1,865	22,386	1,866	22,386	1,716	20,591	1,716	20,591	(1,795)		-8.0%
Fall	12,950	159,806	13,099	161,326	12,859	158,471	12,859	158,471	(2,855)		-1.8%
Winter					46	546	46	546	546		
Spring	12,739	156,997	12,892	158,304	12,587	155,231	12,587	155,231	(3,073)		-1.9%
Summer 1	2,547	30,575	2,658	31,896	2,493	29,926	2,493	29,926	(1,970)		-6.2%
Credit Year-to-date Totals - Annual FTEs	<u>15,051</u>	<u>369,764</u>	<u>15,257</u>	<u>373,912</u>	<u>14,850</u>	<u>364,765</u>	<u>14,850</u>	<u>364,765</u>	<u>(9,147)</u>		<u>-2.4%</u>
<b><u>NONCREDIT</u></b>											
Summer 2	58		95		54		54				
Fall	525		658		501		501				
Spring	382		615		344		344				
Summer 1	133		236		115		115				
Noncredit Year-to-date Totals - Annual FTEs	<u>549</u>		<u>802</u>		<u>507</u>		<u>507</u>				

Community College of Philadelphia  
Operating Budget Projections  
Fiscal Year 2014-15

	Original Budget	Final Results June 30, 2015	% Variance
<b><u>REVENUES</u></b>			
Student Tuition and Fees	\$76,692,948	\$76,399,894	-0.4%
Commonwealth of Pennsylvania	28,226,906	28,631,589	1.4%
City of Philadelphia	21,197,544	21,353,866	0.7%
Other Income	<u>1,867,400</u>	<u>1,609,122</u>	<u>-13.8%</u>
<b>TOTAL REVENUES</b>	<b>\$127,984,798</b>	<b>\$127,994,471</b>	<b>0.0%</b>
<b><u>EXPENSES *</u></b>			
Salaries, Net of Lapsed Funds	\$73,584,960	\$72,869,533	-1.0%
Fringe Benefits	34,499,400	32,007,949	-7.2%
Other Expenses	20,775,737	22,792,831 ^	9.7%
Student Financial Aid	<u>200,000</u>	<u>196,955</u>	<u>-1.5%</u>
<b>TOTAL EXPENSES</b>	<b>\$129,060,097</b>	<b>\$127,867,268</b>	<b>-0.9%</b>
<b>(Deficit) Surplus *</b>	<b><u>(\$1,075,299)</u></b>	<b><u>\$127,204</u></b>	

\* Prior to impact of GASB45 accrual (\$8.016M) and GASB68 accrual (\$.374M)

^ Includes cost of paying off \$3.578 million of long-term leases

Community College of Philadelphia  
Operating Budget Projection  
Fiscal Year 2014-2015

	Original Budget	Final Results June 30, 2015	Comment	% Variance
<b><u>OPERATING REVENUES</u></b>				
State Funding	\$28,036,906	\$28,499,415	Final state budget included unexpected \$ 462,000 increase in appropriation.	1.6%
State Lease funding	190,000	132,174	Reflects decision to delay replacement of some leases funded by the State.	-30.4%
<b>Total State Revenues</b>	<b>28,226,906</b>	<b>28,631,589</b>		<b>1.4%</b>
Tuition - Credit Students , net of write-offs, discounts and other offsets	60,902,899	60,568,702		-0.5%
Technology Fee	10,684,719	10,611,104		-0.7%
Course Fees	3,469,330	3,585,712		3.4%
Net Contribution from: Contracted Noncredit Instruction; Other Noncredit Instruction; Adult Community Noncredit Instruction				
Community Noncredit Instruction	511,500	461,229		-9.8%
Student Regulatory Fees	1,124,500	1,173,147		4.3%
<b>Total Student Tuition &amp; Fees</b>	<b>76,692,948</b>	<b>76,399,894</b>		<b>-0.4%</b>
<b>City Operating Funds</b>				
	<b>21,197,544</b>	<b>21,353,866</b>	Anticipated debt service for Biology Lab Renovation Project did not occur in FY 15.	<b>0.7%</b>
Investment Income	645,400	364,583	Interest earnings were lower than budgeted and bond funds experienced an unrealized loss (\$123k).	-43.5%
Vocational Education Funding	200,000	322,062	Perkins Funds utilized for faculty salaries was higher than budgeted.	61.0%
Indirect Costs, Administrative Allowances	300,000	360,853		20.3%
Parking Proceeds & Miscellaneous Income	722,000	561,624	Garage parking proceeds and miscellaneous income were lower than budgeted.	-22.2%
<b>Total Other Income</b>	<b>1,867,400</b>	<b>1,609,122</b>		<b>-13.8%</b>
<b>TOTAL OPERATING REVENUES</b>	<b>\$127,984,798</b>	<b>\$127,994,471</b>		<b>0.0%</b>



Community College of Philadelphia  
Operating Budget Projection  
Fiscal Year 2014-2015

	Original Budget	Final Results June 30, 2015	Comment	% Variance
<b><u>OPERATING EXPENSES</u></b>				
<b>Salaries</b>				
Full-Time Administrative Salaries	16,279,579			
Less: Projected Lapsed Salaries	(700,000)			
Net Full-Time Administrative Salaries	15,579,579	14,599,093	Higher than budgeted lapse funds due to high number of vacancies.	-6.3%
Full-Time Faculty Salaries	28,312,219			
Less: Projected Lapsed Salaries	(150,000)			
Net Full-Time Faculty Salaries	28,162,219	27,918,280		-0.9%
Full-Time Classified Salaries	10,820,129			
Less: Projected Lapsed Salaries	(500,000)			
Net Full-Time Classified Salaries	10,320,129	10,014,558	Higher than budgeted lapse funds due to high number of vacancies.	-3.0%
<b>Subtotal - Full-Time Salaries</b>	<b>54,061,927</b>	<b>52,531,931</b>		<b>-2.8%</b>
Part-Time & Overload Credit Salaries	10,703,459	10,704,839		0.0%
Summer Credit Instruction	4,186,542	4,081,935		-2.5%
Noncredit Instructional Salaries	466,302	413,072	Lower number of GED sections ran than was budgeted.	-11.4%
All Other Salaries	3,716,730	4,145,032		11.5%
Early Retirement Incentive Payments	450,000	992,723	Includes the costs of the one-time retirement incentive.	120.6%
<b>Subtotal - Other than Full-Time Salaries</b>	<b>19,523,033</b>	<b>20,337,602</b>		<b>4.2%</b>
<b>Total Salaries</b>	<b>73,584,960</b>	<b>72,869,533</b>		<b>-1.0%</b>

Community College of Philadelphia  
Operating Budget Projection  
Fiscal Year 2014-2015

	Original Budget	Final Results June 30, 2015	Comment	% Variance
<u>Fringe Benefits</u>				
Medical Program	23,243,400	21,558,667	Costs of self-funded health care plan lower than budgeted.	-7.2%
Retirement	5,625,900	5,671,162		0.8%
FICA	3,112,400	2,986,721		-4.0%
Tuition Remission	721,000	550,206		-23.7%
Group Life	475,000	466,552		-1.8%
Unemployment Compensation	381,000	164,373		-56.9%
Workers' Compensation	350,000	336,603		-3.8%
Unused Vacation	100,000	(169,960)	Reflects employees using their accrued vacation time at a higher than typical rate.	-270.0%
Disability Premium	305,700	294,743		-3.6%
Forgivable Education Loan	185,000	148,880		-19.5%
<b>Total Fringe Benefits</b>	<b>34,499,400</b>	<b>32,007,949</b>		<b>-7.2%</b>
<u>Facility Expenses</u>				
Utilities	2,061,196	1,920,728		-6.8%
Contracted Security	1,520,880	1,530,715		0.6%
Contracted Cleaning	1,058,611	1,090,422		3.0%
All Other Facility Expenses	2,132,807	2,247,982	Additional costs incurred for removal and replacement of underground fuel tanks.	5.4%
<b>Total Facility Expenses</b>	<b>6,773,494</b>	<b>6,789,846</b>		<b>0.2%</b>

Community College of Philadelphia  
Operating Budget Projection  
Fiscal Year 2014-2015

	Original Budget	Final Results June 30, 2015	Comment	% Variance
<u>All Other Expenses</u>				
Leased Equipment & Software ^	4,534,486	7,881,387	Additional costs were related to buyout of 2 long term leases - Johnson Control Energy Savings Project (\$3.269M) and Phone Switch (\$309K)	73.8%
Catalogs and Advertising	1,243,403	1,164,333		-6.4%
Supplies-Pool	1,493,840	1,106,414	Reflects savings across multiple departments.	-25.9%
Contracted Services	1,725,650	1,737,243		0.7%
Consultant	514,100	411,066	Budgeted funds across multiple departments were not spent.	-20.0%
Maintenance & Repairs	506,987	523,011		3.2%
Postage	395,100	310,815	Reflects savings from continued improvements in communicating with students by means other than mailings.	-21.3%
Insurance	666,750	741,059	Higher than budgeted costs for deductibles related to general liability claims that were in litigation.	11.1%
Legal Fees	450,000	867,691	Higher than budgeted costs related to the Burt Hill litigation.	92.8%
Other Expenses	2,471,927	1,259,966	Reflects savings in other budget lines including contingency accounts.	-49.0%
<b>Total All Other Expenses</b>	<b>14,002,243</b>	<b>16,002,985</b>		<b>14.3%</b>
<b>King Scholarship</b>	<b>200,000</b>	<b>196,955</b>		<b>-1.5%</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$129,060,097</b>	<b>\$127,867,268</b>		<b>-0.9%</b>
<b>Projected (Deficit) Surplus *</b>	<b>(\$1,075,299)</b>	<b>\$127,204</b>		

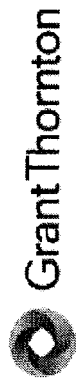
\* Prior to impact of GASB45 accrual (\$8.016M) and GASB68 accrual (\$.374M)

^ Includes cost of paying off \$3.578 million of long-term leases

# **ATTACHMENT B**

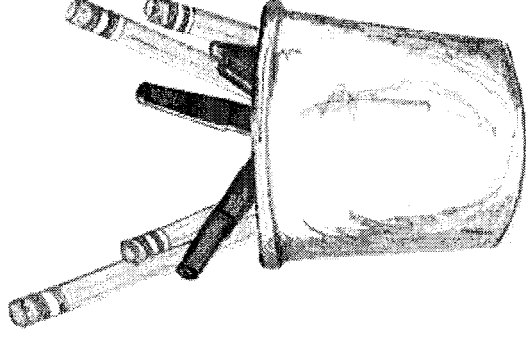
**2014-15 FISCAL YEAR**

**GRANT THORNTON PRESENTATION**



# Discussion with the Audit Committee of Community College of Philadelphia

September 30, 2015



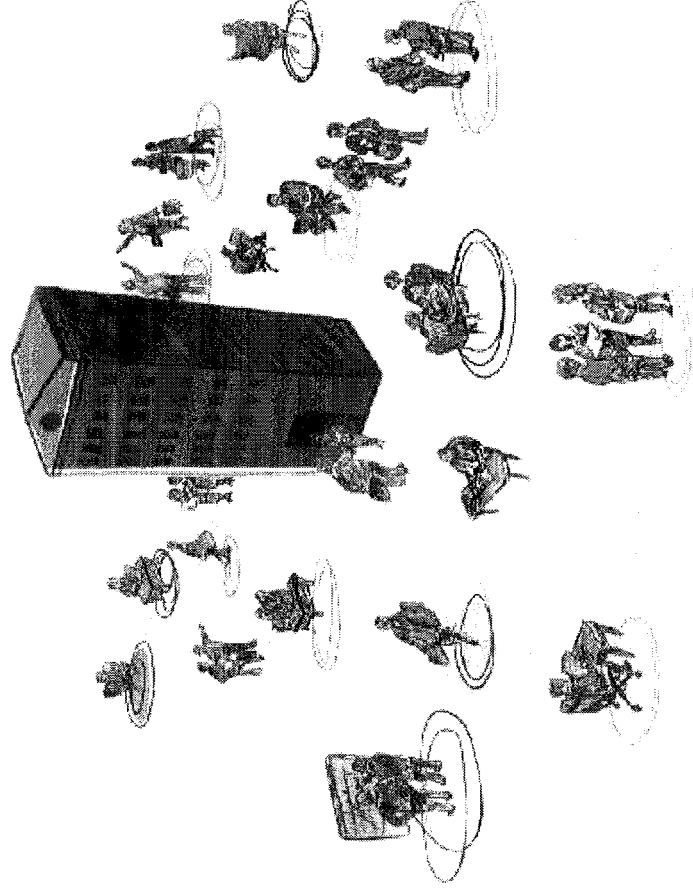
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## Our values are CLEARR

To achieve our global vision, we capitalize on our strengths by embracing the following values:

- Unite through **global Collaboration**
- Demonstrate **Leadership** in all we do
- Promote a consistent culture of **Excellence**
- Act with **Agility**
- Ensure deep **Respect** for people
- Take **Responsibility** for our actions

Our values serve as the foundation of each step we take toward achieving our vision. They guide our decision-making and provide a framework for our people to make correct and appropriate choices.



Responsibilities

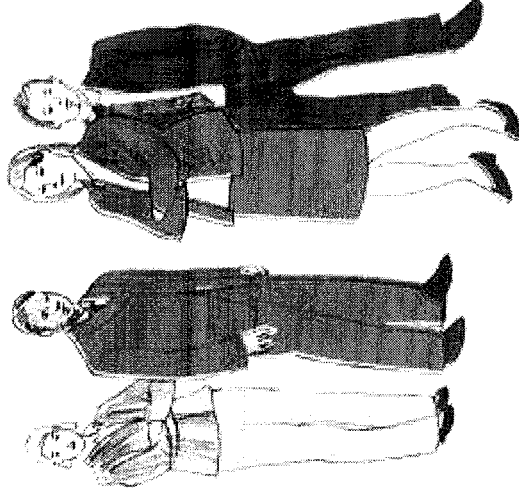
Audit scope

Quality of accounting practices  
and alternative treatments

Other matters

Technical updates

## Responsibilities



## Our responsibilities

We are responsible for:

- Performing an audit of the College's financial statements as prepared by management, with your oversight, conducted under US GAAS and *Government Auditing Standards*
- Forming and expressing an opinion about whether the financial statements are presented fairly, in all material respects in accordance with US GAAP
- Forming and expressing an opinion about whether certain supplementary information, including the Schedule of Expenditures of Federal Awards, is fairly stated in relation to the financial statements as a whole
- Reading other information and considering whether it is materially inconsistent with the financial statements
- Communicating fraud involving management and abuse with regard to federal programs
- Communicating specific matters to you on a timely basis; we do not design our audit for this purpose
- Reporting material noncompliance related to laws, regulations, contracts and grant agreements, as well as significant deficiencies and/or material weaknesses in internal control related to financial reporting
- Reporting material noncompliance with federal awards requirements applicable to major program(s) audited under OMB Circular A-133, as well as, significant deficiencies and/or material weaknesses in internal control over compliance.

An audit provides reasonable, not absolute, assurance that the financial statements do not contain material misstatements due to fraud or error. It does not relieve you or management of your responsibilities. Our respective responsibilities are described further in our engagement letter.



# Those charged with governance and management responsibilities

## Those Charged with Governance

Those charged with governance are responsible for:

- Overseeing the financial reporting process
- Setting a positive tone at the top and challenging the Organization's activities in the financial arena
- Discussing significant accounting and internal control matters with management
- Informing us about fraud or suspected fraud and abuse, including your views about fraud risks
- Informing us about other matters that are relevant to our audit, such as:
  - Objectives and strategies and related business risks that may result in material misstatement
  - Matters warranting particular audit attention
  - Significant communications received from regulators
  - Matters related to the effectiveness of internal control and your related oversight responsibilities
  - Your views regarding our communications and your actions regarding previous communications

## Management

Management is responsible for:

- Preparing and fairly presenting the financial statements in accordance with US GAAP
- Designing, implementing, evaluating, and maintaining effective internal control over financial reporting and over compliance with federal grant requirements
- Communicating significant accounting and internal control matters to those charged with governance
- Providing us with unrestricted access to all persons and all information relevant to our audit
- Informing us about fraud, abuse, illegal acts, significant deficiencies, and material weaknesses
- Adjusting the financial statements, including disclosures, to correct material misstatements
- Informing us of subsequent events
- Providing us with certain written representations

Responsibilities

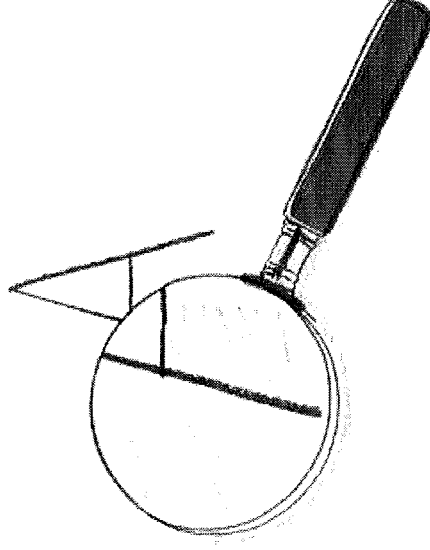
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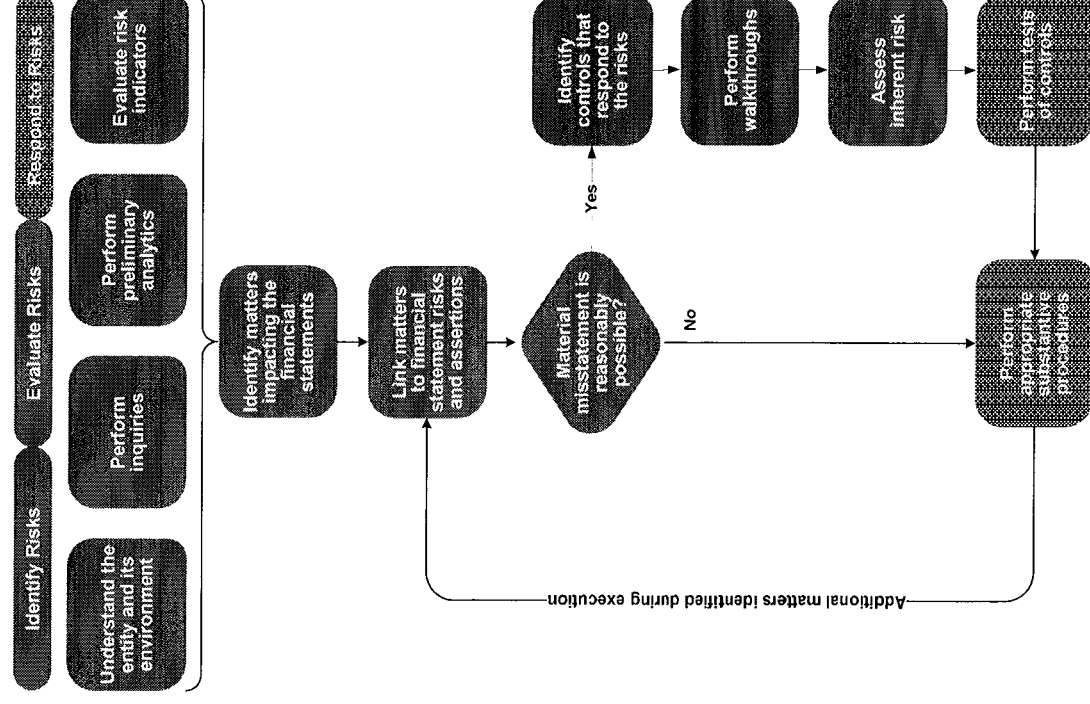
## Audit scope



# Horizon audit methodology

We approach our audits by:

- Understanding the institution's business processes, including the environment it operates in, and significant or unusual transactions/activities
- Using that knowledge and understanding to analyze the institution's financial statements
- Determining materiality
- Identifying areas more likely to be materially misstated
- Focusing audit attention and effort on those areas



Responsibilities

Audit scope

Quality of accounting practices  
and alternative treatments

Other matters

Technical updates

## Audit timeline

May/June 2015	Client acceptance	<ul style="list-style-type: none"> <li>• Client acceptance</li> <li>• Engagement letter</li> <li>• Conducted internal client service planning meeting</li> </ul>		
June 2015	Planning	<ul style="list-style-type: none"> <li>• Met with management to confirm expectations and discuss business risks</li> <li>• Discussed scope of work and timetable</li> <li>• Identified current-year audit issues and discuss recently issued accounting pronouncements</li> <li>• Conducted initial audit committee communications</li> </ul>		
June 2015	Preliminary risk assessment procedures	<ul style="list-style-type: none"> <li>• Developed audit plan that addresses risk areas</li> <li>• Updated understanding of internal control environment</li> <li>• Coordinated planning with management and develop work calendar</li> </ul>		
June/July 2015	Interim procedures	<ul style="list-style-type: none"> <li>• Performed walk-throughs of business processes and controls</li> <li>• Performed selective substantive testing on interim balances</li> </ul>		
August/September 2015	Final fieldwork and deliverables	<ul style="list-style-type: none"> <li>• Performed final phase of audit and year-end fieldwork procedures</li> <li>• Met with management to discuss results</li> <li>• Presented results to the Audit Committee</li> </ul>		

## Areas of focus

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Areas of focus	Results
Tuition revenue, auxiliary enterprises and related receivables/deferred revenue	<ul style="list-style-type: none"><li>• Performed reasonableness test on tuition, student aid and auxiliary income amounts.</li><li>• Performed deferred revenue testing to determine proper cut-off.</li><li>• Performed tests of existence of student receivables</li><li>• Reviewed management's analysis of allowances for doubtful accounts for consistency with methodology and accuracy of inputs</li></ul>
State and city appropriations	<ul style="list-style-type: none"><li>- Obtained detail of state appropriations received for fiscal year.</li><li>- Tested appropriation amounts to supporting documentation</li><li>- Reviewed receivable, determining calculation is correct based on cash received and amounts outstanding based on confirmation.</li></ul>

## Areas of focus, continued

Areas of focus	Planned approach
Investments and related earnings	<ul style="list-style-type: none"> <li>- Confirmed investments with custodian and, if applicable, fund manager.</li> <li>- Tested valuation of publicly traded investments using an independent pricing source.</li> <li>- Tested the recognition of investment earnings by recalculating and/or testing sales activities.</li> </ul>
State and federal grants and contracts	<ul style="list-style-type: none"> <li>- Reviewed contract documents for understanding of the terms</li> <li>- Compared revenues and recorded expenses to determine that amounts are being recorded appropriately based upon the terms of the contracts</li> <li>- Reviewed any deferred amounts for reasonableness</li> <li>- Agreed any subsequent collections to year-end receivable balances</li> <li>- Reviewed financial statement presentation and disclosure</li> </ul>

Responsibilities

Audit scope

Quality of accounting practices  
and alternative treatments

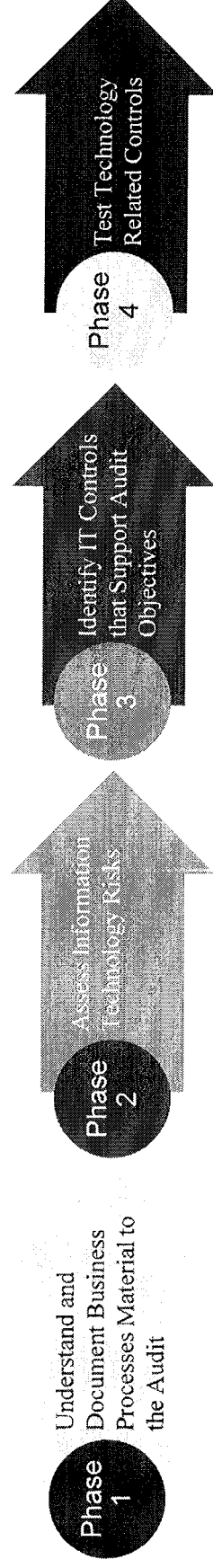
Other matters

Technical updates

## Areas of focus, continued

Areas of focus	Planned approach
GASB 68	<ul style="list-style-type: none"> <li>- Reviewed journal entries associated with the implementation of GASB 68 and traced to supporting documentation</li> <li>- Reviewed presentation and disclosures surrounding implementation</li> </ul>
Property and equipment, net; depreciation expense	<ul style="list-style-type: none"> <li>- Evaluation of current year activity (additions, disposals, etc.)</li> <li>- Evaluation of leases (including capital vs. operating classification)</li> <li>- Analytically reviewed depreciation expense</li> <li>- Reviewed financial statement presentation and disclosures</li> </ul>

## Technology support As part of the audit process



Processing transactions and producing the information needed to manage day-to-day activities is an important aspect of an institution's internal control structure. A critical component of our audit approach is to understand how information technology is used in supporting business operations and producing financial reports. Our technology specialists place particular emphasis on the risks relating to the use of technology and its associated controls, processes and practices.

Our general controls review evaluates the design of controls that mitigate risk in areas such as organization and operations, protection of physical assets, application systems development and maintenance, access controls and computer operations.



# Summary of adjustments



## Consolidated Adjusting Journal Entries - Community College of Philadelphi

AJE No.	Account Description	Account Number	Primary	Secondary	Entity	Debits	Credits
1	Held Checks	TOPLVL_AJE_02B	Accounts payable and accrued liabilities		CURF	-	344,859.42
1	Held Checks	TOPLVL_AJE_02A	Cash and Cash Equivalents		CURF	344,859.42	-
Totals						344,859.42	344,859.42

Responsibilities

Audit scope

Quality of accounting practices  
and alternative treatments

Other matters

Technical updates

# Summary of passed adjustments



## Consolidated Evaluation of PAJEs - Community College of Philadelphia

JE No.	Account Description	Amount DR(CR)	Assets	Liabilities	Equity	2015 Income Effect
1	Operating ; Accounts payable - manual processin	90,750.00		(90,750.00)		
1	Operating ; Reserve for operations	(90,750.00)			90,750.00	
Correct FY15 audit fees accrued in FY15 - due to long-running practice by CCP, correction is to Net Assets.						
2	Operating ; From vendors- operating activity	83,245.20	83,245.20			
2	Operating ; Accounts payable - Banner system	(83,245.20)		83,245.20		
R/C Credit Memo balance from payables to receivable						
Total Passed Adjustments			54,964.57	(7,504.80)	62,469.37	(28,280.63)
Total Rpt Bal, before PAJEs			231,742,625.00	154,913,223.00	76,829,402.00	(6,065,906.37)
Effect of PAJEs on Total Rpt Bal			0.02%	0.00%	0.08%	0.47%

# Internal control matters

## Our responsibility

- Obtain reasonable assurance about whether the financial statements are free of material misstatement
- Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control
- We express no opinion on the effectiveness of internal control
- Control deficiencies that are of a lesser magnitude than a significant deficiency will be (or were) communicated to management.

## Definitions

- A deficiency in internal control ("control deficiency") exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements or noncompliance with a type of compliance requirement of a federal program on a timely basis.
- A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement or material noncompliance with a type of compliance requirement of a federal program of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

# Other required communications

## Disagreements with management

None noted

## Management's consultations with other accountants

N/A

## Significant issues discussed with management

None noted.

Other required communications (continued)

Significant difficulties encountered during the audit

None noted

Related parties and related party transactions

None noted

Other required communications (continued)

Other findings or issues				
None noted				
Modifications to the auditor's report				
- Adoption of GASB 68				
Other information in documents containing audited financial statements				
None noted				

Responsibilities

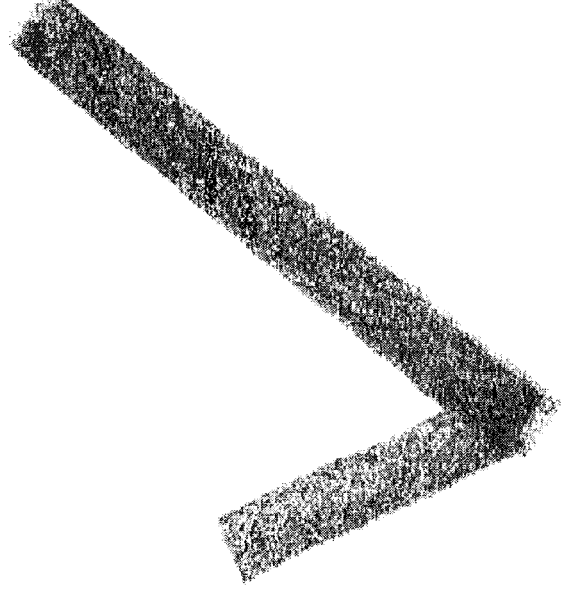
Audit scope

Quality of accounting practices  
and alternative treatments

Other matters

Technical updates

## Other matters



## Value provided

### Deliverables

Report on the financial statements of the Community College of Philadelphia (the "College") as of and for the year ended June 30, 2015.

Report on Compliance and Internal Control as required by OMB Circular A-133 for the year ended June 30, 2015.

Prepare the University's IRS Forms 990, 990T and related filings for the year ended June 30, 2015.

Report on Agreed Upon Procedures in accordance with City of Philadelphia guidelines for the year ended June 30, 2015.

Inform management and the audit committee in connection with relevant audit, accounting, financial reporting, internal control, and tax-related matters.

Communicate identified control deficiencies and/or other relevant areas for improvement.

Provide thought leadership materials addressing industry and technical developments, such as: State of Higher Education, OnCourse, Webinar series, local roundtable seminars, and CFO Roundtable.



# Commitment to promote ethical and professional excellence

We are committed to promoting ethical and professional excellence. To advance this commitment, we have put in place a phone and Internet-based hotline system.

The Ethics Hotline (1.866.739.4134) provides individuals a means to call and report ethical concerns.

The EthicsPoint URL link

- Can be found on our internal website
- Can be accessed from our external website ([https://secure.ethicspoint.com/domain/en/report\\_cus\\_tom.asp?clientid=15191](https://secure.ethicspoint.com/domain/en/report_cus_tom.asp?clientid=15191))

Disclaimer: EthicsPoint is not meant to act as a substitute for a Organization's "whistleblower" obligations.

Responsibilities

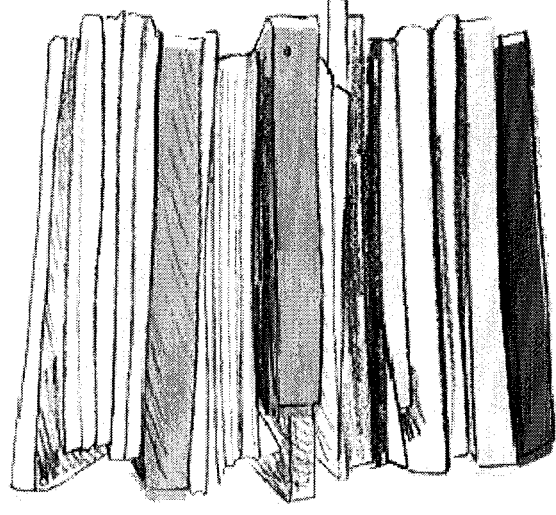
Audit scope

Quality of accounting practices  
and alternative treatments

Other matters

Technical updates

## Technical updates



Selected pronouncements effective for the year ending June 30, 2015 or subsequent periods- GASB

<b>GASB</b>	<b>Title</b>	<b>Effective date</b>
Statement 68	<i>Accounting and Financial Reporting for Pensions- an Amendment of GASB Statement No. 27</i>	Periods beginning after June 15, 2014
Statement 72	<i>Fair Value Measurements and Application</i>	Periods beginning after June 15, 2105
Statement 73	<i>Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68</i>	Periods beginning after June 15, 2015
Statement 75	<i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.</i>	Fiscal years beginning after June 15, 2017
Statement 76	<i>The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments</i>	Reporting periods beginning after June 15, 2015

## *GASB Statement 68, Accounting and financial reporting for pensions- an amendment of GASB Statement No. 27*

Summary	Impact
<ul style="list-style-type: none"> <li>• Scope is limited to pensions provided through trusts that meet certain criteria</li> <li>• Excludes all OPEB</li> <li>• Applies to employers and non-employer contributing entities that have a legal obligation to make contributions directly to a pension plan</li> <li>• Revised recognition, measurement, and disclosure requirements for all employers               <ul style="list-style-type: none"> <li>➢ Liability is measured net of pension plan's fiduciary net position and is fully recognized in accrual-basis financial statements</li> <li>➢ Changes in the obligation                   <ul style="list-style-type: none"> <li>○ recognized as expense in the period of the change</li> </ul> </li> </ul> </li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>○ recognized as deferred outflows/inflows of resources with expense recognized over defined future periods</li> </ul> <ul style="list-style-type: none"> <li>• Defines net pension liability - overall pension obligation minus assets</li> <li>• Each participating employer must record allocated share of plan unfunded liability (i.e., a government participating in a cost-sharing defined pension plan will report a liability in its own financial statements that is equivalent to its long-term proportionate share of the collective net pension liability- basis for allocation will be based on the employers expected contribution effort relative to that of all contributors)</li> <li>• Effective for financial statements ending June 30, 2015.</li> </ul>	<p>Pronouncement has a significant impact on the statement of net position as certain cost sharing employers be recorded an estimated/apportioned pension liability for the first time.</p>

## GASB Statement 72, *Fair Value Measurement and Application*

Summary	Potential Impact
<ul style="list-style-type: none"> <li>• Defines “fair value” as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.”</li> <li>• Governments are generally required to measure investments at fair value using one of three techniques           <ul style="list-style-type: none"> <li>➢ Market approach</li> <li>➢ Cost approach</li> <li>➢ Income approach</li> </ul> </li> <li>• Establishes a three level hierarchy of inputs to valuation techniques used to measure fair value. The guidance is very similar to existing guidance for FASB organizations.           <ul style="list-style-type: none"> <li>• Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.</li> <li>• Level 2 inputs are inputs—other than quoted prices—included within Level 1 that are observable for the asset or liability, either directly or indirectly.</li> <li>• Level 3 inputs are unobservable inputs, such as management’s assumption of the default rate among underlying mortgages of a mortgage-backed security</li> </ul> </li> <li>• Requires disclosures to be made about fair value measurement, the level of fair value hierarchy, and valuation techniques.</li> <li>• Effective for periods beginning after June 15, 2015.</li> </ul>	<p>This will significantly impact accounting for certain investments that may have been reported at cost due to ambiguity within previous guidance. In addition, all public colleges and universities will need to revise the existing disclosures to conform to the new disclosure requirements, which are very similar to current disclosure requirements for FASB organizations. Gathering the “Leveling” information required to be disclosed could be difficult to identify and time-consuming, depending on the instruments that are within the three categories of the valuation hierarchy. Public institutions are encouraged to review disclosures of large/complex private (FASB) institutions for helpful examples.</p>

## *GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

### Summary

- GASB 75 replaces the requirements related to OPEB accounting and reporting currently provided in GASB 45.
- Defined benefit OPEB plans administered through a trust meeting certain criteria must report a net OPEB liability on the face of its financial statements, similar to the requirement to report the net pension liability in accordance with GASB 68.
- When a government participates in a cost-sharing plan the government shall report a liability equal to its proportionate share of the collective OPEB liability.
- A government that does not provide OPEB through a trust that meets the specified criteria must report the total OPEB liability related to its employees.
- There are alternative measurements available for plans with less than 100 members.

### Potential Impact

Universities with other postretirement plans will most likely see impact to the financial position and expanded note disclosures. Similar to adoption of GASB 68, Universities should begin to evaluate the information needed to adopt the guidance as a significant portion of that information may come from state or other related entities.

## *GASB Statement 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

Summary	Potential Impact
<ul style="list-style-type: none"><li>• Reduces the U.S. GAAP hierarchy for government standards from four to two categories of authoritative GAAP.<ul style="list-style-type: none"><li>• The first category consists of the GASB Statements.</li><li>• The second comprises GASB Technical Bulletins, Implementation Guides, and AICPA guidance cleared by the GASB.</li></ul></li><li>• Statement 76 also addresses the use of authoritative and non-authoritative literature for situations when the accounting treatment for a transaction or event is not specified in GAAP.</li></ul>	<p>Depending on what accounting policies a University uses to report its financial transactions, existing guidance could potentially no longer be considered authoritative and could result in necessary changes in accounting as a result of adoption of this standard. Management should review key accounting policies to ensure they are based on guidance that continues to be authoritative.</p>

## GASB projects and pre-agenda research

Project	Timing
Asset Retirement Obligations	Exposure Draft anticipated December 2015
Fiduciary Responsibilities	Exposure Draft anticipated December 2015
Conceptual Framework - Recognition	On Hold
Leases	Exposure Draft anticipated January 2016
Debt disclosures	Pre-agenda research
Debt extinguishments	Pre-agenda research
Financial reporting model	Pre-agenda research



## GASB major project – Asset Retirement Obligations

### Summary

The objective of this project would be to improve financial reporting by developing requirements on recognition and measurement for asset retirement obligations (ARO), other than landfills.

One major topic expected to be addressed will be what constitutes an ARO and what the term retirement should encompass in the guidance. The project will determine a general approach to recognition and measurement of an ARO, considering existing practice among governments and feedback received from preparers and auditors regarding their concerns about complexity, comparability, and the balance of costs and benefits. The project also will consider the following issues:

1. Should costs, if any, associated with AROs be capitalized? If so, how should these costs be recognized and measured?
2. What information about AROs should be disclosed in the notes to the financial statements?

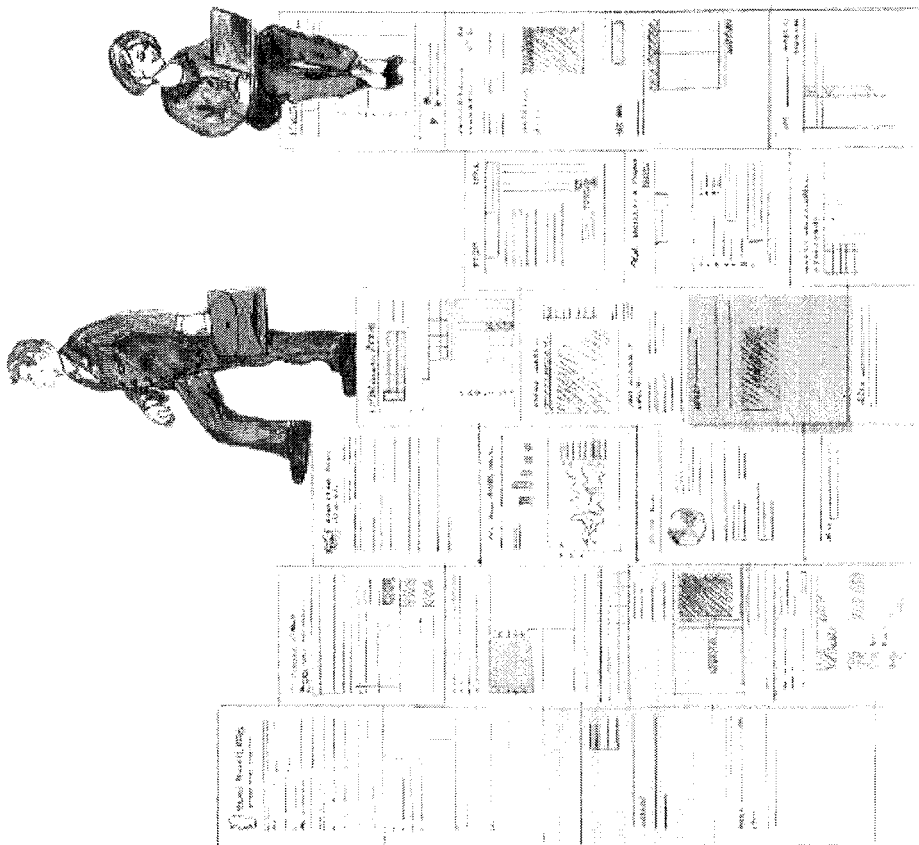
### Potential Impact

This proposed standard is intended to reduce diversity in practice and related inconsistency in current reporting, thereby enhancing comparability between governmental entities. It would also improve the usefulness of information for external users, including rating agencies and analysts by expanding disclosure requirements related to these obligations.

## GASB major project – Leases

Summary	Potential Impact
<ul style="list-style-type: none"> <li>The objective of this project is to reexamine issues associated with lease accounting, considering improvements to existing guidance. This project will provide a basis for the Board to consider whether current operating leases meet the definitions of assets or liabilities.</li> <li>The project is considering the following issues:             <ol style="list-style-type: none"> <li>What types of leases are entered into by state and local governments?</li> <li>What specific user needs exist regarding governmental leases and what decision-useful or accountability information is needed to meet those needs?</li> <li>Are current accounting and financial reporting standards appropriate to meet essential user needs?</li> <li>Should there be a distinction between types of leases, such as operating and capital?</li> <li>If current standards are not considered adequate, what additional potential requirements should be considered?</li> </ol> </li> <li>The board is currently deliberating various topics within the scope of this project such as lessee disclosures, lessor recognition and measurement and lessor disclosures. An exposure draft is expected in Q1 2016.</li> </ul>	<p>Similar to the GASB Major Project addressing fair value measurements, this project reflects an effort by the GASB to align its accounting for leases with the accounting guidance proposed by the FASB and IASB as a joint project. The most significant change could be the elimination of most arrangements currently recorded as operating leases. If requirements are standardized as proposed, the impact on all entities with lease arrangements could be profound. While still at least several years away, public colleges and universities are encouraged to inventory all existing lease agreements, closely monitor the FASB Leases project and begin to analyze the potential impact on key financial ratios, debt covenants, and credit ratings.</p>

# Regulatory updates



## Update on audit guidance for federally sponsored awards

The 2015 compliance supplement associated with audits of federal awards was issued in July 2015. There were several significant changes within that compliance supplement, including the following:

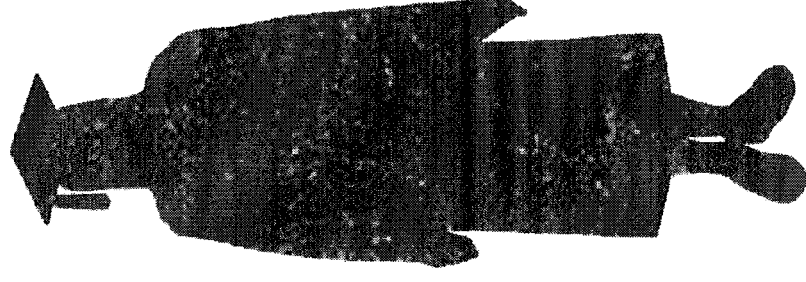
- Part 3 (which addresses the compliance requirements) has been divided into two subparts- 3.1 and 3.2. Subpart 3.1 reflects guidance for awards issued prior to December 24, 2014 (effective date of Uniform Grant Guidance) and subpart 3.2 reflects guidance for awards on or after December 24, 2014 (those awards subject to new requirements per Uniform Grant Guidance)
- Eliminated Davis-Bacon Act and Real Property Acquisition and Relocation Assistance compliance requirements
- What was referred to as "Period of Performance" is now referred to as "Period of Availability"
- Eliminated requirement to test compliance with FFATA reporting requirements
- Part 5 was updated to reflect revised eligibility criteria for Federal Pell Grant
- Removed from Part 5 Perkins loan cancellation program
- The guidance in Part 6 (which addresses internal controls over federal awards) was removed entirely. OMB plans to issue guidance on internal controls in the 2016 compliance supplement to reflect changes as a result of Uniform Grant Guidance and the Green Book. Part 6 instead refers to the Green Book and COSO for guidance on internal controls.

Accounting updates

Regulatory updates

Industry updates

# Industry Updates



## Grant Thornton's Client Service Cycle

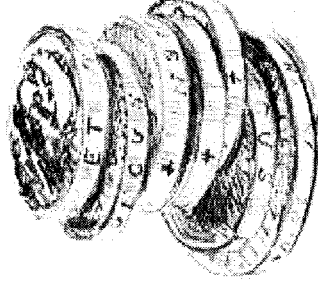
Grant Thornton's Client Service Cycle is our model for delivering high quality, personalized service. Our commitment to this recurring process helps us ascertain that you receive the full benefits of working with us, year after year.

- What's important to you?
- How would you rate the team's overall service delivery?
- Would you refer Grant Thornton to a friend or colleague?



## Moody's: Fiscal 2014 medians show easing pressures at public and private universities

- Much of the higher education sector is stabilizing into balanced operations, increased liquidity, and slowly strengthening balance sheets.
- Double-digit investment returns, robust philanthropic support and limited borrowing led to continued strengthening of private university balance sheets.
- Nonetheless, approximately 20% of universities continue to confront material revenue growth pressures.
- Even as net tuition revenue growth has slowed for the public sector, aggregate state funding modestly increased for the first time in over a decade, which modestly narrowed the gap between state appropriations and revenue from tuition and student fees.



## Fiscal 2014 median trends: public universities

- **A majority of public colleges and universities have increased liquidity, balanced operations and grown financial resources.** Operations have stabilized to levels more consistent with pre- recession levels, generating a median cash flow margin of nearly 11% in FY 2014. Expendable financial resources to debt and operations ratios reached 0.95 and 0.55, respectively, in FY 2014.
- **State appropriations** comprised 24.3% of operating revenue in FY 2014 compared to 23.9% in 2013.
- Global/nationals continue to capitalize on strong brands, growing aggregate **enrollment** 5.4% since 2010 compared to a 1.7% decline at regionals.
- **Net tuition revenue growth remains low**, forcing continued expense management. For the fourth consecutive year, the rate of median net tuition revenue growth weakened; FY 2014 was 3.6%, down from 9.8% in FY 2010. Growth at global/nationals is stronger at 4.9%, compared to regionals at 2.5%. The nationwide focus on affordability will likely keep growth closer to inflation.
- Despite a favorable interest rate environment, **aggregate debt increased 6%** in FY 2014 from the prior year, primarily driven by global/national universities. Public universities continued to **invest in capital above the rate of depreciation** at 1.4 times in FY 2014.



## Merger, affiliation and partnership trends

- In the past two years three **independent research institutes** have merged or affiliated with universities to diversify revenue and broaden disciplines.
- In the past two years four **independent law schools** have merged or affiliated with public or private universities to stabilize operations.
- In the past year **mergers or affiliations** at seven schools (Clarkson University, Salem State University, George Washington University, Arizona State University, Boston Conservatory, New York University) have been or are being completed.
- Several public systems are forging **programmatic partnerships** among their campuses to rationalize resource allocation while meeting regional needs.
- U of Maine plans to transition 7 public universities into one university with seven campuses.
- Formation of **public benefit corporations and joint ventures** between nonprofit colleges and for-profit companies has increased in the past five years.
- **Back-office partnerships** may be an alternative. Recent activities include financial aid, information technology, purchasing, and human resources.



## Trends addressing "Are we effective?"

**Department of Education rating system:** consumer tool, not a college ranking tied to financial aid funding. Data on net price, the gap between family contribution and the cost of attendance, % of PELL recipients, first generation status, family income, completion rates (IPEDS and NSLDS), transfer rates, and graduates' employment, loan repayment and further education measures will be used.

- Seek UT, on-line tool for the University of Texas System, provides data across 400 fields of study on graduates median earnings and loan payments, program descriptions, average time to degree, industries in which graduates work and estimated job growth till 2022.
- A liberal arts school's website has "Outcomes" with data from the Higher Education Data Sharing Consortium Alumni Survey to report on financial independence, professional accomplishment & personal fulfillment of graduates

**Broad and specialized knowledge is sought by two-thirds of employers:** critical thinking/analytic reasoning, complex problem solving, applied learning in real world settings, teamwork skills in diverse settings, ethical reasoning and written and oral communications. Schools must do more to gauge learning outcomes.

- Interactive on-line learning has the potential to deliver better learning outcomes due to advances in cognitive science and intelligent software.

## Trends addressing enrollment challenges

- Strategies include **admissions marketing**, selling your college's value, **financial aid** programs targeted to the **middle class**, and capturing half of the estimated 5 million **student veterans** transitioning out of the military by 2020.
- **Income inequality** on college completion rates is being addressed through enhanced program accessibility that includes weekend and evening courses, student support services that include specialized advising targeted towards at-risk students and high student-faculty engagement through an anytime-anywhere communications strategy. A Freshman Academic Institute serves as a 3 week residential bridge to first year academic readiness.
- Enrollment challenge: Widening the enrollment pipeline includes aggressive targeting of transfer students, stop-outs, and dual enrollment, transfer admissions program; Creating high-demand programs to attract high- ability students.
- **Boosting retention** rates through 1st Interest Groups, innovative pre-orientation programs, interdisciplinary New Student Life onboarding experience, peer mentoring initiatives, and Advisor Education Workshops for faculty advisers.

## Trends impacting fiscal sustainability

- **Adjunct faculty** receiving long-term contracts in response to concerns of quality teaching and advising by itinerant 'road scholars' and unionization activities.
- Increased scholarships awards to **Division I athletes** and life-time image rights
- 'Voluntary' **payment in lieu of taxes** programs imposed by **municipal governments**, keeping acquired property on the tax rolls and funding capital investments in municipal parks and public areas.
- Competition for global students and a doubling of students studying outside their home country between 2000-2012 drives **demand for housing**.
- **Public-private partnerships** (Texas A&M, University of Kentucky), monetizing or securitizing existing assets (Ohio State, Keele University), and relying on the surrounding private or commercial real estate market can transfer financial risks, but may be limited in the transfer of student safety and pricing due to the strategic importance of housing/parking etc. Multi-institutional collaborative P3s increasing in urban areas (Chicago, Boston)
- On-line learning is a complement to residential program and not a substitute.

## Public Private Partnerships

- **Types** – variety of types, often campus related including college owned land and some version of a ground lease but alternative models including joint ownership have become more prevalent, other types can include programmatic partnerships.
- **Initial considerations** – strategic fit of the potential project, demand of the service provided, long term financial planning/scenario analysis.
- **Procurement process** – understanding of partners goals and clearly articulating in contractual terms, higher level of due diligence than traditional vendor relationship, determining performance measures for the relationship.
- **Governance considerations** – steering committee/governance leadership over process, thorough understanding of the risks/benefits of relationship including level of control in the relationship, thorough legal review of contractual documents and any related regulations.

## Restoring public faith: items for Board action

- Establish a process for **presidential compensation** that is supported by a compensation philosophy and full board participation, and considers the legal considerations imposed by the IRS, as well as the consequences of widened compensation gaps between presidents and senior administrators and faculty.
- Avoid the **adoption of business tools** that undermine a pluralistic campus community, shared governance and transformative education. Use modern business tools to sharpen administrative and student efficiencies and services.
- Promote the **communication of institutional value**, with data, as an economic engine that creates jobs, provides educated workforce, performs groundbreaking research that in itself will create future jobs, engages in community service, and educates students who are then employed and live in-state, adding to the local/state economy.
- Provide **oversight of academic quality** by becoming aware of issues that define quality and educational outcomes. Strategic academic affairs committees that receive and analyze metrics about quality and outcomes can help the Board.
- Consider **strategic risks factors** when making policy decisions and ask questions that enable choices to be made in line with tolerable levels of risk.

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This communication is intended solely for the information and use of management and the Community College of Philadelphia and is not intended to be and should not be used by anyone other than these specified parties.



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# **ATTACHMENT C**

**2014-2015**

**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, 2015 and 2014

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## **Report of Independent Certified Public Accountants**

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

Grant Thornton LLP  
Two Commerce Square  
2001 Market St., Suite 700  
Philadelphia, PA 19103  
T 215.561.4200  
F 215.561.1066  
[GrantThornton.com](http://GrantThornton.com)  
[linkd.in/GrantThorntonUS](https://www.linkedin.com/company/grantthorntonus)  
[twitter.com/GrantThorntonUS](https://twitter.com/GrantThorntonUS)

### **Report on the financial statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Community College of Philadelphia (the College) as of and for the year ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

#### **Management's responsibility for the financial statements**

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

#### **Auditor's responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the Community College of Philadelphia as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Adoption of new accounting pronouncement*

As discussed in Note A to the financial statements, the College adopted the provisions of Governmental Accounting Standards board Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, effective July 1, 2014. Our audit opinion was not modified with respect to this matter.

### Other matters

#### *Required supplementary information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 14, the schedule of funding progress on page 56, the schedule of proportionate share of net pension liability on page 57 and the schedule of contributions on page 58, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Government Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The supplementary schedules on pages 68 to 70 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### *Other information*

The statistical section on pages 59 through 67 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 30, 2015, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

*Grant Thornton LLP*

Philadelphia, Pennsylvania

September 30, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2015 and 2014

### 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 2015 are compared to those for the 2014 fiscal year. The MD&A should be read in conjunction with the financial statements and accompanying notes which follow this section.

Community College of Philadelphia (the College) 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.

### Financial and Institutional Highlights

- Moody's has affirmed the College's Bond Rating A1.
- Credit enrollments continue to be strong. Final credit FTEs were only 201 less (1.3%) than the prior year, which is better than state-wide and national trends. This is the second consecutive year the College has not increased tuition and fees.
- Several renovation projects were completed. These projects included: renovation of four chemistry labs and preparatory space; creation of biochemistry and engineering technology laboratories; and creation of a research laboratory. In addition, planning has begun on renovations to the College's biology labs on the main campus and the biology prep room in the Northeast Regional Center which will be funded by a \$5.9 million, ten-year bond issue with the State contributing 50% of the annual debt service.
- The College undertook a collaborative reorganization to be a national leader in student success and completion. This student-focused reorganization is designed to build capacity while supporting the College's strategic goals and continuing our longstanding commitment to affordable education and open success.
- The College received \$452,279 of additional funds from the State and \$500,000 of additional funds from the City.
- For the eleventh consecutive year, a balanced budget was achieved.
- Net position decreased by \$6.61 million or 9.1% primarily due to the impact of GASB 45 and the initial adoption of GASB 68.
- Operating revenues decreased by \$3.22 million or 8.7%.
- Operating expenses decreased by \$2.7 million or 1.6%.
- Nonoperating revenues increased by \$3.5 million or 3.2%.

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

June 30, 2015 and 2014

### 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 *Statements of Net Position* present 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 *Statements of Revenues, Expenses and Changes in Net Position* present 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 *Statements of Cash Flows* are reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations, financing, and investing receipts and disbursements.

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 reflects 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, 2015, the College's net position was \$65.9 million, with assets of \$219.0 million exceeding liabilities of \$153.6 million. As a result of financial circumstances which contributed to asset growth, net position increased by \$4.2 million in the 2015 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 \$4.6 million. Unrestricted net assets fell from a negative \$26.0 million to a negative \$35.8 million. Absent the cumulative impact of the post-employment benefit liability (GASB 45 & 68) reporting requirements, unrestricted net assets would currently be at a level of \$22.4 million. The other factor significantly reducing the unrestricted net asset value was unfunded depreciation expense for 2015 in the amount of \$9.7 million.

The negative unrestricted net asset position (\$35.8 million) reflects the cumulative impact of the post-employment benefit expense accruals in the amount of \$58.2 million.

Community College of Philadelphia  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

June 30, 2015 and 2014

Summary of Net Position

June 30,

	<u>2015</u>	<u>2014</u>	<u>2013</u>
		(In millions)	
Assets:			
Current assets	\$ 31.5	\$ 32.7	\$ 31.8
Noncurrent assets:			
Capital assets net of depreciation	171.3	179.5	183.0
Bond proceeds available for campus construction	-	0.2	2.4
Other	<u>16.2</u>	<u>16.1</u>	<u>15.8</u>
Total assets	<u>\$ 219.0</u>	<u>\$ 228.5</u>	<u>\$ 233.0</u>
Deferred outflow of resources	\$ 0.5		
Liabilities:			
Current liabilities	\$ 27.2	\$ 29.6	\$ 31.4
Noncurrent liabilities	<u>126.3</u>	<u>126.4</u>	<u>124.5</u>
Total liabilities	<u>\$ 153.5</u>	<u>\$ 156.0</u>	<u>\$ 155.9</u>
Deferred inflow of resources	\$ 0.1		
Net position:			
Net investment in capital assets	\$ 97.0	\$ 93.8	\$ 89.7
Unrestricted	<u>(35.8)</u>	<u>(26.0)</u>	<u>(15.3)</u>
Restricted:			
Expendable	<u>4.7</u>	<u>4.7</u>	<u>2.7</u>
Total net position	<u>\$ 65.9</u>	<u>\$ 72.5</u>	<u>\$ 77.1</u>



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

June 30, 2015 and 2014

**Assets**

Current assets decreased by \$1.14 million in fiscal year 2015. Net receivables, cash and cash equivalents, and short-term investments increased. The decrease in accounts receivable were primarily related to the change in the College's refund policy for financial aid students who withdrew from a course prior to the census date. Other receivables are related to Foundation payments, vendors and governmental agencies.

Noncurrent assets decreased by \$8.3 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 creating a new biochemistry lab and an engineering technology lab, creation of a research lab, and renovations of four chemistry labs and preparatory space. The College's capital assets as of June 30, 2015 net of accumulated depreciation was \$171.3 million, a decrease of \$8.2 million over the amount reported for 2014 of \$179.5 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 \$2.3 million in fiscal year 2015. Accounts payable and accrued liabilities increased by \$1.1 million. Included in this category of current liabilities is \$1.2 million that represents the value of medical claims incurred prior to June 30, 2015 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 2015 fiscal year to cap institutional financial exposure for individuals with extraordinarily large claims in a policy year.

The current portion of long-term debt remained relatively stable for the year. Payables to government agencies decreased by \$2.5 million primarily due to Financial Aid processing more State PHEAA funds prior to June 30.

The College's outstanding long-term debt was at \$65.0 million as of June 2015, a decrease of \$6.3 million from June 2014 reflecting principal payments made during the fiscal year as well as the retirement of the College's 2010 revolving loan. The present value of future post-retirement benefits other than pensions, projected to be paid to retired employees, were prepared as of July 1, 2013 for reporting as of June 30, 2015. The July 1, 2013 report included some changes in actuarial assumptions; the amount of the liability increased by \$8.4 million in fiscal year 2015. 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 post-employment benefits liability amount for fiscal year 2015 also includes \$2.8 million related to the adoption of GASB 68 which requires the College to record their relative proportion of the net funded status of certain state cost sharing pension plans. The cumulative estimated value for the accrued post-employment benefit liability in fiscal years 2015, 2014, and 2013 was \$58.2 million, \$47.3 million and \$38.8 million, respectively. Absent this reporting requirement, the College's net assets as of June 30, 2015 would have been at a level of \$124.1 million.

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

June 30, 2015 and 2014

Capital lease obligations include mainly technology associated with academic and administrative computing, as well as digital press and copier equipment. The remaining obligation (\$3.8 million) associated with a 15-year performance guarantee contract with Johnson Controls, Inc., was paid off as of June 30, 2015. 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 College also paid off the remaining obligation (\$412,766) of a 10-year lease related to a telephone switch upgrade, which was completed in 2008.

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

The change in net position for fiscal years 2015, 2014, and 2013 was a negative \$4.6 million, negative \$4.5 million and negative \$4.2 million, respectively. The following table quantifies the changes:

Revenues, Expenses and Changes in Net Position			
June 30,			
	<u>2015</u>	<u>2014</u>	<u>2013</u>
		(In millions)	
Operating revenues:			
Net tuition and fees	\$ 32.0	\$ 35.3	\$ 32.0
Auxiliary enterprises and other sources	<u>2.0</u>	<u>1.8</u>	<u>1.9</u>
Total	<u>34.0</u>	<u>37.1</u>	<u>33.9</u>
Operating expenses	<u>163.4</u>	<u>166.1</u>	<u>164.0</u>
Operating loss	(129.4)	(129.0)	(130.1)
Net nonoperating revenues	<u>114.0</u>	<u>110.5</u>	<u>112.2</u>
Change in net assets before other revenues	(15.4)	(18.5)	(17.9)
Net capital revenue and changes to endowments	<u>10.8</u>	<u>14.0</u>	<u>13.7</u>
Total change in net position	<u><u>\$ (4.6)</u></u>	<u><u>\$ (4.5)</u></u>	<u><u>\$ (4.2)</u></u>

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

June 30, 2015 and 2014

**Operating Revenues**

The largest sources of operating revenue for the College are student tuition and fees and auxiliary enterprise revenues. In 2015, the tuition charge per credit was \$153; no increase was made over the 2014 fee. 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 2015 was \$204. Auxiliary enterprise revenues are generated from bookstore, food service and parking operations.

Tuition and fee revenue totaled \$78,506,460 in fiscal year 2015, \$78,732,758 in 2014 and \$75,272,804 in 2013, which is offset by the scholarship allowance amounts for 2015, 2014 and 2013, respectively, of \$46,533,705, \$43,395,057, \$43,269,962. The scholarship allowance represents tuition and fee payments made using public and private grants and scholarships. The relatively stable scholarship allowance amounts between fiscal 2015 and fiscal 2014 are reflective of the stable enrollments coupled with the small increase in the federal Pell financial aid award amounts for the 2015 fiscal year.

Gift revenue in the amount of \$140,848 was received in 2015 and is reported in the Statement of Revenues, Expenses and Changes in Net Assets. This value reflects a contribution received from the 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 toward economic mobility.

**Nonoperating Revenues**

State appropriations in fiscal year 2015, excluding capital appropriations, totaled \$28,631,589, an increase of \$452,279 over the \$28,179,310 received in fiscal year 2014. In fiscal year 2013, the College received \$28,239,824.

Total 2015 City funding was \$26,909,207, a \$500,000 increase (1.9%) over the amount received in fiscal year 2014. Of the funding appropriation, \$21,277,040 was used for operating budget purposes in 2015. In fiscal year 2014, \$18,346,138 of the total appropriation was used for operating purposes and \$18,063,705 in fiscal year 2013. Net investment income was \$364,680 in fiscal year 2015, \$695,167 in 2014 and \$332,708 in 2013. Included in net investment income for 2015 is an unrealized loss of \$123,965 and a realized loss of \$596 for all investment activity as of June 30, 2015.

Community College of Philadelphia  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

June 30, 2015 and 2014

**Capital Appropriations**

The State provided capital funding for debt service and capital purchases in the amounts of \$5,017,352 and \$6,109,663 for fiscal years 2015 and 2014, respectively. The amount received in fiscal year 2013 was \$6,384,089. The College used \$5,836,028 of the total City appropriation of \$27,113,068 in fiscal year 2015 for debt service and capital purchases. In fiscal years 2014 and 2013, City appropriations used for debt service and capital purchases was \$7,859,208 and \$7,435,502, respectively.

Expenses by Function

June 30,

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Instruction	\$ 65,046,544	\$ 66,209,598	\$ 66,436,316
Public service	64,882	108,954	155,657
Research	20,921	-	-
Academic support	18,372,027	17,492,238	17,246,555
Student services	23,493,959	22,810,350	21,913,072
Institutional support	24,370,565	25,229,115	26,216,369
Physical plant operations	13,335,791	12,585,835	12,741,867
Depreciation	9,697,798	10,490,412	10,423,443
Student aid	8,210,976	10,459,176	8,327,636
Auxiliary enterprises	<u>831,206</u>	<u>770,012</u>	<u>559,068</u>
Total operating expenses	<u>\$163,444,669</u>	<u>\$166,155,690</u>	<u>\$164,019,983</u>

Exclusive of Student Aid and Depreciation expenses, the College's operating expenses totaled \$145,535,895 in fiscal year 2015, \$145,206,102 in fiscal 2014 and \$145,268,904 in fiscal 2013. September 1, 2014 began year four of a five-year labor contract that was ratified by the union in September 2013.

Community College of Philadelphia  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

June 30, 2015 and 2014

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 2015, 2014 and 2013 was \$8,016,318, \$8,641,201 and \$8,530,033, respectively.

Expenses by Natural Classifications

June 30,

	2015	2014	2013
		(In thousands)	
Expenses:			
Salaries	\$ 77,161	\$ 75,438	\$ 76,015
Benefits	35,767	35,885	34,247
Contracted services	8,330	9,697	11,373
Supplies	3,073	3,232	3,636
Depreciation	9,698	10,490	10,423
Student aid	8,211	10,459	8,328
Other	12,815	12,314	11,468
GASB 45 & 68 (Other post-employment benefits) accrual	<u>8,390</u>	<u>8,641</u>	<u>8,530</u>
 Total operating expenses	 <u>163,445</u>	 <u>166,156</u>	 <u>164,020</u>
 Interest on capital asset-related debt service	 <u>4,225</u>	 <u>4,258</u>	 <u>4,689</u>
 Total nonoperating expenses	 <u>4,225</u>	 <u>4,258</u>	 <u>4,689</u>
 Total expenses	 <u><u>\$ 167,670</u></u>	 <u><u>\$ 170,414</u></u>	 <u><u>\$ 168,709</u></u>

In fiscal year 2015, expenses associated with the College's operating budget increased by \$5.03 million or 4.1 %. Total operating expenditures ended the year \$1.2 million less than budgeted. A number of vacant positions during the year resulted in a higher-than-budgeted lapse salary savings. A one-time special retirement incentive program added unbudgeted costs of \$740,000 to the fiscal 14-15 budget year but will result in projected salary savings of \$3.9 million over the next five years. Overall, salaries were \$715,000 lower than budgeted. The fringe benefit budget was positively affected by a favorable year for the medical self-funded program. Final medical program costs were almost \$1.7 million below budget. Administration took advantage of the savings from the salary and fringe benefit lines and other expense lines to pay-off existing longer-term leases in the amount of \$3.578 million. This strategy provides flexibility in the College's operating budget for future years. Expenses associated with restricted grants decreased by \$1.32 million, 1.1% from the fiscal year 2014 expenses. This decrease was related to the TAACCCT grant which, in fiscal year 2015, had \$2.07 million less expenses than in fiscal year 2014.

Community College of Philadelphia  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**

June 30, 2015 and 2014

***Schedule of Fund Balances***

The following chart shows fund balances in the four fund groups: Unrestricted, Restricted, Endowment and Plant. The 2015, 2014 and 2013 amounts reported for unrestricted operations funds were reduced by the impact of GASB 45 and 68 reporting of an accrued expense liability for post-employment benefits. The impact of GASB 45 reporting in 2015 was \$8,016,318, in 2014 was \$8,641,201 and in 2013 was \$8,530,033. The negative unrestricted plant fund balance reflects the cumulative impact of unfunded depreciation expense.

	June 30,		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total unrestricted fund	\$ (26,926,568)	\$ (16,669,094)	\$ (8,297,655)
Endowment fund:			
Quasi endowment (unrestricted)	<u>1,606,385</u>	<u>1,762,678</u>	<u>1,859,894</u>
Total endowment	<u>1,606,385</u>	<u>1,762,678</u>	<u>1,859,894</u>
Plant fund:			
Net invested in capital assets	96,978,995	93,771,459	89,660,198
Restricted expendable - capital	4,742,166	4,742,069	2,740,642
Unrestricted	<u>(10,482,019)</u>	<u>(11,069,072)</u>	<u>(8,890,495)</u>
Total plant fund	<u>91,239,142</u>	<u>87,444,456</u>	<u>83,510,345</u>
Total net position	<u>\$ 65,918,959</u>	<u>\$ 72,538,040</u>	<u>\$ 77,072,584</u>

***Community College of Philadelphia Foundation***

The Foundation was established in 1985. Total assets for 2015, 2014 and 2013 were \$12.9 million, \$11.8 million and \$12.6 million, respectively. Total unrestricted net position for 2015, 2014 and 2013 for the Foundation was \$1.7 million, \$1.6 million and \$1.5 million, respectively. The remaining net position is restricted based upon donor intent.

**Future Impacts**

For fiscal year 2016, City funding to the College was increased by an additional \$3.4 million with \$1.4 million of the increase designated for capital. The State budget submitted by the governor has not been approved by the State legislature. The governor's budget included a significant increase in operating funds for community colleges; the additional funding for the College is estimated at \$1.98 million. The College's budget was built upon this level of funding. Student tuition and fees remained at the same level as fiscal year 2014-15. Credit FTE enrollments for the fall 2015 semester are trending 0.3% above enrollments of fall 2014.

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

**STATEMENTS OF NET POSITION**

June 30, 2015 and 2014

ASSETS	Business-type activities		Component unit	
	The Community College of Philadelphia		The Community College of Philadelphia Foundation	
	2015	2014	2015	2014
Current assets:				
Cash and cash equivalents (Note B)	\$ 10,323,803	\$ 10,601,463	\$ 191,827	\$ 127,848
Short-term investments (Note B)	12,396,932	13,384,688	1,164,745	1,738,570
Accounts receivable, net (Note C)	4,830,003	4,410,755	1,246,209	534,445
Receivable from government agencies (Note G)	2,848,056	2,650,481	-	-
Accrued interest receivable	47,160	48,062	-	-
Other assets	<u>1,066,648</u>	<u>1,559,866</u>	<u>-</u>	<u>-</u>
Total current assets	31,512,602	32,655,315	2,602,781	2,400,863
Noncurrent assets:				
Endowment investments (Note B)	-	-	8,953,083	8,415,537
Accounts receivable, net (Note C)	-	-	609,173	977,110
Bond proceeds available for campus construction	5,060	207,733	-	-
Other long-term investments (Note B)	16,222,800	16,134,491	-	-
Capital assets, net (Note D)	<u>171,293,451</u>	<u>179,492,948</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>187,521,311</u>	<u>195,835,172</u>	<u>9,562,256</u>	<u>9,392,647</u>
Total assets	<u>\$ 219,033,913</u>	<u>\$ 228,490,487</u>	<u>\$ 12,165,037</u>	<u>\$ 11,793,510</u>
Deferred outflows of resources:				
Deferred outflows	<u>\$ 543,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

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

June 30, 2015 and 2014

LIABILITIES AND NET POSITION	Business-type activities		Component unit	
	The Community College of Philadelphia		The Community College of Philadelphia Foundation	
	2015	2014	2015	2014
Current liabilities:				
Accounts payable and accrued liabilities (Note E)	\$ 16,517,824	\$ 15,429,984	\$ 398,169	\$ 359,368
Payable to government agencies (Note G)	490,637	3,025,477	-	-
Deposits	561,301	460,793	-	-
Unearned revenue	2,360,265	2,561,108	852,272	1,067,505
Current portion of capital lease obligation (Note F)	1,128,414	1,909,178	-	-
Current portion of long-term debt (Note I)	6,170,886	6,157,176	-	-
Unamortized bond premium	51,170	51,170	-	-
Total current liabilities	<u>27,280,497</u>	<u>29,594,886</u>	<u>1,250,441</u>	<u>1,426,873</u>
Noncurrent liabilities:				
Accrued liabilities (Note E)	1,084,173	1,149,303	-	-
Annuity payable	-	-	4,153	9,367
Capital lease obligation (Note F)	1,580,569	6,069,858	-	-
Long-term debt (Note F)	65,021,752	71,323,947	-	-
Unamortized bond premium	366,724	417,892	-	-
Other post-employment benefits liability (Note H)	58,227,563	47,396,561	-	-
Total noncurrent liabilities	<u>126,280,781</u>	<u>126,357,561</u>	<u>4,153</u>	<u>9,367</u>
Total liabilities	<u>153,561,278</u>	<u>155,952,447</u>	<u>1,254,594</u>	<u>1,436,240</u>
Deferred inflows of resources:				
Deferred inflows	<u>97,351</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position:				
Net investment in capital assets	96,978,995	93,771,458	-	-
Restricted:				
Nonexpendable:				
Scholarships, awards and faculty chair	-	-	6,934,838	6,638,178
Annuities	-	-	2,571	9,021
Expendable:				
Scholarships, awards and faculty chair	-	-	1,653,576	1,465,496
Capital projects	4,742,166	4,742,069	580,500	613,710
Unrestricted	<u>(35,802,202)</u>	<u>(25,975,487)</u>	<u>1,738,958</u>	<u>1,630,865</u>
Total net position	<u>\$ 65,918,959</u>	<u>\$ 72,538,040</u>	<u>\$ 10,910,443</u>	<u>\$ 10,357,270</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, 2015 and 2014

	Business-type activities		Component unit	
	The Community College of Philadelphia		The Community College of Philadelphia Foundation	
	2015	2014	2015	2014
Operating revenues:				
Student tuition	\$ 61,189,199	\$ 61,356,712	\$ -	\$ -
Student fees	17,317,261	17,376,046	-	-
Less scholarship allowance	<u>(46,533,705)</u>	<u>(43,395,057)</u>	<u>-</u>	<u>-</u>
Net student tuition and fees	31,972,755	35,337,701	-	-
Auxiliary enterprises	1,785,603	1,671,145	-	-
Gifts	-	-	770,634	532,223
Other sources	<u>196,423</u>	<u>166,024</u>	<u>118,048</u>	<u>130,783</u>
Total operating revenues	<u>33,954,781</u>	<u>37,174,870</u>	<u>888,682</u>	<u>663,006</u>
Operating expenses (Note J):				
Educational and general:				
Instruction	65,046,544	66,209,598	40,426	28,607
Public service	85,803	108,954	-	-
Academic support	18,372,027	17,492,238	-	-
Student services	23,493,959	22,810,350	37,050	24,082
Institutional support	24,370,565	25,229,115	1,703,304	2,110,740
Physical plant operations	13,335,791	12,585,835	-	-
Depreciation	9,697,798	10,490,412	-	-
Student aid	8,210,976	10,459,176	308,944	270,038
Auxiliary enterprises	<u>831,206</u>	<u>770,012</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>163,444,669</u>	<u>166,155,690</u>	<u>2,089,724</u>	<u>2,433,467</u>
Operating loss	<u>\$ (129,489,888)</u>	<u>\$ (128,980,820)</u>	<u>\$ (1,201,042)</u>	<u>\$ (1,770,461)</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 - CONTINUED**

Years ended June 30, 2015 and 2014

	Business-type activities		Component unit	
	The Community College of Philadelphia		The Community College of Philadelphia Foundation	
	2015	2014	2015	2014
Nonoperating revenues (expenses):				
State appropriations (Note K)	\$ 28,631,589	\$ 28,179,310	\$ -	\$ -
City appropriations (Note K)	21,271,006	18,346,138	-	-
Federal grants and contracts	57,870,842	58,795,574	-	-
Gifts from the Community College of Philadelphia Foundation	140,848	100,000	(140,848)	(100,000)
State grants and contracts	7,343,322	6,591,410	-	-
Nongovernmental grants and contracts	1,521,465	1,703,933	1,624,928	1,746,152
Net investment income	364,680	695,167	270,135	828,478
Interest on capital asset-related debt service	(4,224,570)	(4,258,483)	-	-
Other nonoperating revenues	1,087,072	324,356	-	-
Net nonoperating revenues	114,006,254	110,477,405	1,754,215	2,474,630
(Loss) gain before other revenues, expenses, gains or losses	(15,483,634)	(18,503,415)	553,173	704,169
Capital appropriations	10,859,413	13,968,871	-	-
(Decrease) increase in net position	(4,624,221)	(4,534,544)	553,173	704,169
Net position, beginning, as previously reported	72,538,040	77,072,584	10,357,270	9,653,101
Change in accounting principle - GASB 68 adjustments (Note A)	(1,994,860)	-	-	-
Net position, beginning of the year, restated	70,543,180	77,072,584	10,357,270	9,653,101
Net position, ending	\$ 65,918,959	\$ 72,538,040	\$ 10,910,443	\$ 10,357,270

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>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Tuition and fees	S 31,283,356	S 35,016,023
Payments to suppliers	(23,707,061)	(22,531,001)
Payments to employees	(76,943,418)	(76,666,839)
Payments for employee benefits	(35,067,726)	(36,319,049)
Payments for student aid	(8,210,976)	(10,459,176)
Auxiliary enterprises	1,778,519	1,685,121
Other cash receipts	<u>196,423</u>	<u>166,024</u>
Net cash used in operating activities	<u>(110,670,883)</u>	<u>(109,108,897)</u>
Cash flows from noncapital financing activities:		
State appropriations	28,641,818	28,168,713
City appropriations	21,277,040	18,346,138
Gifts and grants	64,331,404	68,319,487
Other nonoperating	<u>1,187,580</u>	<u>598,247</u>
Net cash provided by noncapital financing activities	<u>115,437,842</u>	<u>115,432,585</u>
Cash flows from capital and related financing activities:		
State capital appropriations	5,017,352	6,109,663
City capital appropriations	5,836,028	7,859,208
Decrease in bond proceeds available for campus construction	202,673	2,236,413
Purchases of capital assets	(1,217,392)	(5,854,492)
Principal on capital debt and amortization of capital leases	(11,839,447)	(10,939,049)
Interest on capital debt and capital leases	<u>(4,308,863)</u>	<u>(4,352,741)</u>
Net cash used in capital and related financing activities	<u>(6,309,649)</u>	<u>(4,940,998)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	53,179,375	20,833,100
Purchases of investments	(52,279,927)	(24,276,749)
Interest on investments	<u>365,582</u>	<u>695,048</u>
Net cash provided by (used in) investing activities	<u>1,265,030</u>	<u>(2,748,601)</u>
Decrease in cash	(277,660)	(1,365,911)
Cash and cash equivalents, beginning	<u>10,601,463</u>	<u>11,967,374</u>
Cash and cash equivalents, ending	<u>S 10,323,803</u>	<u>S 10,601,463</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 - CONTINUED**

Years ended June 30,

	<u>2015</u>	<u>2014</u>
Reconciliation of net operating loss to net cash used in operating activities:		
Operating loss	\$ (129,489,888)	\$ (128,980,820)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation	9,697,798	10,490,412
Changes in assets and liabilities:		
Accounts receivable	(589,271)	948,329
Prepaid and other assets	493,218	(221,716)
Loans to students and employees	(27,550)	157,775
Accounts payable and accrued liabilities	1,102,852	(271,373)
Deferred revenues	(247,860)	127,295
Other post-employment benefits	<u>8,389,818</u>	<u>8,641,201</u>
Net cash used in operating activities	<u>\$ (110,670,883)</u>	<u>\$ (109,108,897)</u>
Supplemental disclosure of noncash capital financing activity:		
Capital assets acquired via capital lease	<u>\$ 280,909</u>	<u>\$ 699,553</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, 2015 and 2014

**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 Governmental 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 accounting principles generally accepted in the United States of America (U.S. GAAP), 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 and the City; federal, state, and private grants; net investment income; gifts; interest expense; and disposals of capital assets.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2015 and 2014

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

**3. Government Appropriations**

Revenue from the Commonwealth and the City 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:

*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 2015 and 2014 fiscal years, the provisions of Act 46 were not followed in allocating operational funds to Pennsylvania community colleges.

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)

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2015 and 2014

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.

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.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2015 and 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

10. Student Fees

Included in student fees are general college fees of \$1,515,884 and \$1,536,150 for the years ended June 30, 2015 and 2014, 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.

(Continued)



**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2015 and 2014

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

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. GAAP 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. The College's self-insurance liability at June 30, 2015 and 2014 was \$1,233,369 and \$1,079,362, respectively, based upon an actuarial calculation based upon historical claim experience.

**15. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statements of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources until then. In addition to liabilities, the Statements of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of a net position that applies to future periods and will not be recognized as an inflow of resources until that time. The College's deferred outflow/inflow relates to amounts recorded in connection with the adoption of GASB 68.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2015 and 2014

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

**16. Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Employees Retirement System (SERS) and the Pennsylvania Public School Employees Retirement System (PSERS) and additions to/deductions from the SERS' and PSERS' fiduciary net position have been determined on the same basis as they are reported by SERS/PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**17. Recent Accounting Pronouncements**

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), which 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 an expense in the period incurred, rather than as an asset.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurements and Application* (GASB 72). This statement addresses accounting and financial reporting issues related to fair value measurements and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this statement become effective for fiscal periods beginning after June 15, 2015. The College has not completed the process of evaluating the impact of adopting the statement.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The primary objective of this statement is to improve accounting and financial reporting for postemployment benefits other than pensions. This statement replaces the requirements of Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for OPEB. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expenses. This statement also identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payment to their actuarial present value, and attribute that present value to periods of employee service. The requirement of this Statement are effective for financial statements for periods beginning after June 15, 2017. The College has not completed the process of evaluating the impact of adopting this statement.

**18. Change in Accounting Principle**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), which improves accounting and financial reporting by state and local governments for pensions. This statement also supersedes GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, as well as GASB Statement No 50, *Pension Disclosures*. GASB 68 required the College as a cost sharing pension employer to record a liability for its proportionate share of the net pension liability of PSERS and SERS. In connection with the adoption of GASB 68, the College recorded an adjustment to net position as of July 1, 2014 for \$1,994,860 to reflect the initial recording of the liability. The financial statements for the year ended June 30, 2014 were not restated as information was not available from the pension plans to be able restate the prior year information.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2015 and 2014

**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.

Operating funds may be invested only in corporate bonds rated at a 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, 2015 and 2014, cash on hand was \$4,000. At June 30, 2015 and 2014, the carrying amount of deposits was \$10,319,803 and \$10,597,463, and the bank balance was \$10,964,508 and \$11,625,165, 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, 2015 and 2014.

Demand deposits include \$129,351 in restricted cash at June 30, 2015, 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.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2015 and 2014

NOTE B - DEPOSITS AND INVESTMENTS - Continued

The following is the carrying value (fair value) of deposits and investments at June 30, 2015:

	<u>College</u>	<u>Foundation</u>
Deposits:		
Demand deposits	\$ 10,319,803	\$ 191,827
Investments:		
Insured money market deposit	206,256	-
U.S. Treasury obligations	4,728,180	600,496
U.S. government agency obligations	1,742,187	-
Corporate and foreign bonds	3,870,295	-
Intermediate fixed income mutual fund	5,487,189	2,266,546
Equity mutual fund	-	5,815,402
Multi-strategy bond mutual fund	5,218,290	-
Money market mutual funds	7,367,335	1,164,745
Private real estate	<u>-</u>	<u>270,639</u>
 Total deposits and investments	 <u>\$ 38,939,535</u>	 <u>\$ 10,309,655</u>

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

	<u>College</u>	<u>Foundation</u>
Deposits:		
Demand deposits	\$ 10,597,463	\$ 127,848
Investments:		
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	384,086
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	<u>-</u>	<u>146,257</u>
 Total deposits and investments	 <u>\$ 40,116,642</u>	 <u>\$ 10,281,955</u>

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2015 and 2014

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

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, 2015 and 2014, bond proceeds available for campus construction include the following:

	<u>2015</u>	<u>2014</u>
Construction funds	\$ 5,060	\$ 207,733

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.

At June 30, 2015 and 2014, the College's bank balance was exposed to custodial credit risk as follows:

	<u>2015</u>	<u>2014</u>
Uninsured and collateral held by pledging bank's trust department not in the College's name	\$ 10,319,803	\$ 10,625,165

The College participates in the Certificate of Deposit Account Registry Service (CDARS) for its certificates 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 certificates 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.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2015 and 2014

NOTE B - DEPOSITS AND INVESTMENTS - Continued

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, 2015</u>	
	<u>Multi-Strategy Bond</u>	<u>Intermediate</u>
Government	17%	17%
Agency	23	25
AAA	9	22
AA	4	7
A	14	19
BBB	17	9
Below BBB	11	1
Non-rated/Other	5	-
	<u>100%</u>	<u>100%</u>

	<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	-
	<u>100%</u>	<u>100%</u>

(Continued)

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

June 30, 2015 and 2014

NOTE B - DEPOSITS AND INVESTMENTS - Continued

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:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
	Fixed income securities	Fixed income securities
Aaa	64%	63%
Aa	9	-
A	14	20
Baa	13	17
	<hr/>	<hr/>
Total	<u>100%</u>	<u>100%</u>

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, 2015 and 2014 are as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
	Weighted average maturity (years)	Weighted average maturity (years)
	<hr/>	<hr/>
U.S. Treasury obligations	4.27	2.53
U.S. government agency obligations	2.56	3.35
Corporate bonds	5.13	4.76

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

June 30, 2015 and 2014

**NOTE C - ACCOUNTS RECEIVABLE**

Accounts receivable include the following at June 30:

	2015		2014	
		Component unit		Component unit
	College	Foundation	College	Foundation
Tuition and fee receivables	\$ 7,694,272	\$ -	\$ 6,191,729	\$ -
Grants receivable	71,783	783,048	60,384	390,516
Other receivables	1,287,937	-	1,468,680	-
Pledges receivable	-	1,164,430	-	1,223,573
Receivable from Foundation	316,686	-	167,852	-
	9,370,678	1,947,478	7,888,645	1,614,089
Less allowance for doubtful accounts	(4,540,675)	(92,096)	(3,477,890)	(102,534)
Total	<u>\$ 4,830,003</u>	<u>\$ 1,855,382</u>	<u>\$ 4,410,755</u>	<u>\$ 1,511,555</u>

The College anticipates that all of its net 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 \$4,540,675 and \$3,477,890 for the years ended June 30, 2015 and 2014, respectively. \$609,173 of the Foundation's pledges receivable are expected to be collected subsequent to June 30, 2015, generally on a five-year payment schedule.



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

June 30, 2015 and 2014

**NOTE D - CAPITAL ASSETS**

Capital assets consist of the following at June 30, 2015:

	Balance July 1, 2014	Additions	Retirements and adjustments	Balance June 30, 2015
Capital assets not depreciated:				
Land and improvements	\$ 29,054,933	\$ 151,327	\$ -	\$ 29,206,260
Construction in progress	351,752	663,880	(821,878)	193,754
Works of art	705,208	-	-	705,208
	<u>30,111,893</u>	<u>815,207</u>	<u>(821,878)</u>	<u>30,105,222</u>
Capital assets being depreciated:				
Buildings and improvements	232,527,699	524,176	-	233,051,875
Equipment and furniture	36,632,837	877,431	(1,521,342)	35,988,926
Library books	5,018,677	115,244	-	5,133,921
Microforms	1,671,710	-	-	1,671,710
Software	4,039,594	-	-	4,039,594
System software	8,115,093	-	-	8,115,093
Total before depreciation	<u>288,005,610</u>	<u>1,516,851</u>	<u>(1,521,342)</u>	<u>288,001,119</u>
	<u>\$ 318,117,503</u>	<u>\$ 2,332,058</u>	<u>\$ (2,343,220)</u>	<u>\$ 318,106,341</u>

Accumulated depreciation by asset categories is summarized as follows:

	Balance July 1, 2014	Depreciation	Retirements	Balance June 30, 2015
Buildings and improvements	\$ 95,185,374	\$ 5,900,495	\$ -	\$ 101,085,869
Equipment and furniture	26,821,243	3,235,678	(1,509,464)	28,547,457
Library books	4,165,027	149,367	-	4,314,394
Microforms	1,664,224	4,491	-	1,668,715
Software	3,429,162	9,442	-	3,438,604
System software	7,359,525	398,326	-	7,757,851
Total	<u>\$ 138,624,555</u>	<u>\$ 9,697,799</u>	<u>\$ (1,509,464)</u>	<u>146,812,890</u>
Net capital assets				<u>\$ 171,293,451</u>

(Continued)

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

June 30, 2015 and 2014

**NOTE D - CAPITAL ASSETS - Continued**

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

	Balance July 1, 2013	Additions	Retirements and adjustments	Balance June 30, 2014
Capital assets not depreciated:				
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>
Capital assets being depreciated:				
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
Total before depreciation	<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>

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	\$ (721,003)	\$ 95,185,374
Equipment and furniture	26,535,758	3,809,712	(3,524,227)	26,821,243
Library books	4,010,826	154,201	-	4,165,027
Microforms	1,655,015	9,209	-	1,664,224
Software	3,419,047	10,115	-	3,429,162
System software	6,890,921	468,604	-	7,359,525
Total	<u>\$ 132,379,373</u>	<u>\$ 10,490,412</u>	<u>\$ (4,245,230)</u>	<u>138,624,555</u>
Net capital assets				<u>\$ 179,492,948</u>

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

June 30, 2015 and 2014

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

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

	2015		2014	
	College	Component unit Foundation	College	Component unit Foundation
Category:				
Vendors and others	\$ 7,871,185	\$ 190,634	\$ 7,849,176	\$ 191,516
Accrued salaries	2,959,758	-	2,674,853	-
Accrued benefits	2,201,264	-	2,063,472	-
Compensated absences	2,928,054	-	3,098,015	-
Retirement incentive payments	1,120,033	-	388,775	-
Payroll withholding taxes	255,960	-	206,129	-
Accrued interest	265,743	-	298,867	-
Payable to College	-	316,687	-	167,852
Total	<u>\$ 17,601,997</u>	<u>\$ 507,321</u>	<u>\$ 16,579,287</u>	<u>\$ 359,368</u>

Long-term liability activity for the year ended June 30, 2015 was as follows:

2015	Beginning balance	Additions	Deductions	Total ending balance	Current portion
Long-term liabilities:					
Accrued liabilities	\$ 16,579,287	\$ 1,393,064	\$ (370,354)	\$ 17,601,997	\$16,517,824
Payable to government agencies	3,025,477	-	(2,534,840)	490,637	490,637
Capital lease obligation	7,979,036	-	(5,270,053)	2,708,983	1,128,414
Long-term debt	77,481,123	-	(6,288,485)	71,192,638	6,170,886
Unamortized bond premium	469,062	-	(51,168)	417,894	51,170
Other post-employment benefits	<u>47,396,561</u>	<u>10,831,002</u>	<u>-</u>	<u>58,227,563</u>	<u>-</u>
	<u>\$152,930,546</u>	<u>\$12,224,066</u>	<u>\$(14,514,900)</u>	<u>\$150,639,712</u>	<u>\$24,358,931</u>

(Continued)

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

June 30, 2015 and 2014

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

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

2014	Beginning balance	Additions	Deductions	Total ending balance	Current portion
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	520,233	-	(51,171)	469,062	51,170
Other post-employment benefits	38,755,360	8,641,201	-	47,396,561	-
	<u>\$ 153,310,659</u>	<u>\$ 12,502,877</u>	<u>\$ (12,882,990)</u>	<u>\$ 152,930,546</u>	<u>\$ 26,572,985</u>

**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, 2015:

	Balance July 1, 2014	Additions	Principal payments	Balance June 30, 2015	Current portion
2006 Series	\$ 880,000	\$ -	\$ (340,000)	\$ 540,000	\$ 355,000
2007 Series	18,350,000	-	(2,055,000)	16,295,000	2,160,000
2008 Series	54,140,000	-	(2,675,000)	51,465,000	2,795,000
2013B Series	-	-	-	-	-
SPSBA Loan	245,332	-	(245,332)	-	-
SPSBA Loan	507,023	-	(280,427)	226,596	208,993
SPSBA Loan	1,234,137	-	(407,349)	826,788	360,673
SPSBA Loan	2,124,631	-	(285,377)	1,839,254	291,220
	<u>\$ 77,481,123</u>	<u>\$ -</u>	<u>\$ (6,288,485)</u>	<u>\$ 71,192,638</u>	<u>\$ 6,170,886</u>

(Continued)

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

June 30, 2015 and 2014

NOTE F - DEBT - Continued

Debt consisted of the following at June 30, 2014:

	Balance July 1, 2013	Additions	Principal payments	Balance June 30, 2014	Current portion
2006 Series	\$ 1,205,000	\$ -	\$ (325,000)	\$ 880,000	\$ 340,000
2007 Series	20,315,000	-	(1,965,000)	18,350,000	2,055,000
2008 Series	57,915,000	-	(3,775,000)	54,140,000	2,675,000
2013B Series	1,336,553	-	(1,336,553)	-	-
SPSBA Loan	526,486	-	(281,154)	245,332	245,332
SPSBA Loan	706,474	-	(199,451)	507,023	202,861
SPSBA Loan	1,611,379	-	(377,242)	1,234,137	353,606
SPSBA Loan	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>

Future annual principal and interest payments at June 30, 2015 are as follows:

	Principal	Interest	Total
June 30:			
2016	\$ 6,170,886	\$ 3,796,374	\$ 9,967,260
2017	6,067,749	3,607,702	9,675,451
2018	5,896,422	3,290,991	9,187,413
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>\$ 71,192,638</u>	<u>\$ 27,123,739</u>	<u>\$ 98,316,377</u>

(Continued)

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

June 30, 2015 and 2014

NOTE F - DEBT - Continued

1. 2006 Series

Under a loan agreement dated September 15, 2006 with the State Public School Building Authority (the 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:

	<u>Principal</u>
2016	\$ 355,000
2017	185,000
2018	<u>-</u>
	<u>\$ 540,000</u>

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:

	<u>Principal</u>
2016	\$ 2,160,000
2017	2,270,000
2018	2,385,000
2019	1,750,000
2020	1,820,000
2021-2024	<u>5,910,000</u>
	<u>\$ 16,295,000</u>

(Continued)

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

June 30, 2015 and 2014

NOTE F - DEBT - Continued

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 were 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.

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

	<u>Principal</u>
2016	\$ 2,795,000
2017	2,930,000
2018	3,110,000
2019	3,270,000
2020	3,445,000
2021 - 2024	15,875,000
2025 - 2029	<u>20,040,000</u>
	<u>\$ 51,465,000</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.

(Continued)

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

June 30, 2015 and 2014

NOTE F - DEBT - Continued

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. The revolving loan obligation has been fully repaid as of May 15, 2015.

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:

	<u>Principal</u>
2016	\$ 208,993
2017	17,603
2018	-
	<u>\$ 226,596</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:

	<u>Principal</u>
2016	\$ 360,673
2017	367,963
2018	98,152
2019	-
	<u>\$ 826,788</u>

(Continued)



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

June 30, 2015 and 2014

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:

	<u>Principal</u>
2016	\$ 291,220
2017	297,184
2018	303,269
2019	309,480
2020	315,817
2021 - 2022	<u>322,284</u>
	<u><u>\$ 1,839,254</u></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 \$722,683 and \$825,362 for the years ended June 30, 2015 and 2014, respectively.

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

	<u>Principal</u>
2016	\$ 579,104
2017	506,087
2018	411,381
2019	401,745
2020	412,062
2021 - 2023	<u>192,041</u>
	<u><u>\$ 2,502,420</u></u>

(Continued)

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

June 30, 2015 and 2014

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 \$2,708,983 and \$7,979,036 at June 30, 2015 and 2014, respectively. Amortization charges of capital leases were \$2,232,948 and \$2,404,280 for the years ended June 30, 2015 and 2014, respectively.

Future minimum lease payments under capital leases are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
2016	\$ 1,128,414	\$ 48,982	\$ 1,177,396
2017	863,078	25,031	888,109
2018	551,892	9,323	561,215
2019	160,841	980	161,821
2020	<u>4,758</u>	<u>76</u>	<u>4,834</u>
	<u>\$ 2,708,983</u>	<u>\$ 84,392</u>	<u>\$ 2,793,375</u>

NOTE G - (PAYABLE TO) RECEIVABLE FROM GOVERNMENT AGENCIES

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

	<u>2015</u>		<u>2014</u>	
	<u>Payable</u>	<u>Receivable</u>	<u>Payable</u>	<u>Receivable</u>
Commonwealth of Pennsylvania:				
Provision for potential audit findings and reimbursement calculation	\$ 48,716	\$ -	\$ 38,487	\$ -
Grants and special projects	-	335,095	-	388,981
PHEAA for grants	<u>441,921</u>	<u>-</u>	<u>2,846,825</u>	<u>-</u>
	<u>490,637</u>	<u>335,095</u>	<u>2,885,312</u>	<u>388,981</u>
City of Philadelphia grants receivable	-	183,214	-	-
Federal:				
Financial aid programs	-	167,839	-	259,926
Grants and special projects	<u>-</u>	<u>2,161,908</u>	<u>140,165</u>	<u>2,001,574</u>
	<u>-</u>	<u>2,512,961</u>	<u>140,165</u>	<u>2,261,500</u>
Total	<u>\$ 490,637</u>	<u>\$ 2,848,056</u>	<u>\$ 3,025,477</u>	<u>\$ 2,650,481</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE H - EMPLOYEE BENEFITS

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, 2015 and 2014 are the Teachers' Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments. Although the College does not offer 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 10 employees participating in the SERS and 23 employees in the PSERS.

1. Defined Benefit Plans

The PSERS and SERS are cost-sharing multiple employer defined benefit plans and are administered by the Commonwealth as established under legislative authority. 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.

*Benefits Provided*

PSERS and SERS provide retirement, disability, and death benefits. For PSERS, retirement benefits are determined as 2% or 2.5% (depending on membership class), of the individual's final average salary multiplied by the number of years of credited service. After completion of five years of service, an individual's right to defined benefits is vested, and early retirement may be elected. Individuals are eligible for disability retirement benefits after completion of five years of credited service. Such disability benefits are generally equal to 2% to 2.5% (depending on membership class) of the member's final average salary multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service. Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

For SERS, retirement benefits are determined at 2% or 2.5% (depending on membership date) of the highest three-year average salary times the number of years of service. The vesting period is either 5 or 10 years (depending on membership date) of credited service.

*Contributions*

For PSERS, the contribution policy is set by state statutes and requires contributions by active members, employers and the Commonwealth of Pennsylvania. Funding percentages are determined by the plan in accordance with actuarial calculations and are based on covered payroll. Currently, for full time faculty, administrators and other staff, the College contributes 10.7% of all earnings as long as contributions are adequate to accumulate assets to pay retirement benefits when due. Employee contributions are 6.5% of all earnings for members prior to July 22, 1983 and 7.5% of all earnings for members after July 22, 1983.

For SERS, the contribution policy is set by state statutes and requires contributions by active members, employers and the Commonwealth of Pennsylvania. Funding percentages are determined by the plan in accordance with actuarial calculations and are based on covered payroll. Currently, for full time faculty, administrators and other staff, the College contributes 19.92% of all earnings as long as contributions are adequate to accumulate assets to pay retirement benefits when due. Employee contributions are 6.25% of all earnings.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2015 and 2014

NOTE H - EMPLOYEE BENEFITS - Continued

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources*

At June 30, 2015, the College reported a liability of \$1,030,000 and \$1,784,684 for its proportional share of the net pension liability for PSERS and SERS, respectively. The net pension liability was measured as of June 30, 2014 for PSERS and December 31, 2014 for SERS, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability is based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating institutions, actuarially determined. At June 30, 2014 and December 31, 2014, respectively, the College's proportion for PSERS and SERS was 0.0026% and 0.0120%.

For the fiscal year ended June 30, 2015, the College recognized the proportional pension expense for PSERS and SERS of \$90,000 and \$283,500, respectively, as provided by the plans' actuarial schedules. At June 30, 2015, the College reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

<u>PSERS</u>	Deferred Outflow of Resources	Deferred Inflow of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 74,000.00
Changes in proportion and differences between College contributions and proportionate share of contributions	<u>132,000</u>	<u>-</u>
Total	<u>\$ 132,000.00</u>	<u>\$ 74,000.00</u>
 <u>SERS</u>	 Deferred Outflow of Resources	 Deferred Inflow of Resources
Difference between expected and actual experience	\$ 9,688	\$ -
Net difference between projected and actual earnings on pension plan investments	1,565	-
Changes in proportion and differences between College contributions and proportionate share of contributions	<u>350,422</u>	<u>23,351</u>
Total	<u>\$ 361,675</u>	<u>\$ 23,351</u>

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2015 and 2014

NOTE H - EMPLOYEE BENEFITS - Continued

*Actuarial Assumptions*

The following methods and assumptions were used in the actuarial valuations. These methods and assumptions were applied to all periods included in the measurement:

PSERS

Actuarial cost method	entry age normal-level % of pay
Investment rate of return	7.50%, includes inflation at 3.00%
Salary increases	effective average of 5.5%, which reflects an allowance for inflation of 3.0%, real wage growth of 1.0%, and merit of seniority increases of 1.5%
Mortality rates	based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

SERS

Actuarial cost method	entry age
Amortization method	straight-line amortization of investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits
Investment rate of return	7.50% net of expenses including inflation
Projected salary increases	average of 6.10% with range of 4.30% - 11.05% including inflation
Inflation	2.75%
Mortality rate	projected RP-2000 Mortality Tables adjusted for actual plan experience and future improvement
Cost of living adjustments	ad hoc

(Continued)

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

June 30, 2015 and 2014

NOTE H - EMPLOYEE BENEFITS - Continued

PSERS

The long term expected real rate of return on pension investments is determined using a building-block method in which best estimates of ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected rate of return</u>
Public Markets Global Equity	19.00%	5.00%
Private Markets Equity	21.00%	6.50%
Private Real Estate	13.00%	4.70%
Global Fixed Income	8.00%	2.00%
US Long Term Treasuries	3.00%	1.50%
TIPS	12.00%	1.20%
High Yield bonds	6.00%	1.70%
Cash	3.00%	90.00%
Absolute Return	10.00%	4.80%
Risk Parity	5.00%	3.90%
MLPs/Infrastructure	3.00%	5.30%
Commodities	6.00%	3.30%
Financing (LIBOR)	-9.00%	1.10%
Total	<u>100.00%</u>	

SERS

Some of the methods and assumptions mentioned above are based on the *17<sup>th</sup> Investigation of Actuarial Experience*, which was published in January 2011 and analyzed experience from 2006 through 2010. The long-term expected real rate of return on pension investments is determined using a building-block method in which best estimates of ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return are summarized in the following table:

(Continued)

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

June 30, 2015 and 2014

NOTE H - EMPLOYEE BENEFITS - Continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Alternative Investments	15.00%	8.50%
Global Public Equity	40.00%	5.40%
Real Assets	17.00%	4.95%
Diversifying Assets	10.00%	5.00%
Fixed Income	15.00%	1.50%
Non-rated/Other	<u>3.00%</u>	0.00%
Total	<u><u>100.00%</u></u>	

For PSERS and SERS, the discount rate used to measure total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Position Liability*

For PSERS, the College's net pension liability is \$1,030,000 using a 7.5% discount rate. The College's net pension liability would have been \$1,284,000 assuming a 1% point decrease (6.5%) in the discount rate and would have been \$812,000 assuming a 1% point increase (8.5%) in the discount rate.

For SERS, the College's net pension liability is \$1,784,684 using a 7.5% discount rate. The College's net pension liability would have been \$2,282,000 assuming a 1% point decrease (6.5%) in the discount rate and would have been \$1,353,000 assuming a 1% point increase (8.5%) in the discount rate.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE H - EMPLOYEE BENEFITS - Continued

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.

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 1,227 employees participating in this program.

The payroll for employees covered by the four plans was \$65,534,082 and \$65,026,016; and the College's total payroll is \$77,987,146 and \$76,380,018 at June 30, 2015 and 2014, respectively. Contributions made by the College during fiscal 2015 and 2014 totaled \$5,691,129 and \$5,718,375, respectively, representing 8.68% and 8.79%, respectively, of covered payroll. College employees contributed \$4,794,327 and \$4,901,936, respectively, during fiscal 2015 and 2014. A summary of retirement benefits follows:

<u>Type of employee</u>	
Full-time faculty	10% of base contract
Visiting lecturers	5% of base contract
Part-time faculty	5% of all earnings
Administrators and other staff	10% of base contract
Others	10% of annual salary
Employee contribution	5% of base salary

3. Other Post-employment Benefits Liability

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*.

(Continued)



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

June 30, 2015 and 2014

NOTE H - EMPLOYEE BENEFITS - Continued

*Funding*

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 \$2,542,581 and \$2,478,737 for the fiscal years ended June 30, 2015 and 2014, respectively. Total retiree contributions made by plan members were \$745,135 and \$625,488 for the fiscal years ended June 30, 2015 and 2014, respectively.

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 \$205,647 for the fiscal year ended June 30, 2015 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 \$16,642 covering 41 retirees for the fiscal year ended June 30, 2015 and \$14,915 covering 38 retirees for the fiscal year ended June 30, 2014.

*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 shows the components of the College's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the College's net OPEB obligation:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual required contribution	\$ 13,289,050	\$ 13,249,915	\$ 12,255,644
Annual OPEB cost (expense)	13,289,050	13,249,915	12,255,644
Contributions made	<u>(5,272,731)</u>	<u>(4,608,714)</u>	<u>(3,725,611)</u>
Increase in net OPEB obligation	8,016,319	8,641,201	8,530,033
Net OPEB obligation at July 1	<u>47,396,561</u>	<u>38,755,360</u>	<u>30,225,327</u>
Net OPEB obligation at June 30	<u>\$ 55,412,880</u>	<u>\$ 47,396,561</u>	<u>\$ 38,755,360</u>

(Continued)

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

June 30, 2015 and 2014

**NOTE H - 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, 2015	\$ 13,289,050	39.67%	\$ 55,412,880
June 30, 2014	13,249,915	34.78	47,396,561
June 30, 2013	12,255,644	30.39	38,755,360

*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	<u>July 1, 2013</u>
Actuarial value of assets	\$ -
Actuarial accrued liability	<u>142,548,317</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 142,548,317</u>
Funded ratio	0.00%
Annual covered payroll (Note J)	\$ 77,160,811
UAAL as a percentage of covered payroll	184.74%

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, 2015 and 2014

**NOTE H - EMPLOYEE BENEFITS - Continued**

*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

**4. Retirement Incentive Program**

A retirement incentive option has been offered to employees 62 years 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 expired August 31, 2014. At June 30, 2015, there were two people who accepted the early retirement and incentive options; the present value of future payments of \$157,319 and \$145,266 has been accrued at June 30, 2015 and 2014, respectively. Future payments in the next two fiscal years are expected to be \$157,319 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.

In February 2015, the College offered a one-time retirement incentive program to employees 65 years or older and who had at least 15 years of full-time service. The incentive payment is 25% of an employee's final salary and an additional incentive which ranged from \$5,000 (if retirement commitment was received by February 28, 2015) to \$2,000 (for all commitments received by May 31, 2015). All retirements for non-faculty employees must be effective by August 31, 2015, while faculty members had an additional option of December 31, 2015. The total of all incentive payments for the program is \$712,729.

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

June 30, 2015 and 2014

**NOTE I - 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, 2015 and 2014

**NOTE J - OPERATING EXPENSES**

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

	2015		2014	
	College	Component unit Foundation	College	Component unit Foundation
Salaries	\$ 77,160,811	\$ 826,335	\$ 75,438,209	\$ 941,809
Benefits	35,766,816	281,319	35,884,685	250,719
Contracted services	8,330,474	214,789	9,696,574	296,273
Supplies	3,072,876	93,657	3,231,590	122,298
Depreciation	9,697,798	-	10,490,412	-
Student aid	8,210,976	295,861	10,459,176	387,194
Other post-retirement benefits	8,389,818	-	8,641,201	-
Gifts from the Community College of Philadelphia Foundation	-	-	-	100,000
Other	<u>12,815,100</u>	<u>377,763</u>	<u>12,313,843</u>	<u>435,174</u>
Total	<u>\$ 163,444,669</u>	<u>\$ 2,089,724</u>	<u>\$ 166,155,690</u>	<u>\$ 2,533,467</u>

**NOTE K - CITY AND STATE APPROPRIATIONS**

Appropriations from the Commonwealth and the City for the years ended June 30, 2015 and 2014, are as follows:

	2015		2014	
	Operations	Capital	Operations	Capital
Commonwealth of Pennsylvania	\$ 28,631,589	\$ 5,017,352	\$ 28,179,310	\$ 6,109,663
City of Philadelphia	<u>21,277,040</u>	<u>5,836,028</u>	<u>18,346,138</u>	<u>7,859,208</u>
Total appropriations	<u>\$ 49,908,629</u>	<u>\$ 10,853,380</u>	<u>\$ 46,525,448</u>	<u>\$ 13,968,871</u>

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2015 and 2014

**NOTE L - PASS-THROUGH GRANTS**

The College distributed \$41,888,351 in 2015 and \$41,548,421 in 2014 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 M - SUBSEQUENT EVENTS**

The College has evaluated subsequent events through September 30, 2015, noting no items which would require disclosure in the financial statements, except as follows.

Under a Loan Agreement dated September 10, 2015, between the State Public School Building Authority and the College, the College borrowed \$52,075,000 of 2015 Series Community College Revenue Bonds to advance refund a portion of the Authority's Community College Revenue Bonds (Community College of Philadelphia Project), Series of 2008 and additional 2015 Capital Projects. The 2015 Capital projects consists of the follow: (1) Renovating the College's biology labs; (2) Replacing certain escalators located in the College's West Building; and (3) Various other renovations, repairs and capital improvements. All of the forgoing components of the 2015 Capital Project will be used in connection with the College's operation of its community college buildings in furtherance of its educational mission.

## SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF FUNDING PROGRESS**

June 30, 2015 and 2014

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
June 30, 2015	13,289,050	5,272,732	39.67

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

See accompanying report of independent certified public accountants.



Community College of Philadelphia  
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**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**

Year ended June 30, 2015

	<u>2015</u>
<b>PSERS</b>	
College's proportion of the net pension liability (asset)	0.0026%
College's proportionate share of the net pension liability (asset)	\$ 1,030,000
College's covered employee payroll	\$ 335,800
Plan fiduciary net position as a percentage of the total pension liability	57.2400%
<b>SERS</b>	
College's proportion of the net pension liability (asset)	0.0120%
College's proportionate share of the net pension liability (asset)	\$ 1,784,684
College's covered employee payroll	\$ 692,779
Plan fiduciary net position as a percentage of the total pension liability	64.8000%

See accompanying report of independent certified public accountants.

Community College of Philadelphia  
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**SCHEDULE OF CONTRIBUTIONS**

Year ended June 30, 2015

	<u>2015</u>
<b>PSERS</b>	
Contractually required contribution	\$ 52,000
Contribution in relation to the contractually required contribution	<u>52,000</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 335,800
Contributions as a % of covered employee payroll	15.4854%
<b>SERS</b>	
Contractually required contribution	\$ 98,248
Contribution in relation to the contractually required contribution	<u>98,248</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 692,779
Contributions as a % of covered employee payroll	14.1817%

See 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 thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:									
Student tuition and fees (net of scholarship allowances)	\$ 31,973	\$ 35,338	\$ 32,003	\$ 30,181	\$ 28,132	\$ 29,608	\$ 31,618	\$ 29,723	\$ 27,146
Nongovernmental grants and contracts	-	-	-	-	-	-	-	-	75
Sales of auxiliary enterprises	1,786	1,671	1,776	1,827	1,734	1,650	1,371	1,274	1,132
Other operating revenues	<u>196</u>	<u>166</u>	<u>158</u>	<u>168</u>	<u>180</u>	<u>194</u>	<u>95</u>	<u>76</u>	<u>73</u>
Total operating revenues	<u>33,955</u>	<u>37,175</u>	<u>33,937</u>	<u>32,176</u>	<u>30,046</u>	<u>31,452</u>	<u>33,084</u>	<u>31,073</u>	<u>28,426</u>
City appropriations	21,271	18,346	18,064	17,652	18,092	18,946	19,245	20,243	19,644
State appropriations	28,632	28,179	28,240	28,229	29,275	28,750	31,496	31,554	30,855
Federal grants and contracts	57,871	58,796	58,715	56,839	58,890	51,131	32,552	30,668	27,391
State grants and contracts	7,343	6,591	7,191	6,495	5,967	5,585	5,831	7,818	8,570
Gifts from the Community College of Philadelphia Foundation	141	100	2,809	-	-	-	-	-	-
Nongovernmental grants and contracts	1,521	1,704	1,119	1,014	1,419	1,580	2,688	1,632	1,332
Net investment income	365	695	333	1,098	718	1,587	249	1,084	1,780
Other nonoperating revenue	<u>1,087</u>	<u>324</u>	<u>379</u>	<u>540</u>	<u>333</u>	<u>353</u>	<u>354</u>	<u>1,237</u>	<u>321</u>
Total nonoperating revenues	<u>118,231</u>	<u>114,735</u>	<u>116,850</u>	<u>111,867</u>	<u>114,694</u>	<u>107,932</u>	<u>92,415</u>	<u>94,236</u>	<u>89,893</u>
Capital appropriations	<u>10,859</u>	<u>13,969</u>	<u>13,730</u>	<u>14,084</u>	<u>13,648</u>	<u>13,979</u>	<u>13,721</u>	<u>8,316</u>	<u>7,762</u>
Total revenues	<u>\$ 163,045</u>	<u>\$ 165,879</u>	<u>\$ 164,517</u>	<u>\$ 158,127</u>	<u>\$ 158,388</u>	<u>\$ 153,363</u>	<u>\$ 139,220</u>	<u>\$ 133,625</u>	<u>\$ 126,081</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 REVENUES BY SOURCE (UNAUDITED) - CONTINUED**

Year ended June 30,

(Amounts expressed in percentages)

	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:									
Student tuition and fees (net of scholarship allowances)	19.61%	21.30%	19.45%	19.09%	17.76%	19.31%	22.71%	22.24%	21.53%
Nongovernmental grants and contracts	-	-	-	-	-	-	-	-	0.06
Sales of auxiliary enterprises	1.10	1.01	1.08	1.16	1.09	1.08	0.98	0.95	0.90
Other operating revenues	<u>0.12</u>	<u>0.10</u>	<u>0.10</u>	<u>0.11</u>	<u>0.11</u>	<u>0.13</u>	<u>0.07</u>	<u>0.06</u>	<u>0.06</u>
Total operating revenues	<u>20.83</u>	<u>22.41</u>	<u>20.63</u>	<u>20.36</u>	<u>18.96</u>	<u>20.52</u>	<u>23.76</u>	<u>23.25</u>	<u>22.55</u>
City appropriations	13.05	11.06	10.98	11.16	11.42	12.35	13.82	15.15	15.58
State appropriations	17.56	16.99	17.17	17.85	18.48	18.75	22.62	23.61	24.47
Federal grants and contracts	35.49	35.45	35.69	35.95	37.18	33.34	23.38	22.95	21.72
State grants and contracts	4.50	3.97	4.37	4.11	3.77	3.64	4.19	5.85	6.80
Gifts from the Community College of Philadelphia Foundation	0.09	0.06	1.70	-	-	-	-	-	-
Nongovernmental grants and contracts	0.93	1.02	0.68	0.64	0.90	1.03	1.93	1.22	1.06
Net investment income	0.22	0.42	0.20	0.69	0.45	1.03	0.18	0.81	1.41
Other nonoperating revenue	<u>0.67</u>	<u>0.20</u>	<u>0.23</u>	<u>0.33</u>	<u>0.22</u>	<u>0.23</u>	<u>0.26</u>	<u>0.94</u>	<u>0.25</u>
Total nonoperating revenues	<u>72.51</u>	<u>69.17</u>	<u>71.02</u>	<u>70.73</u>	<u>72.42</u>	<u>70.37</u>	<u>66.38</u>	<u>70.53</u>	<u>71.29</u>
Capital appropriations	<u>6.66</u>	<u>8.42</u>	<u>8.35</u>	<u>8.91</u>	<u>8.62</u>	<u>9.11</u>	<u>9.86</u>	<u>6.22</u>	<u>6.16</u>
Total revenues	<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 USE (UNAUDITED)**

Year ended June 30,

(Amounts expressed in thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Expenses:									
Salaries	\$ 77,161	\$ 75,438	\$ 76,015	\$ 76,796	\$ 78,168	\$ 73,489	\$ 69,694	\$ 68,333	\$ 64,747
Benefits	36,140	35,885	34,247	32,062	32,500	30,231	27,121	25,210	25,309
Contracted services	8,331	9,697	11,373	6,057	5,376	4,881	5,214	4,869	4,089
Supplies	3,073	3,232	3,636	2,760	3,253	2,198	2,107	2,416	1,996
Depreciation	9,698	10,490	10,423	9,764	7,660	6,493	6,588	6,374	5,947
Student aid	8,211	10,459	8,328	10,015	7,376	7,935	4,409	4,326	4,342
Other	12,815	12,314	11,468	11,895	12,948	11,730	12,269	11,692	11,109
GASB 45 (Other post-employment benefits) accrual	<u>8,016</u>	<u>8,641</u>	<u>8,530</u>	<u>7,611</u>	<u>6,039</u>	<u>6,199</u>	<u>5,181</u>	<u>5,195</u>	<u>-</u>
Total operating expenses	<u>163,445</u>	<u>166,156</u>	<u>164,020</u>	<u>156,960</u>	<u>153,320</u>	<u>143,156</u>	<u>132,583</u>	<u>128,415</u>	<u>117,539</u>
Interest on capital asset-related debt service	<u>4,225</u>	<u>4,258</u>	<u>4,689</u>	<u>3,927</u>	<u>3,542</u>	<u>1,841</u>	<u>1,889</u>	<u>2,273</u>	<u>1,993</u>
Total nonoperating expenses	<u>4,225</u>	<u>4,258</u>	<u>4,689</u>	<u>3,927</u>	<u>3,542</u>	<u>1,841</u>	<u>1,889</u>	<u>2,273</u>	<u>1,993</u>
Total expenses	<u>\$ 167,670</u>	<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>

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 USE (UNAUDITED) - CONTINUED**

Year ended June 30,

(Amounts expressed in percentages)

	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses:									
Salaries	46.02%	44.27%	45.06%	47.73%	49.83%	50.68%	51.83%	52.29%	54.17%
Benefits	21.55	21.04	20.28	19.93	20.72	20.85	20.17	19.29	21.17
Contracted services	4.97	5.69	6.74	3.77	3.43	3.37	3.88	3.72	3.42
Supplies	1.83	1.90	2.16	1.72	2.07	1.52	1.57	1.85	1.67
Depreciation	5.78	6.16	6.18	6.07	4.88	4.48	4.90	4.88	4.98
Student aid	4.90	6.14	4.94	6.22	4.70	5.47	3.28	3.31	3.63
Other	7.64	7.23	6.80	7.39	8.26	8.09	9.12	8.95	9.29
GASB 45 (Other post-employment benefits) accrual	<u>4.78</u>	<u>5.07</u>	<u>5.06</u>	<u>4.73</u>	<u>3.85</u>	<u>4.27</u>	<u>3.85</u>	<u>3.97</u>	<u>-</u>
Total operating expenses	<u>97.47</u>	<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>
Interest on capital asset-related debt service	<u>2.53</u>	<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>
Total nonoperating expenses	<u>2.53</u>	<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>
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)

	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses by function:									
Instruction	\$ 65,046	\$ 66,210	\$ 66,436	\$ 62,162	\$ 62,184	\$ 57,714	\$ 53,368	\$ 51,996	\$ 48,457
Public service	86	109	156	63	92	46	123	93	30
Academic support	18,372	17,492	17,247	17,723	19,251	18,540	16,828	14,920	13,927
Student services	23,494	22,811	21,913	21,075	21,744	20,241	18,212	17,776	16,315
Institutional support	24,371	25,229	26,216	23,281	22,003	20,095	21,385	21,296	17,956
Operation and maintenance of plant	13,336	12,586	12,742	12,244	12,392	11,307	10,905	10,949	9,964
Depreciation	9,698	10,490	10,423	9,764	7,660	6,493	6,588	6,374	5,947
Student aid	8,211	10,459	8,328	10,015	7,377	7,935	4,409	4,326	4,342
Auxiliary enterprises	831	770	559	633	617	785	765	685	601
Interest on capital debt	4,225	4,258	4,689	3,927	3,542	1,841	1,889	2,273	1,993
Total expenses by function	<u>\$ 167,670</u>	<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>

(Amounts expressed in percentages)

	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses by function:									
Instruction	38.79%	38.85%	39.38%	38.64%	39.64%	39.80%	39.69%	39.79%	40.54%
Public service	0.05	0.06	0.09	0.04	0.06	0.03	0.09	0.07	0.03
Academic support	10.96	10.26	10.22	11.02	12.28	12.79	12.51	11.42	11.65
Student services	14.01	13.39	12.99	13.10	13.86	13.96	13.54	13.60	13.65
Institutional support	14.54	14.80	15.54	14.47	14.03	13.86	15.90	16.30	15.02
Operation and maintenance of plant	7.95	7.39	7.55	7.61	7.90	7.80	8.12	8.37	8.33
Depreciation	5.78	6.16	6.18	6.07	4.88	4.48	4.90	4.88	4.98
Student aid	4.90	6.14	4.94	6.22	4.70	5.47	3.28	3.31	3.63
Auxiliary enterprises	0.50	0.45	0.33	0.39	0.39	0.54	0.57	0.52	0.50
Interest on capital debt	2.52	2.50	2.78	2.44	2.26	1.27	1.40	1.74	1.67
Total expenses by function	<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 NET POSITION AND CHANGES IN NET POSITION (UNAUDITED)**

Year ended June 30,

(Amounts expressed in thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total revenues (from schedule of revenues by source less capital appropriations)	\$ 152,186	\$ 151,910	\$ 150,786	\$ 144,042	\$ 144,740	\$ 139,384	\$ 125,499	\$ 125,309	\$ 118,318
Total operating expenses (from schedule of expenses by use)	<u>167,670</u>	<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>
Income before other revenues and expenses	(15,484)	(18,504)	(17,923)	(16,845)	(12,122)	(5,613)	(8,973)	(5,379)	(1,214)
Capital grants and contracts	-	-	-	-	-	-	-	-	35
Deductions to permanent endowments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14)</u>	<u>(106)</u>
Total changes in net position	(15,484)	(18,504)	(17,923)	(16,845)	(12,122)	(5,613)	(8,973)	(5,393)	(1,285)
Net position, beginning	<u>72,538</u>	<u>77,072</u>	<u>81,265</u>	<u>85,903</u>	<u>84,377</u>	<u>76,011</u>	<u>71,263</u>	<u>68,340</u>	<u>61,863</u>
Net position, ending	<u>\$ 57,054</u>	<u>\$ 58,568</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>
Net investment in capital assets	\$ 96,979	\$ 93,771	\$ 89,660	\$ 86,331	\$ 80,136	\$ 69,278	\$ 60,947	\$ 54,231	\$ 49,504
Restricted - nonexpendable	-	-	-	-	-	-	-	-	13
Restricted - expendable	4,742	4,742	2,740	1,364	731	511	511	1,874	920
Unrestricted	<u>(35,802)</u>	<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>
Total net position	<u>\$ 65,919</u>	<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>

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,

	2015	2014	2013	2012	2011	2010	2009	2008	2007
Enrollments and student demographics:									
Credit FTE	14,851	15,051	15,116	15,769	16,091	15,808	14,208	13,942	13,570
Unduplicated Credit Headcount	27,942	28,096	28,264	29,094	29,032	28,783	26,868	26,212	26,157
Percentage - Men	37.7%	37.7%	36.9%	35.5%	35.5%	34.5%	33.7%	33.2%	32.8%
Percentage - Women	62.3	62.3	63.1	64.5	64.5	65.5	66.3	66.8	67.2
Percentage - Black	50.7	50.2	49.7	49.9	49.2	48.9	48.6	48.0	48.3
Percentage - White	23.9	24.3	25.1	24.6	24.4	25.0	25.7	25.2	26.0
Percentage - Asian	8.4	8.2	7.7	7.3	7.2	7.1	7.4	7.7	7.6
Percentage - Hispanic	11.8	11.4	10.6	4.9	6.5	7.0	6.8	6.3	5.9
Percentage - American Indian/other	0.4	0.4	0.4	0.5	0.5	0.4	0.4	0.4	0.5
Percentage - Unknown	4.8	5.6	6.5	12.9	12.2	11.6	11.1	12.4	11.7
Degrees awarded:									
Associate	1,916	1,857	1,712	1,828	1,702	1,667	1,741	1,592	1,481
Certificate	446	338	167	180	214	216	259	319	232

Source: Department of Institutional Research.

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007
Faculty:									
Part-time	635	643	734	757	771	737	684	641	623
Full-time	395	407	412	418	413	395	393	395	399
Percentage tenured	81.7%	79.9%	80.6%	83.0%	84.0%	79.5%	79.6%	78.5%	76.1%
Administrative and support staff:									
Part-time	11	12	20	22	19	19	23	31	31
Full-time	453	441	447	472	460	462	457	426	429
Total employees:									
Part-time	646	655	754	779	790	756	707	672	654
Full-time	848	848	859	890	873	857	850	821	828
Students per full-time staff:									
Number credit students	19,119	19,066	18,692	19,751	19,503	19,047	17,327	17,352	16,871
Faculty	47	47	46	47	47	48	44	44	42
Administrative and support staff	42	43	42	42	42	44	38	41	39
Average annual faculty salary	\$ 65,212	\$ 64,059	\$ 66,137	\$ 66,236	\$ 67,266	\$ 65,381	\$ 63,408	\$ 60,799	\$ 57,346

Source: Institutional Human Resource Records.

**GROSS SQUARE FEET OF COLLEGE BUILDINGS**

	2015	2014	2013	2012	2011	2010	2009	2008	2007
Main Campus - Buildings	911,051	911,051	911,051	900,613	900,613	852,445	852,445	852,445	852,445
Main Campus - 17 Street Garage	230,360	230,360	230,360	230,360	230,660	230,660	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	88,500	-	-	-	-
Northeast Regional Center	109,075	109,075	109,075	109,075	109,075	109,075	59,876	59,876	59,876
West Regional Center	39,394	39,394	39,394	39,394	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>1,605,882</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>

Source: Institutional Physical Plant Records.

See accompanying report of independent certified public accountants.

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

**DEMOGRAPHIC STATISTICS**

City of Philadelphia Last Eight Calendar Years

	<b>Population as of June 30</b>	<b>Average annual unemployment rate</b>
Year:		
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
2014 – 15	1,560,297	7.4

Sources: United States Census Bureau and Bureau of Labor Statistics

See accompanying report of independent certified public accountants.

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

**COMPONENT UNIT SCHEDULE OF NET POSITION**

Year ended June 30, 2015

(In thousands)

Assets:		
Cash on deposit and on hand	\$	10,515
Investments		38,737
Accounts receivable		12,064
Allowance for doubtful accounts		(4,633)
Interest and dividends receivable		47
Due from other governments		2,848
Restricted assets		(417)
Other assets		1,067
Property, plant and equipment		<u>171,293</u>
Total assets	\$	<u>231,521</u>
Deferred outflows of resources:		
Deferred outflows		544
Liabilities:		
Vouchers and accounts payable	\$	14,350
Salaries and wages payable		2,675
Accrued expenses		1,084
Funds held in escrow		561
Due to other governments		491
Deferred revenue		3,958
Current portion of long-term obligations		7,299
Noncurrent portion of long-term obligations		66,602
Other post-employment benefits (GASB 45)		<u>58,228</u>
Total liabilities	\$	<u>155,248</u>
Deferred inflows of resources:		
Deferred inflows		97
Net position:		
Net investment in capital assets	\$	96,979
Restricted for:		
Capital projects		5,213
Tuition stabilization and scholarships		<u>(25,472)</u>
Rate stabilization		
Unrestricted (deficit)	\$	<u>76,720</u>
Total net position		

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**

Year ended June 30, 2015

(In thousands)

				Program revenues		Net expense and changes in net position
				Charge for services	Operating grants and contributions	Education activities
	<u>Expenses</u>				Capital grants and contributions	
Community college services	\$ 169,850	\$ 33,758	\$ 68,451	\$ -		\$ 67,641
				General revenues:		
				Taxes		
				Grants and contributions*		60,762
				Interest and investment earnings		635
				Miscellaneous		2,064
				Special items-Prior Period Adj. GASB 68		<u>(1,995)</u>
				Total general revenues, special items and transfers		<u>61,466</u>
				Change in net assets		(6,175)
				Net position - beginning		<u>82,895</u>
				Net position - ending		<u><u>\$ 76,720</u></u>

\* Includes Commonwealth appropriations of \$33,649 and City of Philadelphia appropriations of \$27,113.

See accompanying report of independent certified public accountants.

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

**COMPONENT UNIT CAPITAL ASSET FORMAT**

Year ended June 30, 2015

	Beginning balance	Increases	Decreases	Ending balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 29,054,933	\$ 151,327	\$ -	\$ 29,206,260
Fine arts	705,208	-	-	705,208
Construction in process	351,752	663,880	(821,878)	193,754
Total capital assets not being depreciated	30,111,893	815,207	(821,878)	30,105,222
Capital assets being depreciated:				
Buildings	232,351,523	524,176	-	232,875,699
Other improvements	18,244,081	115,244	-	18,359,325
Equipment	36,085,339	840,550	(1,479,335)	35,446,554
Furniture	1,148,491	36,881	(42,007)	1,143,365
Leasehold improvements	176,176	-	-	176,176
Total capital assets being depreciated	288,005,610	1,516,851	(1,521,342)	288,001,119
Less accumulated depreciation for:				
Buildings	95,015,847	5,897,964	-	100,913,811
Other improvements	16,617,938	561,625	-	17,179,563
Equipment	25,818,049	3,213,760	(1,475,108)	27,556,701
Furniture	1,003,193	21,919	(34,355)	990,757
Leasehold improvements	169,528	2,530	-	172,058
Total accumulated depreciation	138,624,555	9,697,798	(1,509,463)	146,812,890
Total capital assets being depreciated, net	149,381,055	(8,180,947)	(11,879)	141,188,229
Business-type activities capital assets, net	\$ 179,492,948	\$ (7,365,740)	\$ (833,757)	\$ 171,293,451

See accompanying report of independent certified public accountants.



Grant Thornton

**Report of Independent Certified Public Accountants  
on Internal Control over Financial Reporting and on  
Compliance and Other Matters Required by  
*Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the Community College of Philadelphia (the College) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated September 30, 2015.

**Internal control over financial reporting**

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Grant Thornton LLP  
Two Commerce Square  
2001 Market St., Suite 700  
Philadelphia, PA 19103  
T 215.561.4200  
F 215.561.1066  
[GrantThornton.com](http://GrantThornton.com)  
[linkd.in/GrantThorntonUS](https://linkd.in/GrantThorntonUS)  
[twitter.com/GrantThorntonUS](https://twitter.com/GrantThorntonUS)

#### Compliance and other matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Intended purpose

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Philadelphia, Pennsylvania

September 30, 2015



**ATTACHMENT D**  
**2015-2016 INTERNAL AUDIT PLAN**

# COMMUNITY COLLEGE OF PHILADELPHIA

Date: September 30, 2015  
To: Audit Committee Members  
From: Robert Lucas, Internal Auditor  
Subject: Internal Audit – Plan Status and Other Information  
Copies: Donald Generals, Judith Gay, Jacob Eapen

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Since the last Audit Committee meeting, the following audit work has been performed:

- Draft internal audit reports have been issued to management for the following audits:
  - 10,000 Small Businesses Grant
  - Whistleblower Policy / Ethics Hotline
  - Americans with Disabilities Act
  - Center on Disability
- Five audits are in the fieldwork or planning stage.
- Follow up on prior audit comments is an ongoing process with good progress by management since the last Audit Committee meeting.
- A special project was performed at the request of Jacob Eapen.
- An internal controls presentation was prepared and presented to the Finance team. Additional presentations to other division staff are being scheduled.

Community College of Philadelphia  
Internal Audit Plan - July 1, 2015 to June 30, 2016

Functional Area	Risk Rating	Risk Explanation / Reason for Audit	Stage	Planned Quarter
<b>Financial Audits</b>				
Bursar Billing Procedures	H	New billing procedures		3
Timekeeping / Overtime	L	Verify controls for hourly employees' payroll process		4
Colonial One Card	H	Determine controls over prepaid card program		4
<b>Operational Audits</b>				
New Employee Process	L	Validate controls over processes	1	2
Termination Process	L	Validate controls over processes	1	2
Part-Time Faculty Medical Benefits	L	Determine controls and accuracy of only benefit funded entirely by staff		4
Business Continuity Plan *	H	Determine management's level of preparation for business interruption	#	
Financial Aid	H	Determine compliance with policies, procedures and regulations		3
Pell Grants - Appeal Process for Academic Progress	M	Determine compliance with requirements		2
Center on Disability	L	Determine compliance with requirements	5	1
Ethics Hotline	L	Verify chain of notifications and timeliness	5	1
Veterans' Resource Center	M	Compliance with Veterans' Education Benefits Laws		3
Site Visits - GED, ESL	L	Ensure risks are controlled / minimized in remote locations		3
<b>Compliance</b>				
TAACCCT			4	1
10,000 Small Businesses	H	Determine compliance with grant guidelines	5	1
Family Educational Rights and Privacy Act	L	Compliance with FERPA Regulations		3
Family Medical Leave Act	L	Determine compliance with policies, procedures and regulations		4

Community College of Philadelphia  
Internal Audit Plan - July 1, 2015 to June 30, 2016

Functional Area	Risk Rating	Risk Explanation / Reason for Audit	Stage	Planned Quarter
Americans with Disabilities Act	L	Determine compliance with policies, procedures and regulations	5	1
Residency Verification	L	Compliance with procedures to obtain tuition discount	1	1
Tuition Discount Verification	L	Compliance with procedures to obtain tuition discount	1	1
<b>IT Audits</b>				
Disaster Recovery Plan	M	Determine adequacy of readiness and periodic testing		3
Cloud Usage	M	Determine adequacy of controls		2
Physical Security	M	Determine adequacy of controls	6	
Software Licensing	L	Verify controls over use of only legally obtained software		2
<b>Administrative</b>				
Follow Up on Prior Issues			Ongoing	Ongoing
Committee Meetings (Grants, Data Breach Planning, EMT, external audits/reviews)			Ongoing	Ongoing

Stage:

Risk Assessment / Planning	1
Announcement / Contact	2
Opening Meeting Held	3
Fieldwork	4
Draft Report Issued	5
Closing Meeting Held	6
Final Report Issued	7
Audit Deferred Pending	
External Review Results	#