MEETING OF AUDIT COMMITTEE
Community College of Philadelphia
Thursday, June 15, 2017 – 12:00 Noon
Isadore A. Shrager Boardroom, M2-1

Present: Mr. Anthony J. Simonetta, Mr. Jeremiah White (via telephone), Ms. Suzanne Biemiller, Dr. Donald Generals, Jr., Mr. Jacob Eapen, Mr. James P. Spiewak, Mr. Robert Lucas, Victoria Zellers, Esq.; and representing Grant Thornton: Mr. Brian Page and Ms. Angelica Roiz

Not Present: Matthew Bergheiser & Representing The Meridian Group: Mr. Anthony B. Scott

AGENDA – PUBLIC SESSION

1. Approve Minutes of Audit Committee Meeting on March 27, 2017 (Action Item):

Action: Mr. Simonetta asked for a motion to recommend acceptance of the March, 2017 Audit Committee meeting minutes (Attachment A). Ms. Biemiller made the motion. Mr. White seconded the motion. The motion passed unanimously.

2. 2016-2017 Audit Process (Information Item):

Attachment B contains the formal presentation made by Mr. Brian Page, Engagement Partner and Ms. Angelica Roiz, Senior Manager, from Grant Thornton. Mr. Page began his discussion by reviewing the information contained in slides four and five that dealt with the responsibilities of Grant Thornton and the responsibilities of the College's Governance Team and Management. Mr. Page asked the Committee members if they had any specific fraud-related concerns to which the members responded they had none. Mr. Page and Ms. Roiz then walked through the presentation highlighting areas of focus, audit approach, and timeline and discussed various topics including materiality, risks and awareness of fraud, internal controls, and the use of work of others. In response to a question from Ms. Biemiller, Mr. Page responded that their audit will look at the valuation of investments of both the College and the Foundation. He explained the planned audit procedures for areas of focus that included: tuition revenue and related receivables and deferrals, auxiliary enterprises, GASB 68, valuation of investments and related earnings, State and Federal grants and contracts, State and City appropriations, compliance with Uniform Guidance (formerly OMB Circular A-133), accounting estimates and financial statement disclosures. Mr. Page noted that a separate technology team from Grant Thornton reviews the College's use of technology including its associated controls, processes and practices.

Mr. Page then discussed several new GASB accounting pronouncements and updates. The first three statements are effective for fiscal year 2018. The first statement, GASB 75, will have the biggest accounting effect. Currently the College's OPEB Liability is being phased in over 30 years. This new pronouncement will require the full amount of that liability to be included in the financial statements for that year. Mr. Page noted that this will have a significant impact on many colleges and Government agencies. This will increase the overall liability and decrease the College's net assets. He pointed out that rating agencies have already factored this into their ratings of colleges and other public entities.

The second statement, GASB 80, discusses the blending of component units. The College will have to review the statement's criteria and make a determination if it can continue to show the Foundation's financials discretely or be required to blend it with the College in its financial statements.

The third statement, GASB 81, refers to irrevocable split-interest agreements and Mr. Page noted that the College needs to review any potential endowments that may fall under this statement.

Mr. Page mentioned GASB 83, which deals with Certain Asset Retirement Obligations, is not effective until fiscal year 2019 and the College may not have any circumstances for which this statement applies. He discussed two major projects that GASB is currently involved in: (1) Financial Reporting Model and (2) Leases. The first project is related to how not-for-profit entities display financial information and requirements for the Management's Discussion and Analysis (MD&A). The second project is related to the accounting treatment of leases and proposes eliminating the distinction between capital and operating leases.

Mr. Page ended his presentation with a brief review of key themes and activities in the higher education industry.

3. 2016-2017 Budget Update (Information Item):

Mr. Spiewak provided a handout (Attachment C) to the Committee, which reflected the most recent revenue and expense projections for fiscal year 2017. The implications of key factors currently impacting the FY 15-16 budget were discussed.

5. 2017-2018 Budget (Information Item):

Mr. Eapen distributed copies of the fiscal year 2017-18 budget and discussed the highlights. He noted that enrollments are budgeted to be stable but that staff are aware that a 1% decrease equates to reduced student tuition and fees of $565,000 and are prepared to reduce expenses should a decrease occur. He stated that, consistent with the offer made to the Union, salaries are budgeted with a 2% increase. Mr. Eapen explained that 9 staff positions were eliminated from the budget along with 8 faculty positions. Medical costs were budgeted at an 8.5% increase of projected expenses for fiscal year 2016-17. Due to a successful electricity procurement process, utility costs are budgeted approximately $300,000 lower than fiscal year 2016-17. Contracted facility services costs are budgeted to be approximately $200,000 higher than fiscal year 2016-17.

6. Internal Audit Plan (Information Item):

Mr. Lucas provided an update on the 2016-2018 Internal Audit Plan (Attachment D). He provided a copy of a summary report of activities since the last Audit Committee meeting as well as a copy of the Internal Audit Plan for the two-year period ending June 2018 to the Committee members. Mr. Lucas stated that, since the last meeting, he had issued one finalized audit report and two draft audit reports to management, and noted that another draft audit report will be issued shortly.

Mr. Lucas noted that he had started and completed a financial investigation since the prior meeting. He stated that someone had accused an employee of financial misconduct and that Victoria Zellers, General Counsel, and Dr. Judith Gay, VP for Strategic Initiatives and Chief of Staff, had requested that he conduct the investigation. Mr. Lucas noted that the results of the investigation did not substantiate the allegations.

The Audit Committee members present had several questions regarding the whistleblower hotline and the methods of communication. Ms. Zellers responded to each of the questions noting that all allegations have to be investigated even in cases such as this one in which the accuser recanted the allegations.

Mr. Lucas also noted that, since the prior meeting, he performed an informal risk assessment update by soliciting input from Cabinet members and senior managers to determine if there were any new or significantly changed functions which should be considered for possible addition to the remaining year of the Internal Audit Plan due to the risks associated with those changes. Mr. Lucas noted that all Cabinet members responded to his request for any such changes. He stated that everyone responded that no such changes had occurred in their respective divisions. There were two responses which referenced concerns for specific subjects, but that those subjects were already on the current 2016-2018 Internal Audit Plan. As such, Mr. Lucas had no recommended changes to communicate to the Audit Committee.

Mr. Lucas also noted that he continues to work with management to obtain the statuses of previously issued audit comments. He noted that a number of audit comments with open action plans had target dates of June 30, 2017. In order to allow management to have the remaining time and budget resources for actions by that date, Mr. Lucas did not conduct a full update of the Internal Audit Follow Up matrix. He noted that he will provide a full updated version of the matrix to the Committee at the September meeting.

Executive Session

A brief Executive Session was held to allow Committee members to have further discussions with the independent auditors absent the presence of College employees.

JPS
Attachments

cc: Dr. Donald Generals, Jr.
Mr. Jacob Eapen
Mr. Robert Lucas
Mr. Jim P. Spiewak
Victoria Zellers, Esq.
Representing Grant Thornton: Mr. Brian Page
Representing Grant Thornton: Ms. Angelica Roiz
Representing The Meridian Group: Mr. Anthony B. Scott

ATTACHMENT A

Minutes from March 27, 2017
Audit Committee Meeting

MEETING OF AUDIT COMMITTEE
Community College of Philadelphia
Monday, March 27, 2017 – 12:00 p.m.

Present: Mr. Anthony J. Simonetta, Mr. Matthew Bergheiser (*via telephone*), Mr. Jeremiah White, Ms. Suzanne Biemiller, Donald Generals, Ed.D., Mr. Jacob Eapen, Mr. Todd E. Murphy, Mr. James P. Spiewak, Mr. Robert Lucas, Victoria Zellers Esq., Mr. Gim S. Lim, and representing Grant Thornton: Mr. Brian Page and Ms. Angelica Roiz

Not Present: Representing the Meridian Group: Mr. Anthony B. Scott

EXECUTIVE SESSION

AGENDA – PUBLIC SESSION

(1) Approve Minutes of Audit Committee Meeting on September 29, 2016 (Action Item):

Action: Mr. Simonetta asked for a motion to recommend acceptance of the September 29, 2016 Audit Committee meeting minutes. Mr. Bergheiser made the motion. Mr. Simonetta seconded the motion. The motion passed unanimously.

(2) 2015-2016 A-133 Audit Report (Action Item):

Mr. Brian Page reviewed the results of the 2015-2016 A-133 Audit, which is now called the "Uniform Guidance Audit," using the draft audited financial statements and supplementary information in Attachment A to these minutes. He explained that the audit is a compliance audit, which examines Federal Funding. Page 63 of the report provides a schedule of the College's federal awards expenditures. The College had $91.3 million in Federal expenditures of which $87.2 million was in Student Financial Assistance. Student Financial Assistance is comprised of primarily Pell Awards and Direct Loans. The single audit process for determining programs to audit resulted in the auditors including the Student Financial Assistance Cluster, which leaves a base of about $7 million in smaller programs from which they to select other programs for audit. The auditors use a risk-based approach in selecting the major programs for audit. Certain programs are audited primarily on their dollar value in meeting a threshold, while smaller programs are audited based on risk.

Ms. Angelica Roiz reviewed the two specific programs that were audited: The Student Financial Assistance Cluster and the Career and Technical Education – Basic Grants to States as stated on page 63 of the report. The Student Financial Assistance audit tests for eligibility and cash management in drawing the federal funds. Specifically, the auditors look at payroll expenditures and other direct expenditures, review supporting documentation and ensure they are allowable costs.

In reviewing both programs, the auditors are required to understand the College's internal controls. Although no opinion is issued on the College's internal controls, the auditors are required to do walkthroughs and testing of appropriate approvals. For example, in the packaging of Student Financial Assistance, they will ensure adequate controls are in place.

Mr. Page pointed out that this year the Career and Technical Education – Basic Grants to States CFDA# 84.048 was comprised of $1.3 million in expenses, which was tested based on the compliance standards and noted that there were no findings with respect to this or the Student Financial Assistance Cluster program.

Mr. Brian Page discussed the two types of reports that Grant Thornton issued, which begin on pages 66 and 68. First, is a yellow book opinion relating to the financial statement audit, which was discussed at the September 29, 2016 Audit Committee meeting. The second is a compliance opinion related to the major federal programs audited.

Federal guidelines require auditors to list institutions as high risk if they have had any material weaknesses within two years. Mr. Page noted that as a result of having no material weaknesses or significant deficiencies as well as no issues of non-compliance for the last two years, the College is now considered a low-risk auditee.

The College has had another clean audit this year.

The power point Presentation to the Audit Committee provided by Grant Thornton is included as an attachment to these minutes. (Attachment B)

Action: Mr. Simonetta asked for a motion to recommend acceptance of the June 30, 2016 A-133 Audit Report. Ms. Biemiller made the motion. Mr. Bergheiser seconded the motion. The motion passed unanimously.

(3) <u>Internal Audit Update (Information Item)</u>:

Mr. Lucas provided an update on the 2016-2018 Internal Audit Plan. He provided a copy of a summary report of activities since the last Audit Committee meeting as well as a copy of the Internal Audit Plan for the two-year period ending June 2018 to the Committee members. Mr. Lucas stated that, since the last meeting, he had issued two finalized audit reports to management, one draft audit report is pending review by management in several divisions, and three audits are in progress which should be completed shortly.

Mr. Lucas also noted that, since the first year of the two-year Internal Audit Plan is nearly over, he will be performing an informal risk assessment update by soliciting input from Cabinet members and senior managers to determine if there are any new or significantly changed functions that should be considered for possible addition to the remaining year of the Internal Audit Plan due to the risks associated with those changes. Mr. Lucas noted that any such changes he believes should be considered for inclusion in the Internal Audit Plan will be discussed with Dr. Generals, Mr. Eapen and Dr. Gay for their review and approval. Any such changes will be communicated to the Audit Committee at the June 2017 meeting.

Mr. Lucas also noted that he continues to work with management to obtain the status of previously issued audit comments. He provided an updated version of the Internal Audit Follow-Up Matrix to the Audit Committee, which included all audit report recommendations for which management's action plans are not yet completed as well as those for which management's action plans have been completed since the last Audit Committee meeting. The completed items are shaded in grey on the matrix and also indicate the work management has done to address the risks identified in their audited areas. Mr. Lucas noted that a number of the action plans are long-term as they include construction, new software or new equipment, each of which have significant time and expense considerations. The budget constraints in 2016-2017 may further extend the timeline of some action plans.

Mr. Lucas' presentation is included as an attachment to these minutes. (Attachment C)

(5) Next Meeting:

The next meeting of the Audit Committee will be held on Thursday, June 15, 2017 at 12:00 noon in the Isadore Shrager Boardroom, M2-1.

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/lmh
Attachments

cc: Dr. Donald Generals, Jr.
Mr. Jacob Eapen
Mr. Robert Lucas
Mr. Jim Spiewak
Victoria Zellers, Esq.
Mr. Gim S. Lim
Representing Grant Thornton: Mr. Brian Page & Ms. Angelica Roiz

ATTACHMENT B

Grant Thornton
2016-2017 Audit Process
Presentation

2017 Presentation to the Audit Committee of Community College of Philadelphia

Grant Thornton

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

Our Responsibilities

We are responsible for:

Performing an audit under US GAAS and *Government Auditing Standards* of the financial statements prepared by management, with your oversight

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 (SEFA), 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 and abuse with regard to federal programs

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 the Uniform Guidance requirements (formerly OMB Circular A-133), as well as significant deficiencies and/or material weaknesses in internal control over compliance

Communicating specific matters to you on a timely basis; we do not design our audit for this purpose.

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 Community College of Philadelphia's activities in the financial arena
- Discussing significant accounting and internal control matters with management
- Informing us about fraud or suspected fraud, including its views about fraud risks
- Informing us about other matters that are relevant to our audit, such as:
  - Entity strategies and related business risks that may result in heightened risks of material misstatement
  - Matters warranting particular audit attention
  - Significant communications with regulators
  - Matters related to the effectiveness of internal control and your oversight responsibilities
  - Your views regarding our current communications and your actions regarding previous communications

Management

Management is responsible for:

- Preparing and fairly presenting the financial statements including supplementary information such as SEFA (Schedule of Expenditures of Federal Awards) in accordance with US GAAP
- Designing, implementing, evaluating, and maintaining effective internal control over financial reporting and 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, 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 written representations

Audit Scope

Audit Timeline

May/June 2017	**Client reacceptance**	• Client reacceptance • Issue engagement letter • Conduct internal client service planning meeting, including coordination with audit support teams such as IT and tax
June 2017	**Planning**	• Meet with management to confirm expectations and discuss business risks • Discuss scope of work and timetable • Identify current-year audit issues and discuss recently issued accounting pronouncements of relevance • Initial Audit Committee communications
July 2017	**Preliminary risk assessment procedures**	• Develop audit plan that addresses risk areas • Update understanding of internal control environment • Coordinate planning with management and develop work calendar
August 2017	**Interim fieldwork**	• Perform walk-throughs of business processes and controls • Perform selective substantive testing on interim balances • Begin Single Audit (formerly A-133) compliance testing
August-September 2017	**Final fieldwork and deliverables (short form)**	• Perform final phase of audit and year-end fieldwork procedures • Meet with management to discuss results • Present results to the Audit Committee
December 2017 – March 2018	**Final fieldwork and deliverables (Single Audit)**	• Perform final phase of Single Audit (formerly A-133) compliance testing • Meet with management to discuss results

Materiality

Materiality is the magnitude of an omission or misstatement that likely influences a reasonable person's judgment. It is ordinarily evaluated against relevant financial statement benchmark(s).

- We believe that total revenues is the appropriate benchmark for the Community College of Philadelphia.
- We believe total expenditures for each major program are the appropriate benchmarks for the Single Audit

Financial statement items greater than materiality are within our audit scope. Other accounts or classes of transactions less than materiality may be in our scope if qualitative risk factors are present (for example, related party relationships or significant unusual transactions).

Views of those charged with governance

Discussion points

- Risks of fraud
- Awareness of fraud
- Awareness of related party transactions; understanding of purpose of related party transactions
- Awareness of whistleblower tips or complaints
- Oversight of management's risk assessment process
- Views about the Community College of Philadelphia's objectives and strategies and related risks of material misstatement
- Awareness of any internal control matters and views about management's response
- Oversight of financial reporting process
- Actions taken in response to developments in law, accounting standards and corporate governance matters
- Actions in response to our previous communications, if any

Use of the Work of Others

Specialists
GT Pricing group – Valuation of investment portfolio
GT Actuarial group – Review of assumptions & methodology underlying the calculation of the IBNR claims liability for self-insured medical and pharmacy plans as provided to CCP by third party actuary at Alliant Insurance Services
GT Tax group - Review of UBIT and tax positions

Significant Risks and other areas of focus

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

Areas of focus	Planned procedures
Tuition revenue, auxiliary enterprises and related receivables/deferred revenue	• Perform reasonableness test on tuition, student aid and auxiliary revenue amounts. • Perform deferred revenue testing to determine proper cut-off. • Inquire of management about the allowance methodology and, policies governing additional charges or other steps taken (e.g., cannot register, cannot attend commencement) for lack of payment of student account. • Review management's analysis of allowances for doubtful accounts for consistency with methodology and accuracy of inputs.
GASB 68	• Ensure pension liabilities are recorded appropriately in accordance with GASB 68.

Significant Risks and other areas of focus (continued)

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

Areas of focus	Planned procedures
Valuation of Investments and related earnings	• Review of compliance with the College's investment guidelines, policies, procedures and controls. • Test valuation of publicly traded investments using an independent pricing source. • Tested valuation of investments that are not publicly traded by performing an independent assessment of the valuation methodology and testing roll forward period of alternative investments and obtaining underlying audited financial statements of the respective funds. • Test reasonableness of investment-related income, including unrealized appreciation/(depreciation) in fair market values. • Review investments for impairment. • Obtain SSAE16 reports from investment custodians.

Significant Risks and other areas of focus (continued)

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

Areas of focus	Planned procedures
State and Federal Grants & Contracts	• Review contract documents to obtain understanding of the terms. • Compare revenues and recorded expenses to determine that amounts are being recorded appropriately based upon the terms of the contracts. • Review any deferred amounts for reasonableness. • Agree any subsequent collections to year-end receivable balances. • Review propriety of financial statement presentation and disclosure.

Significant Risks and other areas of focus (continued)

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

Areas of focus	Planned procedures
State & city appropriations	• Obtain detail of appropriations received from the state for fiscal year. • Confirm amounts with state, agreeing to revenue recorded in general ledger. • Review receivable, determining calculation is correct based on cash received and amounts outstanding based on confirmation.
Compliance with Uniform Guidance (formerly OMB Circular A-133)	• Identify major program(s) and determined the compliance requirements that are direct and material. • Identify key controls over compliance and tested those controls. • Select a sample of transactions subject to compliance requirements.

Significant Risks and other areas of focus (continued)

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

Areas of focus	Planned procedures
Accounting Estimates	The preparation of the College's financial statements requires management to make multiple estimates and assumptions that affect the reported amounts of assets and liabilities as well as the amounts presented in certain required disclosures in the notes to those financial statements. The most significant estimates relate to the allowance for doubtful accounts, useful lives of fixed assets, valuation of Level 2 investments which are based on NAV per share, actuarial estimates for the College's post-retirement benefit plan (OPEB) under GASB 45, and actuarial estimates for the College's self-insurance medical claims liability (IBNR). Our procedures have been designed in part, to review these estimates and evaluate their reasonableness.
Financial Statement Disclosures	Our procedures will also include an assessment as to the adequacy of the College's financial statement disclosures to ensure they are complete, accurate and appropriately describe the significant accounting policies employed in the preparation of the financial statements and provide a detail of all significant commitments, estimates and concentrations of risk, amongst other relevant disclosures required by accounting standards and industry practice.

Technology support as part of the audit process

Phase 1	Phase 2	Phase 3	Phase 3
Understand and document business processes material to the audit	Assess IT risks	Identify IT controls that support audit objectives	Test technology-related controls

An important component of our audit approach is to understand how IT 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.

In-Scope Application: Banner

- Banner Financial Aid Module Review
- Administrator Access & Password Testing

Other Matters

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_custom.asp?clientid=15191)

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

Accounting Updates

Selected pronouncements effective for the year ending June 30, 2017 or subsequent periods - GASB

Title	Effective date
GASB 75- *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*	Periods beginning after June 15, 2017
GASB 80- *Blending Requirements for Certain Component Units*	Periods beginning after June 15, 2016
GASB 81- *Irrevocable Split-Interest Agreements*	Periods beginning after December 15, 2016
GASB 82- *Pension Issues, an Amendment of GASB statements 67, 68 and 73*	Periods beginning after June 30, 2016, except in certain circumstances
GASB 83- *Certain Asset Retirement Obligations*	Periods beginning after June 15, 2018
GASB 84- *Fiduciary Activities*	Periods beginning after December 15, 2018

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

Summary	Potential impact
• GASB 75 replaces the requirements related to OPEB accounting and reporting currently provided in GASB 45 and 57 • GASB 74 established new accounting and financial reporting requirements for the financial statements of the state and local government OPEB plans • State and local governments providing defined benefit OPEB plans administered through a trust meeting certain criteria must report a net OPEB liability on the face of their financial statements, similar to the requirement to report the net pension liability in accordance with GASB 68. • Provides a more comprehensive measure of OPEB expense than is currently required, which better reflects when the benefit cost is incurred. • Requires more extensive disclosures and required supplementary information • Effective for fiscal years beginning after June 15, 2017, with early adoption encouraged. Similar to adoption of GASB 68 (Pensions), retrospective adoption is required.	Colleges with OPEB plans will most likely need to reflect an obligation related to their proportionate share of the unfunded liability related to OPEB, similar to the recognition of a pension liability in connection with the adoption of GASB 68. As with GASB 68, extensive planning and discussions among all parties (college management, state government contacts and others) is critical to a successful adoption. Colleges 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. Because many plans are "pay as you go," the impact of recording this liability could be significantly greater than the recognition of a pension liability, where there may have been existing plan assets to partially offset the liability..

GASB Statement 80, *Blending Requirements for Certain Component Units*

Summary	Potential impact
• Objective is to clarify existing guidance and address diversity in practice as it relates to certain component units incorporated as not-for-profit corporations, and whether they should be discretely presented or blended with the primary government financial statements. • A distinction is made for component units in which the primary government is the sole corporate member (typically defined in articles of incorporation and/or bylaws of the component unit) AND the component unit is included in the financial reporting entity pursuant to Statement 14, as amended. • Component units organized as not-for-profit corporations in which the primary government is the sole corporate member should be included in the reporting entity financial statements using the blending method. • Effective date is fiscal years beginning after June 15, 2016, with early adoption encouraged. Retroactive adoption is required.	Management must re-evaluate the current presentation of component units that may have been presented discretely under existing guidance and determine whether those units must now be presented as blended by the College. Typically, Foundations are commonly presented as discretely component units. Depending on the structure of the foundation as it relates to control, this entity could be blended with the financial statements of the College upon adoption. Careful review of articles of incorporation and/or by-laws should be performed to revisit the structures in place that will determine the appropriate accounting. If it is determined that a component unit which had previously been presented as discrete from the primary government must now be presented as a blended component unit, management should identify the changes to financial reporting involved in the new presentation, which could be time-consuming.

GASB Statement 81, *Irrevocable split-interest agreements*

Summary	Potential impact
• Scope includes irrevocable split-interest agreement giving arrangements for which the government is the intermediary (trustee or agent) and a beneficiary, as well as beneficial interests in resources held and administered by third parties • Guidance establishes accounting for Lead Interests (government is a recipient of payments during the term of the agreement) and Remainder Interests (government is the beneficiary when the agreement terminates, and makes payments to non-government beneficiary – typically the donor or designee of the donor- during the term of the agreement) as well as life-interest in real estate and charitable annuity gifts. • Accounting requires recognition of an asset, liability and deferred inflow. When assets are held by third parties, the recognition will be an asset and a deferred inflow, with no need for a corresponding liability. There will be an annual re-measurement in subsequent periods. • Effective for periods beginning after 12/15/2016, with early adoption permitted. Retrospective application should be applied.	Because there has been some diversity in practice related to accounting for irrevocable split-interest agreements, some colleges may need to reflect new accounting, primarily the recognition of deferred inflows, associated with these arrangements. Management should begin to inventory the current agreements in place to determine the impact of this standard on current accounting and reporting.

GASB Statement 82, *Pension Issues- an amendment of GASB Statements No. 67, No. 68, and No. 73*

Summary	Potential impact
The Statement addresses the following: 1. Revision of the definition of "covered payroll" included in the required supplementary information (RSI)- returning to the equivalent of pensionable wages rather than total compensation (restatement of the ratios required for all prior periods presented), 2. Prohibition of any deviation from actuarial standards as it relates to the selection of assumptions in determining the total pension liability for financial reporting purposes, and 3. the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.	As it relates to the change in definition of covered payroll (item #1), colleges will need to revisit how they determined the amount of covered payroll that is used in several ratios within the RSI as it relates to pensions. There may be some investment of time to ensure colleges are obtaining the correct payroll amounts to be used in the calculation of those ratios, and will need to obtain corrected amounts for all prior periods presented. This may also apply to the impact as it relates to item #3, if applicable.

GASB Statement 83, *Certain Asset Retirement Obligations*

Summary	Potential impact
• Objective is to develop requirements on recognition and measurement for asset retirement obligations (ARO), other than landfills (GASB 18) or pollution remediation obligations (GASB 49), such as nuclear power plants and sewage treatment facilities • The pronouncement addresses the following: - Establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources when a governmental entity has a legal obligation to perform future asset retirement activities related to its tangible capital assets - Proposes capitalization of the ARO as a deferred outflow of resources, to be amortized in a systematic and rational manner (such as the straight-line method), generally over the life of the related asset giving rise to the obligation - Requires disclosures regarding governmental entity legal requirements to provide funding or other financial assurance for their performance of asset retirement obligations (e.g., how are those requirements being met) as well as nature and timing of AROs, method used to determine the estimated liability and useful life of the associated tangible asset. • Effective for periods beginning after June 15, 2018. Earlier application is encouraged.	Similar to the efforts Colleges underwent when adopting GASB 49, management should inventory any activity whereby there is a related obligation to dispose of certain assets subject to regulatory and legal requirements. With that list, management must calculate the expense of that effort and track it annually. The effort to inventory these assets/costs may requirement input from facilities and potentially other areas of the College and the process to estimate costs of future events may also require assistance from facilities and other departments.

GASB Statement 84, *Fiduciary Activities*

Summary	Potential impact
• Guidance addresses the following: - The categorization of fiduciary activities for financial reporting - How fiduciary activities are to be reported - When liabilities to beneficiaries must be disclosed • Types of fiduciary funds that must be reported include the following: - Pension (and other employee benefit) trust funds - Investment trust funds - Private-purpose trust funds - Custodial funds • A government controls the assets of an activity if it holds the assets or "has the ability to direct the use, exchange or employment of the assets in a manner that provides benefits to the specified or intended recipients" • Fiduciary activities must be disclosed in the basic financial statements of the government entity and a state of fiduciary net position and changes in fiduciary net position should be presented (unless the period of custody is less than three months). • Effective for periods beginning after December 31, 2018, with early adoption encouraged.	Colleges often will agree to act as a fiduciary for certain third party organizations that might be somehow affiliated to the college (such as student clubs, alumni clubs, or other such organizations). Under this new requirement, the College must report the fiduciary activity on its financial statements, where it may not have done so in the past. Management should identify which fiduciary activities it is engaged in to inventory the relationships which may need to be reported. Management may want to consider changing the terms of the relationships such that they are not subject to reporting on the financial statements of the College when the requirement becomes effective.

GASB projects and pre-agenda research

Project	Timing
Leases- Reexamination of NCGA Statement 5 and GASB 13	Exposure Draft (*Leases*), currently in re-deliberations, final statement expected in May 2017
Financial Reporting Model- Reexamination of Statements 34, 35, 37, 41 and 46, and Interpretation 6	Evaluation of feedback from Invitation to Comment in process, planned issuance of final standard in 2021.
Debt disclosures, including Direct Borrowing	Prepare for Exposure Draft to be issued in Q2 2017, with comment period through Q3 2017
Revenue and expense recognition	Initial deliberations, with an Invitation to Comment expected in early 2018.
Certain Debt Extinguishments Using Existing Resources	Re-deliberations in process, final statement expected in May 2017

GASB major project – Financial Reporting Model

Summary	Potential impact
• Similar to the project on leases and Asset Retirement Obligations, GASB is revisiting its reporting model established in GASB 34 and 35, as well as other GASB standards, following the FASB project to revisit the reporting model of NFP entities. • Although there is general consensus that most of the components of the financial reporting model are effective, the Board determined that there is a need to update guidance related to several categories, focusing on the following: - MD&A - Government-wide financial statements - Major funds - Governmental fund financial statements - Proprietary fund and business-type activity financial statements - Fiduciary fund financial statements - Budgetary comparisons • Other options to permit more timely and less complex financial reporting will be explored in conjunction with other topics • The Board has issued an Invitation to Comment in December 2016, with a due date of March 31, 2017. Tentative timing for issuance of final guidance is projected to occur in 2021.	Similar to the significant impact on reporting and disclosures when GASB 34 and 35 were issued, this proposed guidance could have sweeping effects on the reporting and disclosures by public colleges and universities. Depending on how much the GASB looks to what is being done by the FASB on the NFP reporting model, there could be an increase in comparability between the two types of entities that currently use very different reporting models. Three of the business type activities issues that the GASB is considering that are particularly relevant to public colleges and universities are guidance on the operating indicator, MD&A and extraordinary and special items.

GASB major project – Leases

Summary	Potential impact
• The proposed guidance eliminates the distinction between capital and operating leases • Short term leases are those that, at the beginning of the lease, have a maximum possible term of 12 months or less, and would be recognized as a deferred outflow or inflow of resources. • Lessee governments would report the following about leases (except short-term leases) in their financial statements: - An intangible lease asset that represents the government's right to use the underlying asset - A corresponding lease liability - Amortization expense related to the lease asset, and - Interest expense related to the lease liability. • Government lessors would report the following about leases in their financial statements: - A receivable for the right to receive payments - A corresponding deferred inflow of resources - Lease revenue systematically over the term of the lease, and - Interest revenue related to the receivable. • The GASB is in final redeliberations, and expects to issue final guidance in June 2017.	This project reflects an effort by the GASB to align its accounting for leases with the accounting guidance issued by the FASB and IASB jointly. The most significant change could be the elimination of most arrangements currently recorded as operating leases (off balance sheet). If requirements are standardized as proposed, the impact on all entities with lease arrangements could be profound. If and when a new GASB Standard is issued, the effective date is most likely to be at least several years away. However, public colleges and universities are encouraged to inventory all existing lease agreements, closely monitor the implementation issues of FASB entities as it relates to the FASB lease guidance, and begin to analyze the potential impact on key financial ratios, debt covenants and credit ratings.

Industry Updates

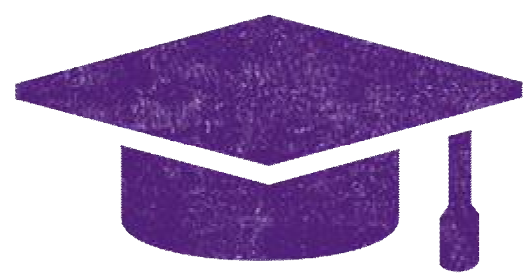
Key Themes in 2017

Good news:

- Colleges and universities are holding steady, with flat or modest revenue increases accompanied by warning signs
- More and more experiments with "business model" are occurring

Not so good news:

- Revenue is highly constrained with no prospects of improvement
- Price sensitivity (restraint on net price increases) continues
- Demographics worrisome in East and Midwest
- No help from Washington



Our latest annual update!

Grant Thornton

The State of Higher Education in 2017

Sixth annual report

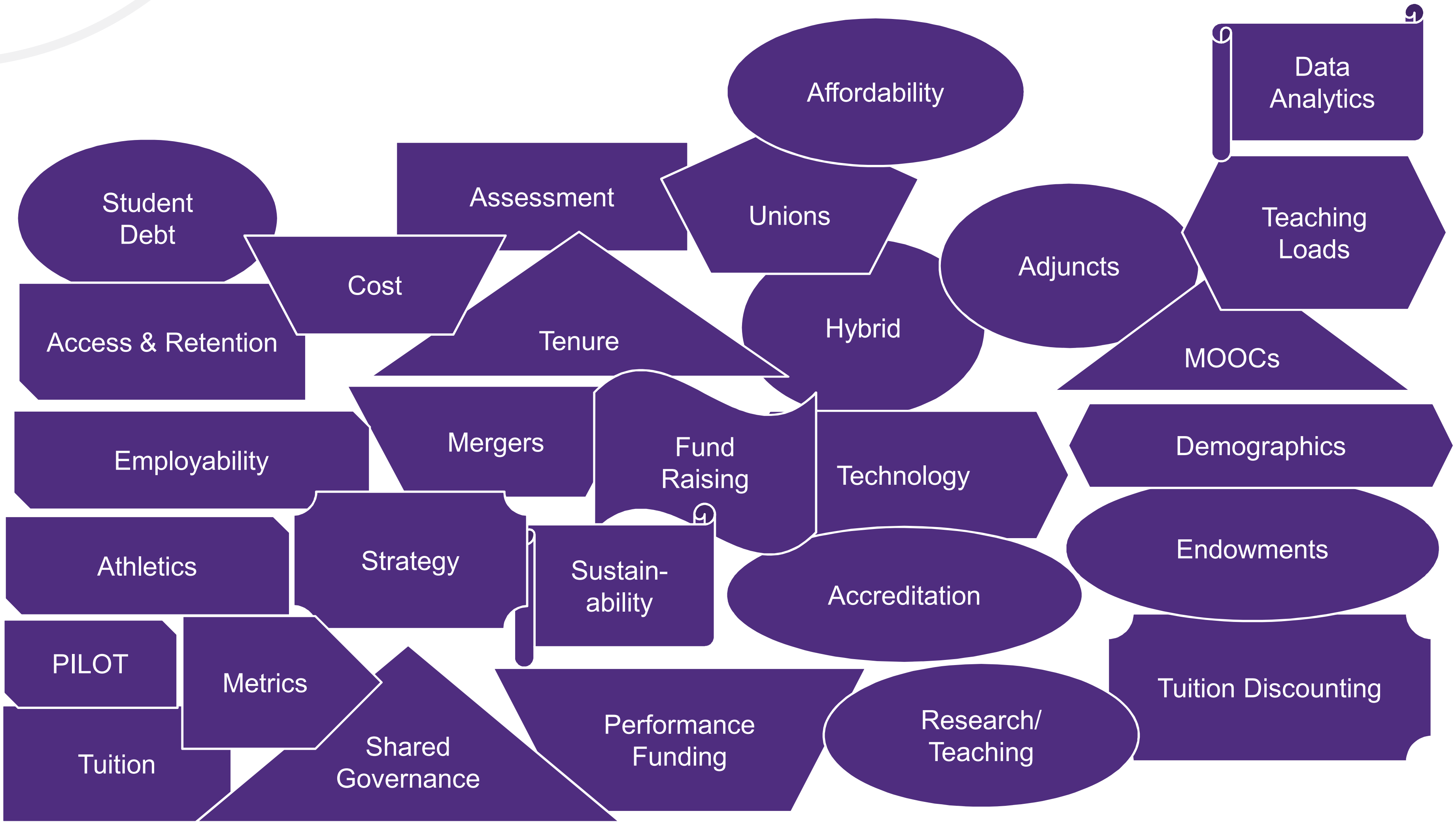
Contents

Find and share the report online

The State of Higher Education in 2017 at grantthornton.com/highered2017.

www.grantthornton.com/industries/NFP

No limit to possible topics!



2016 Election Consequences: General

1 Six year gridlock has ended: Republicans in control of both White House & Congress; but Republican don't always agree (see ACA failure), and Courts remain a wild card

2 **Implementation may be slow and/or uneven:** Administration has been slow getting started; its capacity to implement is uncertain; and big issues (other than higher ed) are taking priority

3 **Much remains uncertain and unspoken**. Higher education is seldom mentioned.

2016 Election Consequences: Collateral to Higher Ed

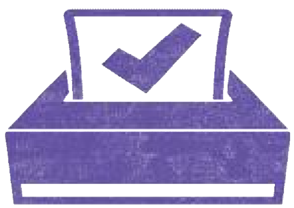
1. **Immigration, including DACA**: Negative impact on trend toward globalization: insecurity of existing students & faculty, less international students & faculty; stifled programs abroad

2. **Deregulation Ethos:** End of high level of regulation on for-profit higher ed; less oversight of civil rights and Title IX; support for student loans from private banks

3. **Budget Priorities.** Desire for balanced budget and for increased spending on military & infrastructure means less for student aid, research funding, and oversight

4. **Investment Climate/Tax Code Changes.** Investment returns very positive right now; strong market plus tax code changes could improve fund raising

2016 Election Consequences: Specific to Higher Ed



1. **"Free tuition":** Being proposed by governors and seriously considered in many states; potential negative impact on private colleges in those dates

2. **Private loans v. direct lending:** Likely reversal of Obama rule allowing only direct loans (by and from Federal government), re-introducing bank private loans into marketplace

3. **LGBT rights.** Republican platform specifically excluded LGBT rights from Title IX enforcement. Obama trans "bathroom" regulations already eliminated.

Moody's

"Stable with Clouds Forming on the Horizon"

Second year in a row of "stable rather than "negative" outlook

- Revenue growth
- Modest net tuition growth
- Incremental increases in state appropriations
- Stable research funding*

Clouds on the horizon

- Softening revenues
- Increasing labor costs
- Potential slowing of endowment & gift revenue
- Uncertainty around Federal policies and funding*

*issued just after Nov. 2016 election

Moody's

Key Observations:

- Colleges and universities, both public and private, with the **strongest brands** and value propositions for students will continue to outperform
- **Smaller, more regionally oriented** public and private colleges and universities will face the greatest challenges

Downside Risks:

- A third year of weak financial market performance
- Negative changes to Federal policy or funding relative to higher education or healthcare*

*issued just after Nov. 2016 election

Standard & Poor's 2017 Sector Outlook

S&P Global Ratings

Opportunities

- More schools have shown a **willingness to make difficult decisions** to refine their operations through focused, rather than general, expansion strategies
- Problems of for-profit sector could lead to enrollment & program opportunities for nonprofits
- Aging workforce and upcoming retirements could lead to lower tenure rates and salary expenses

Risks

- **Limited revenue raising flexibility** at smaller schools and **price resistance** for all schools
- Flat or reduced public expenditure for higher ed but more government control
- Lower endowment returns

"Significant headwinds"

"Confident my institution will be financially stable"

Over five years……….

63%

All institutions "agree or "strongly agree"

63%

Public universities "agree or "strongly agree"

62%

Nonprofit private colleges "agree or "strongly agree"

Over ten years……….

52%

All institutions "agree or "strongly agree"

49%

Public universities "agree or "strongly agree"

54%

Nonprofit private colleges "agree or "strongly agree"

"Confident my institution will be financially sustainable over ten years"

Elite Private Universities	Elite Private Colleges	Public Flagship Universities	Private Colleges
93%	85%	69%	10%

Private tuition dependent colleges see themselves as most at risk!

"Confident my institution will be financially sustainable over ten years"

- **Only 54% are confident** in their institution's financial stability over the next ten years *(Inside Higher Ed survey in 2016)*
- One in four complained about **"resistance to change"** on their campuses *(NACUBO survey in 2016)*

Price resistance

- **Price resistance is growing.**
- 18.6% of students who were admitted to their top choice of college or university in 2016, but decided not to go there, turned it down because of the cost of attendance
- 39.9% who turned down their college of first choice did so for a reason related to cost, such as financial aid received from another college, non-need based scholarships, or "a college's value"
- Results not much different between SAT score levels or minority status

Reason for Not Attending College of First Choice	Percentage of Students Citing
Cost of attendance	18.6%
Campus environment	9.4%
Location of the school	9.3%
The financial aid I received	9.1%
Academic reputation	8.1%
Proximity to home	7.6%
Offered the major I wanted	6.6%
The merit-based scholarship I received	6.3%
Best value	5.9%
Reputation in my intended field of study	4.9%
The size of the school/number of students	3.8%
Athletic programs	3.3%
Overall Reputation	3.0%
Legacy/family member attended the school	1.8%
Amount of contact after admission	1.1%
Timing of my financial aid award	1.0%
Amount of contact before application	0.4%

Net tuition revenue pressures

Chronicle of Higher Education survey:

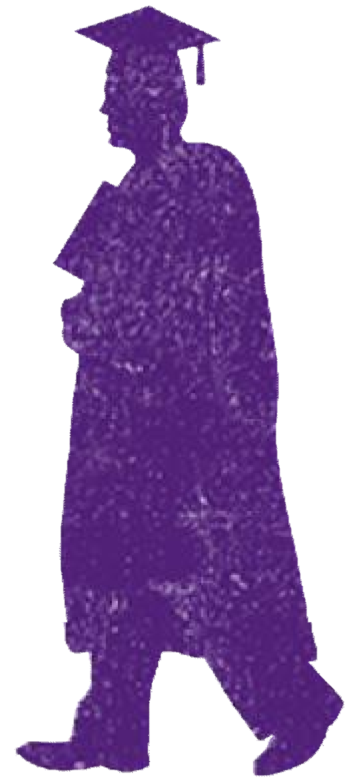
- Four in ten private colleges and almost three in ten public ones **missed their goals for enrollment and net tuition revenue in 2016**, a track record similar to the prior three years.

College Board (see slide 99 with its most recent data):

- **Net tuition revenue has been essentially flat** in the two years most recently available, for private baccalaureate and master's level colleges

Moody's

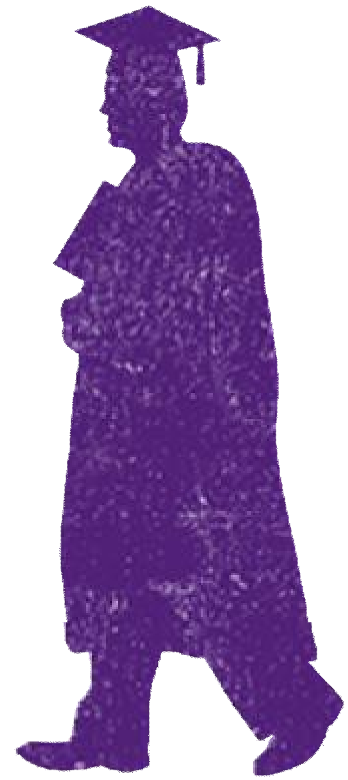
- **"Low gains in tuition revenue are the 'new normal' for colleges"** and
- “Institutions that lack a distinct brand or strong value proposition are bearing the brunt of an increasingly value-oriented consumer"



Net tuition revenue pressures (continued)

NACUBO Tuition Discounting Study:

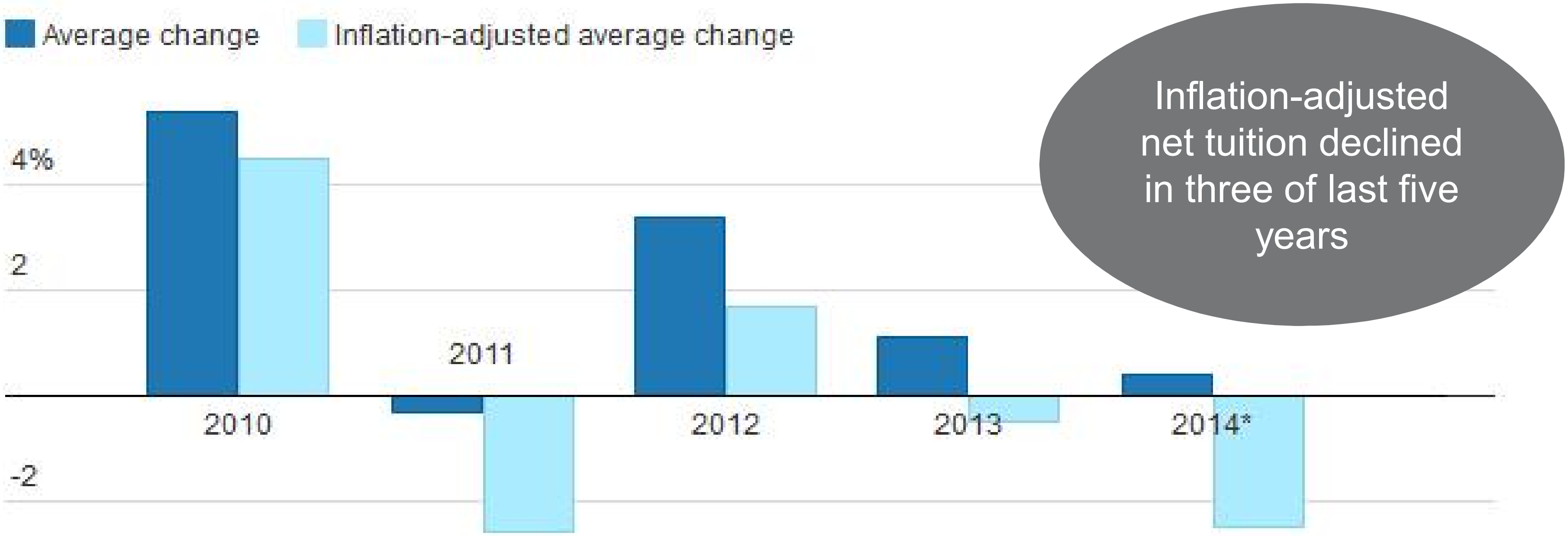
- Net revenue growth projected at just over 1% for freshman, a decrease from prior year, and 37.5% of institutions had enrollment declines among both first-year classes and their entire student bodies from 2014-15 to 2015-16.
- More than half of institutions, 51.2%, reported a decrease in total undergraduate enrollment, and 53.5% said freshman enrollment dropped.



Chronicle of Higher Education graph from NACUBO Tuition Discounting Study

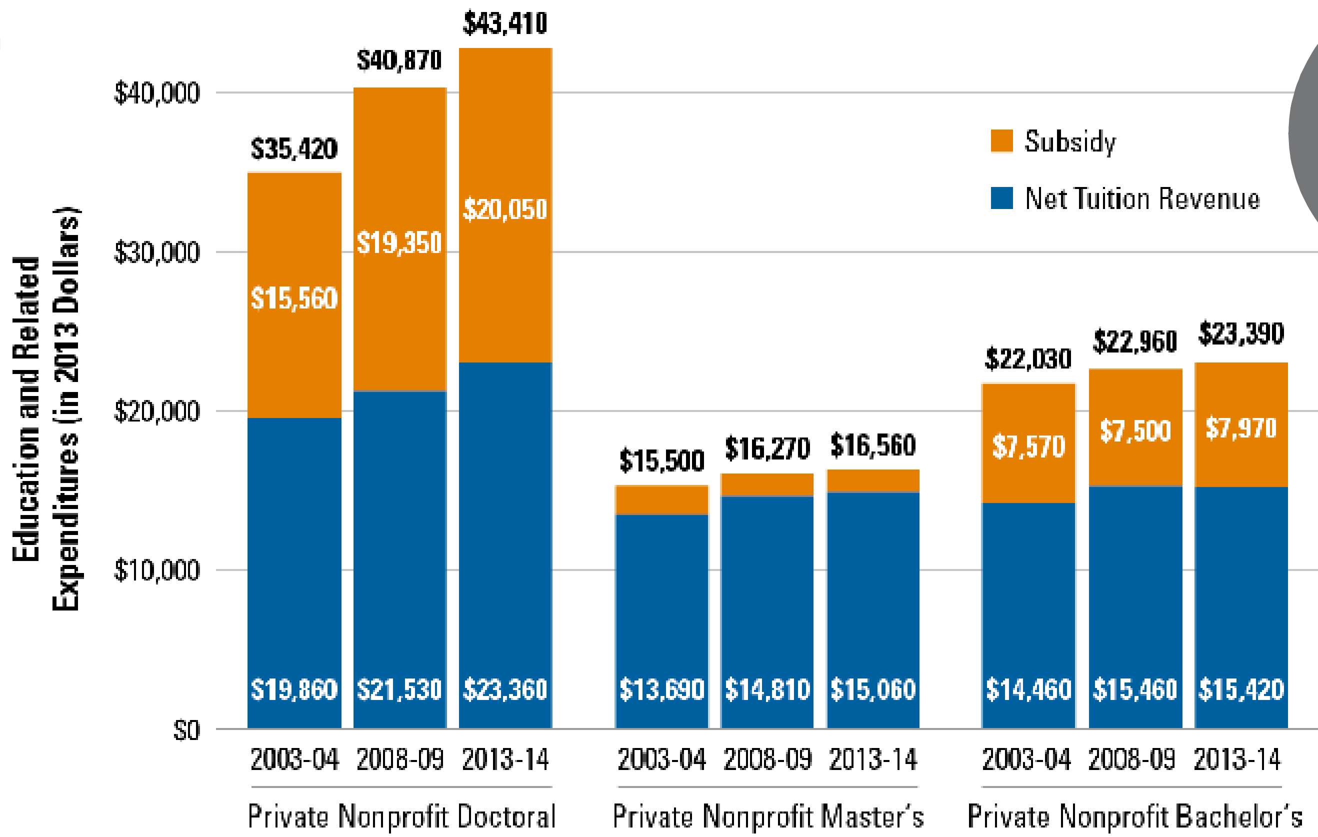
Net Tuition Revenue Remains Flat

At private colleges, tuition increases have been offset by grants and scholarships to students. Here's how net tuition revenue per full-time freshman has changed over the past five years.



Figures were adjusted using the Higher Education Price Index. *Preliminary estimate.

Net Tuition Revenues, Subsidies, and Education and Related Expenditures per Full-Time Equivalent (FTE) Student in 2013 Dollars at Private Nonprofit Institutions, 2003-04, 2008-09, and 2013-14



From 2008-09 to 2013-14 net tuition has been flat at all but doctoral institutions

SOURCE: The College Board, *Trends in College Pricing 2016,* Figure 17B

Enrollment itself

National Student Clearinghouse

Figure 1: Percent Change from Previous Year, Enrollment by Sector (Title IV, Degree-Granting Institutions)

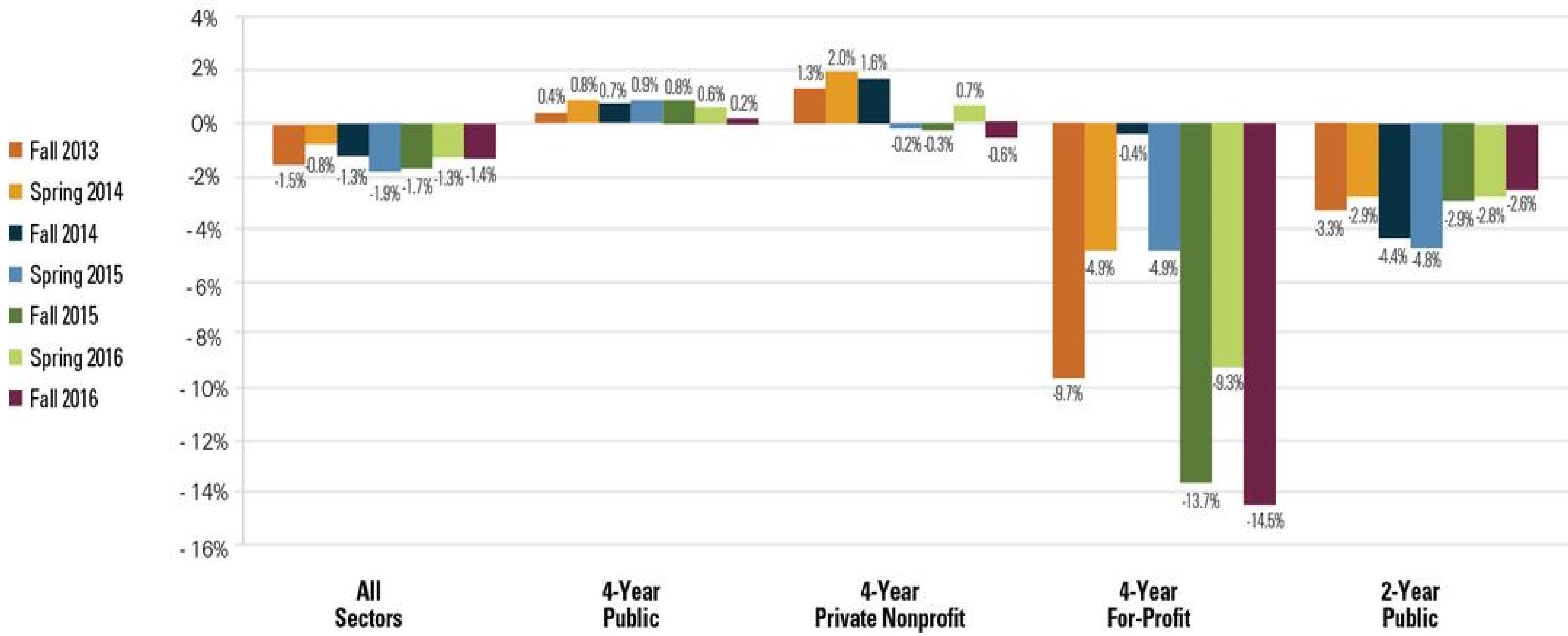
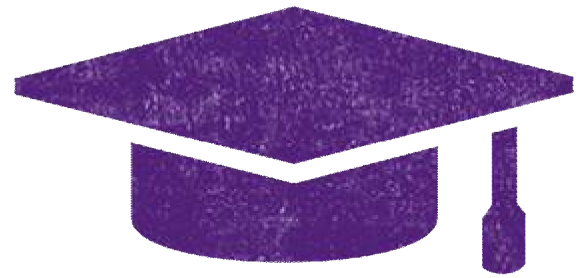


Figure 1 shows the 12-month percentage change (fall-to-fall and spring-to-spring) for each term over the last three years.

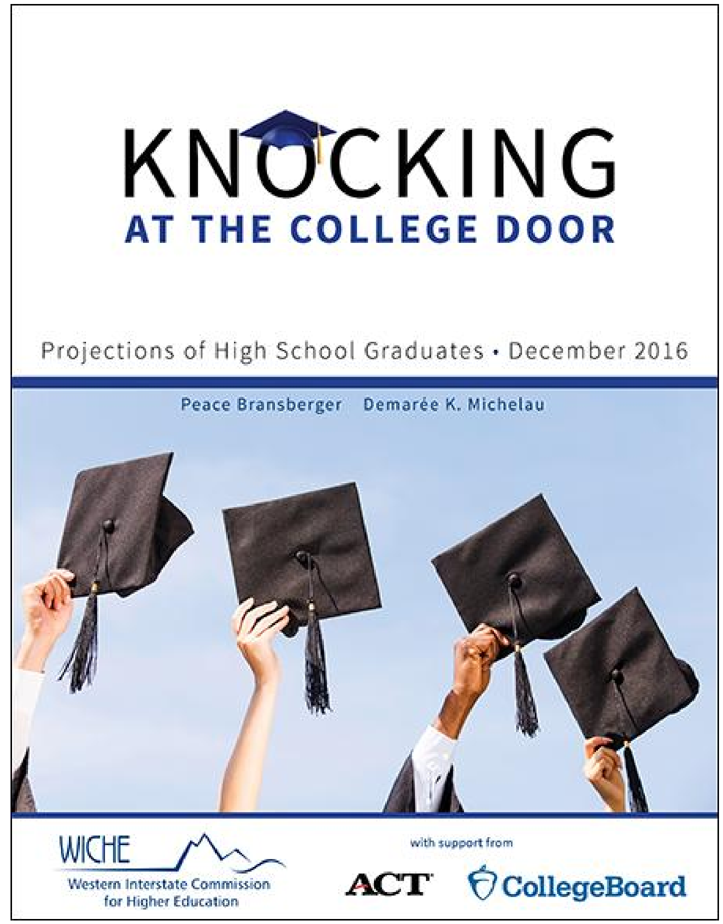
Non-tuition Revenues



- **Fundraising** for colleges and universities increased 1.7% in 2015-16, compared to 4% for the not-for-profit industry as a whole. Alumni giving dropped 8.5% and non-alumni individuals by 6%. Giving increased from corporations (14.8%), foundations (7.3%), and "other" (9/8%).
- **Endowments** returned a negative 1.9% in 2015-16, after a 2.4% return in prior year. Returns have been highly volatile in recent years. Ten year average annual return was 5%. Generally a 7.4% annual return over time maintains purchasing power. So endowments are declining in value in real terms. Effective spending rate increased to 4.3% from 4.2%. 74% of institutions reported raising their endowment spending, with a median increase of 8.1 percent.

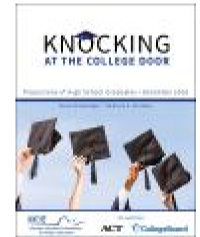
Demographics

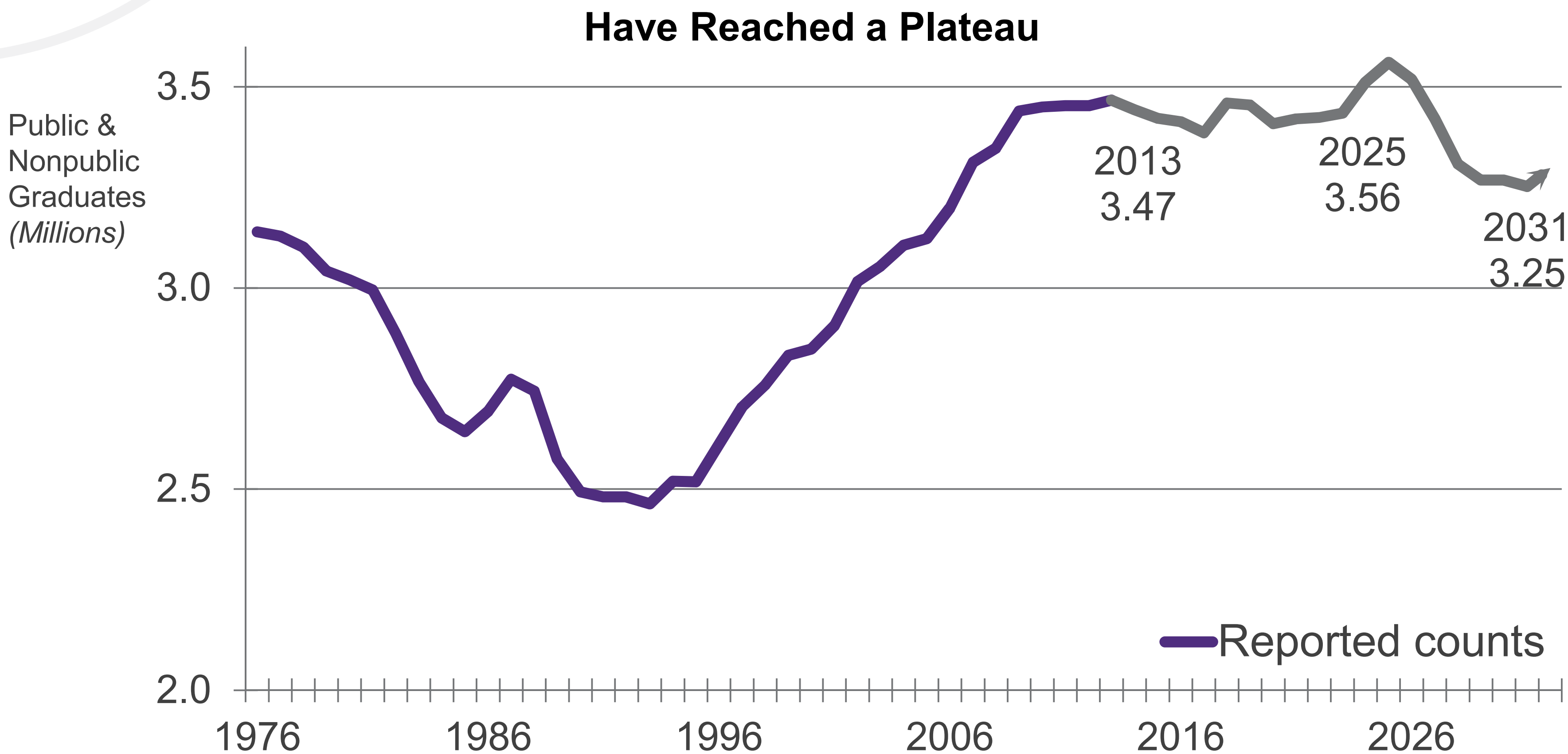
- Number of high school graduates
  - Plateau nationally
  - Ongoing declines in east and Midwest
- Ethnicity of higher school graduates
  - Decline of non-Hispanic whites
  - Growth of Hispanics



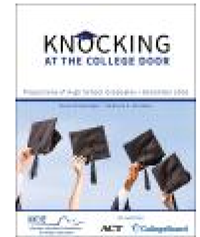
WICHE 9th Ed., issued Dec. 2016

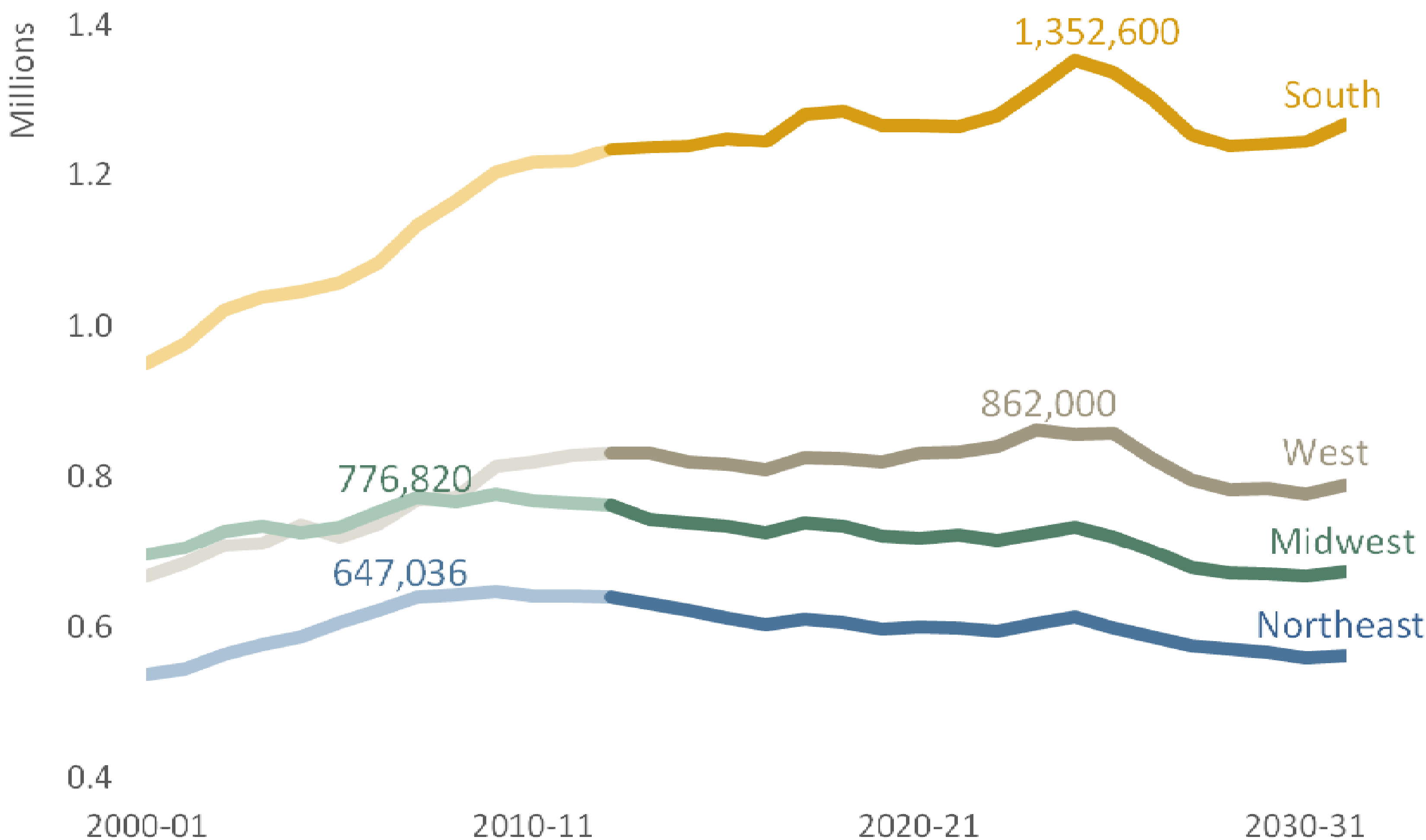
US High School Graduates



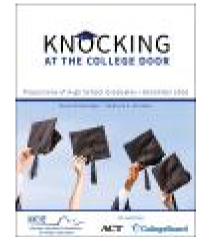


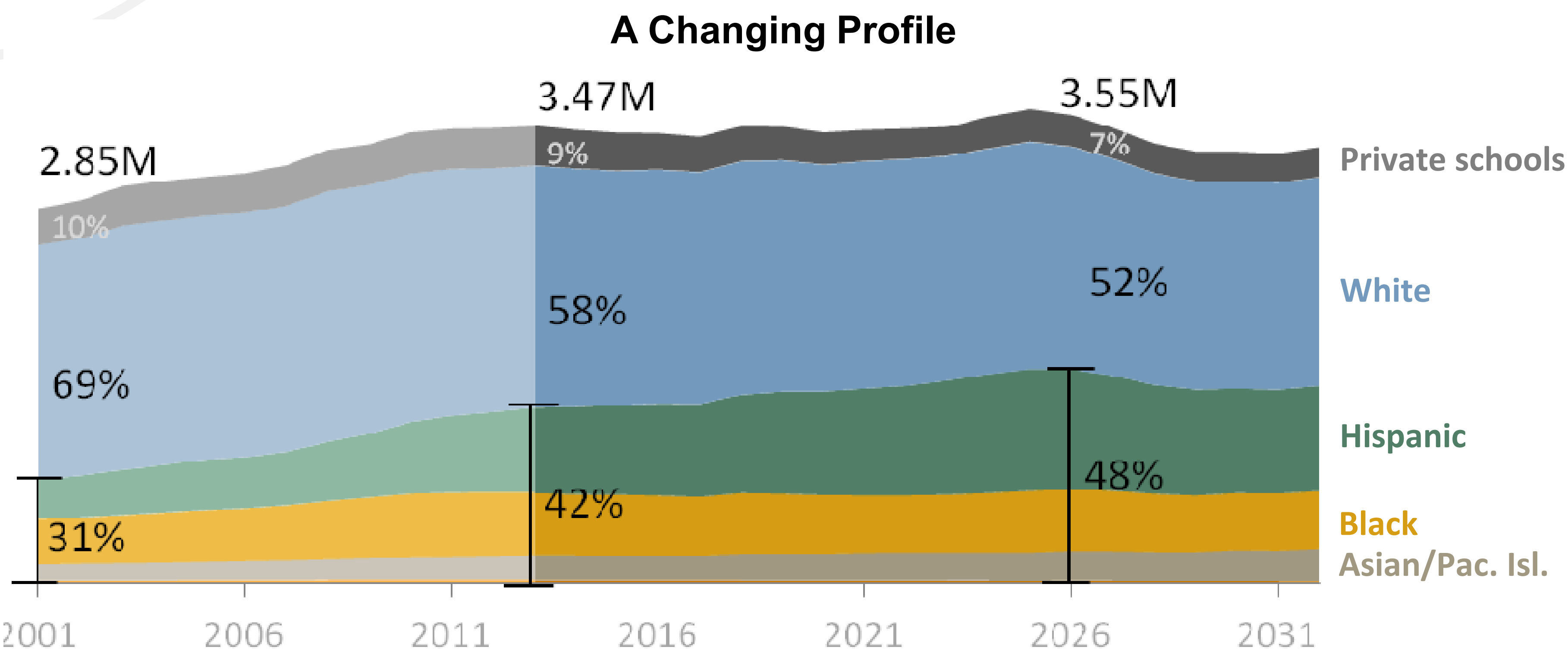
Regional Variation





US High School Graduates



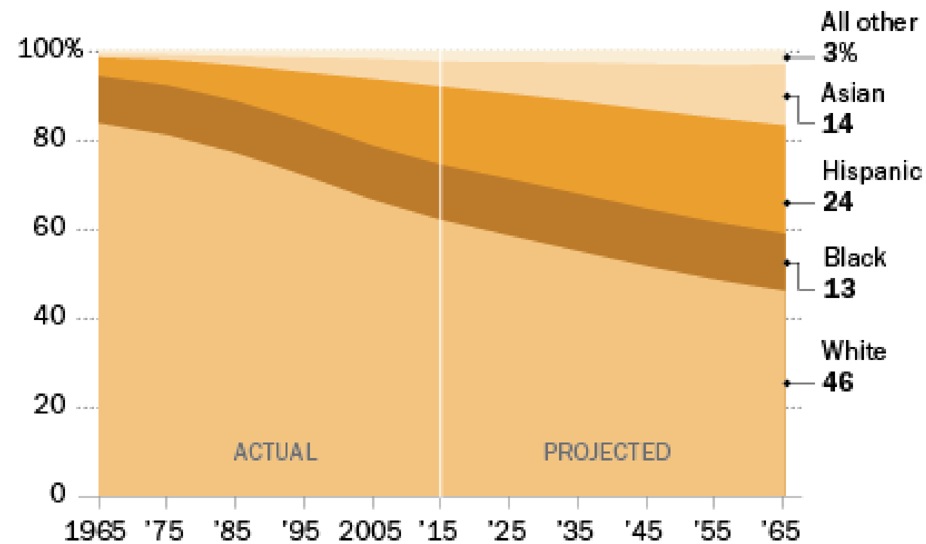


Demographic changes

- The story of high school graduate number is the story of the whole country
- By 2055, the total US population will not have a single racial or ethnic majority.

The changing face of America, 1965–2065

% of the total population



Note: Whites, blacks and Asians include only single-race non-Hispanics; Asians include Pacific Islanders. Hispanics can be of any race.
Source: Pew Research Center 2015 report, "Modern Immigration Wave Brings 59 Million to US, Driving Population Growth and Change Through 2065"

PEW RESEARCH CENTER

What are universities doing to generate financial return?

Innovation/ Strategy

- Targeting new populations
- Different pricing strategies
- Different locations, including cyber & satellite campuses

What are universities doing to generate financial return?

Academic Modes

- Retention
- Online and hybrid programs
- Credentials (certificates & other "micro" credentials for competencies, 3 year degrees, joint degrees, masters)

What are universities doing to generate financial return?

Management

- Retention
- Understanding costs (& using that information for decision making)
- Sharing services
- Faculty productivity (workload, sabbatical policies, types of appointments)
- Outsourcing
- Budgeting by substitution

What are universities doing to generate financial return?

Governance

- Intensifying shared governance (working effectively with faculty).
- Board more focused on strategy than oversight.
- Presidents are pro-active strategists, innovators, & risk takers

Five Stories of "Transformation"

- **Arizona State University:** Its open-access Global Freshman Academy creates a new pathway into the institution, and an innovative business model allows students to pay when they successfully complete courses.
- **Northeastern University:** Drawing on its expertise in experiential learning, it established a coding and analytics bootcamp that defines success by student outcomes in the workforce.
- **University of Wisconsin:** In order to address workforce challenges in the state, it deploys a competency-based degree program that draws on the academic resources of the UW System to develop new, accessible programs targeted to adult learners.
- **Simmons College:** In partnership with 2U, the college transformed its business model by developing high-quality, online graduate programs that expand its reach beyond geographical constraints.
- **Southern New Hampshire University:** Its radically affordable College for America creates opportunities for adult learners through a competency-based degree program in which the university partners with employers.

www.christenseninstitute.org/publications/college-transformed/

What some universities are doing but should not

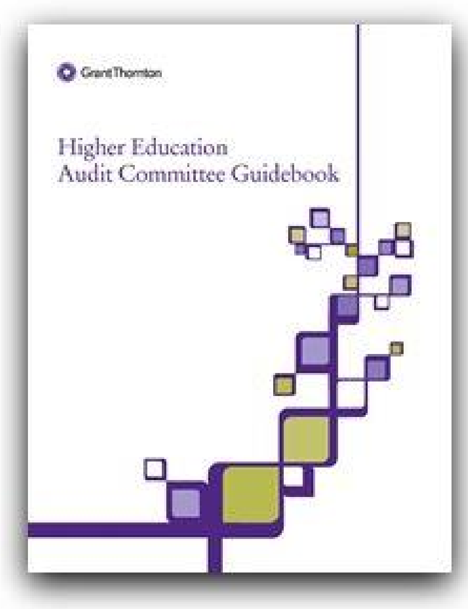
- Overspending from endowment
- "Borrowing" from endowment / restricted funds
- Using debt, in excess, for liquidity purposes
- Running deficits without a plan
- Overbuilding
- Selling physical assets without a plan
- Deferring maintenance

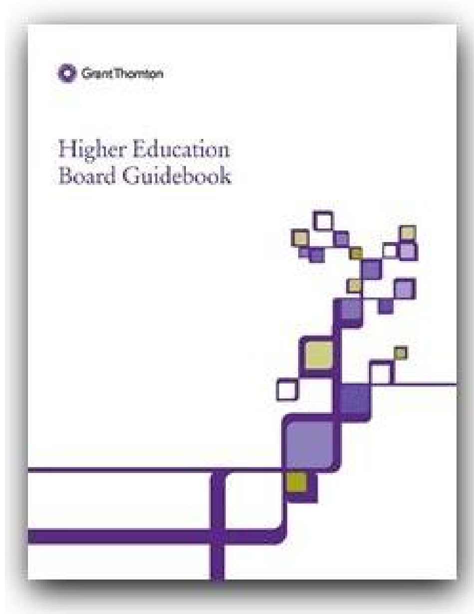
"A college's greatest enemies are **complacency** and **nostalgia**"

Changes to consider going forward

- Making the case for value of higher education
- Developing capacity for change
- Delivering education in different styles and formats (including cheaper)
- Finding paths to success for new student populations
- Adjusting to lower net student revenue and modest growth in government support
- Holding all stakeholders committed to common purpose

Additional Resources





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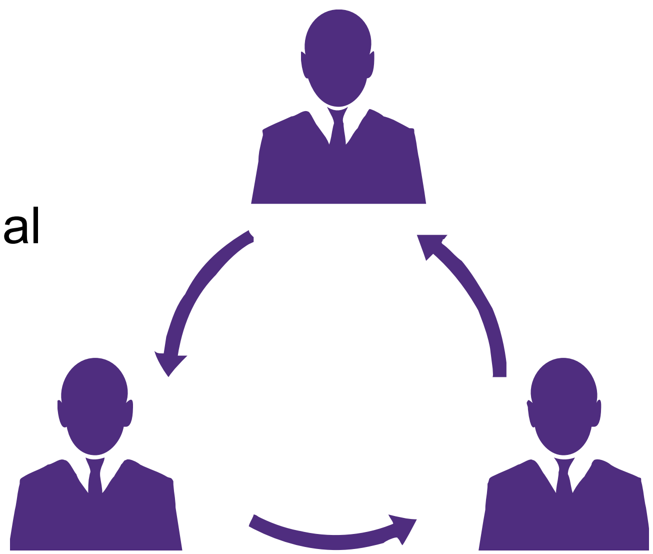
- What are your expectations for this project?
- How would you rate the team's overall service delivery?
- How can your Grant Thornton team bring additional value to your organization?
- Would you refer Grant Thornton to a friend or colleague?



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Grant Thornton

ATTACHMENT C

2016-2017 Budget Update

Operating Budget Projection
Fiscal Year 2016-17

	Original Budget	Projection for June 30, 2017	Comment
OPERATING REVENUES			
State Funding	$31,428,037	$30,732,457	Original budget anticipated a higher increase in State funds.
State Lease funding	142,390	135,845	
Total State Revenues	**31,570,427**	**30,868,302**	
Tuition - Credit Students , net of write-offs, discounts and other offsets	58,832,922	55,419,632	Revenues based upon credit hours 5.9% lower than budgeted
Technology Fee	11,044,800	10,384,193	Revenues based upon credit hours 5.9% lower than budgeted
Course Fees	4,106,720	4,094,894	
Net Contribution from: Contracted Noncredit Instruction; Other Noncredit Instruction; Adult Community Noncredit Instruction	806,250	623,874	
Student Regulatory Fees	1,358,930	1,202,303	
Total Student Tuition & Fees	**76,149,622**	**71,724,896**	
City Operating Funds	**23,160,383**	**23,830,493**	Additional $200,000 in City funds received for operating budget and $104,650 less needed for debt service due to State paying 50% of debt service for the West Building fixed stairs project.
Investment Income	484,000	73,512	Required to book a loss based upon market value of investments at June 30, 2017
Vocational Education Funding	275,000	314,848	
Indirect Costs, Administrative Allowances	350,000	460,683	
Parking Proceeds & Miscellaneous Income	720,353	708,012	
Total Other Income	**1,829,353**	**1,557,055**	
TOTAL OPERATING REVENUES	**$132,709,785**	**$127,980,746**	
Use of Prior Year Carry-Forward Funds	**$915,800**		
TOTAL SOURCES OF FUNDS	**$133,625,585**	**$127,980,746**	

Operating Budget Projection
Fiscal Year 2016-17

	Original Budget	Projection for June 30, 2017	Comment
OPERATING EXPENSES *			
Salaries			
Full-Time Administrative Salaries	17,569,445		
Less: Projected Lapsed Salaries	(800,000)		
Net Full-Time Administrative Salaries	16,769,445	15,916,684	Significant additional savings from freezing and delaying the hiring of vacant positions
Full-Time Faculty Salaries	$29,151,172		
Less: Projected Lapsed Salaries	(200,000)		
Net Full-Time Faculty Salaries	28,951,172	28,880,799	
Full-Time Classified Salaries	10,914,549		
Less: Projected Lapsed Salaries	(500,000)		
Net Full-Time Classified Salaries	10,414,549	10,038,273	Significant additional savings from freezing and delaying the hiring of vacant positions
Subtotal - Full-Time Salaries	**56,135,166**	**54,835,756**	
Part-Time & Overload Credit Salaries	11,137,494	9,948,782	Reduced cost due to lower number of sections that ran as compared to budgeted sections.
Summer Credit Instruction	4,266,153	3,683,519	Reduced cost due to lower number of sections that ran as compared to budgeted sections.
Noncredit Instructional Salaries	379,014	435,473	
All Other Salaries	4,225,267	4,054,860	Budget Reductions made across several part-time salary budget lines.
Early Retirement Incentive Payments	450,000	1,307,526	Higher number of employees took advantage of program than was budgeted.
Subtotal - Other than Full-Time Salaries	**20,457,928**	**19,430,160**	
Total Salaries	**76,593,094**	**74,265,916**	

Operating Budget Projection
Fiscal Year 2016-17

	Original Budget	Projection for June 30, 2017	Comment
Fringe Benefits			
Medical Program	24,377,000	21,542,071	Lower claims experience than budgeted.
Retirement Contributions	5,883,200	5,991,927	
FICA	3,136,700	2,990,229	Reduced costs due to salaries lower than budgeted.
Tuition Remission	650,000	582,435	
Group Life Insurance	470,000	474,742	
Unemployment Compensation	200,000	224,224	
Workers' Compensation Insurance	282,800	224,319	
Unused Vacation	100,000	22,559	
Disability Insurance	302,000	307,534	
Forgivable Education Loan	165,000	144,622	
Total Fringe Benefits	**35,566,700**	**32,504,662**	
Facility Expenses			
Utilities	2,011,970	2,129,846	
Contracted Security	1,737,000	1,815,592	
Contracted Cleaning	1,198,272	1,239,425	
All Other Facility Expenses	2,377,557	2,097,905	
Total Facility Expenses	**7,324,799**	**7,282,768**	

Operating Budget Projection
Fiscal Year 2016-17

	Original Budget	Projection for June 30, 2017	Comment
All Other Expenses			
Leased Equipment & Software	3,604,002	3,098,831	
Catalogs and Advertising	1,441,856	1,410,664	
Supplies-Pool	1,446,276	1,122,116	
Contracted Services	1,815,132	1,873,192	
Consulting	854,550	360,707	
Maintenance & Repairs	580,617	505,639	
Institutional & Departmental Contingency	990,720		
Insurance	695,335	639,506	
Legal Fees	680,000	573,416	
Other Expenses	2,032,504	1,845,394	
Total All Other Expenses	**14,140,992**	**11,429,465**	
Contingent Liability		788,000	
TOTAL OPERATING EXPENSES	**$133,625,585**	**$126,270,811**	
Excess Revenues (Expenses)	**($0)**	**$1,709,935**	

* Prior to impact of GASB 45 and 68 accruals

Community College of Philadelphia
Operating Budget Projections
Fiscal Year 2016-17

	Original Budget	Projection for June 30, 2017	$ Variance	% Variance
REVENUES				
Student Tuition and Fees	$76,149,622	$71,724,896	($4,424,726)	-5.8%
Commonwealth of Pennsylvania	31,570,427	30,868,302	($702,125)	-2.2%
City of Philadelphia	23,160,383	23,830,493	$670,110	2.9%
Other Income	1,829,353	1,557,055	($272,298)	-14.9%
Use of Prior Year Surplus	915,800	0	($915,800)	-100.0%
TOTAL REVENUES	**$133,625,585**	**$127,980,746**	($5,644,838)	-4.2%
EXPENSES *				
Salaries, Net of Lapsed Funds	$76,593,094	$74,265,916	($2,327,178)	-3.0%
Fringe Benefits	35,566,700	32,504,662	($3,062,038)	-8.6%
Other Expenses	21,465,791	19,500,233	($1,965,558)	-9.2%
TOTAL EXPENSES	**$133,625,585**	**$126,270,811**	($7,354,774)	-5.5%
EXCESS REVENUES (EXPENSES)	**($0)**	**$1,709,935**		
Transfer to Reserve for Deferred Maintenance		$854,968		
Transfer to Reserve for Technology Refresh		$854,968		

* Prior to impact of GASB 45 and 68 accruals

ATTACHMENT D

Internal Audit Plan Status

COMMUNITY COLLEGE OF PHILADELPHIA

Date: June 15, 2017
To: Audit Committee Members
From: Robert Lucas, Internal Auditor
Subject: Internal Audit – Plan Status and Other Information
Copies: Donald Generals, Judith Gay, Jacob Eapen, Victoria Zellers

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

- Internal audit reports finalized since the last meeting:
  - Royalty Payments from Publishers

- Draft internal audit reports in the closing process include:
  - DACE CBO Remote Sites
  - New Employee Process

- Audits in progress to be completed shortly:
  - Disaster Recovery Plan

- Completed an internal investigation of alleged financial improprieties
  - Working on a memo to management of related internal control and procedural concerns and recommendations

- An informal update was solicited of Cabinet members and senior managers since the previous meeting to ensure any new or enhanced functions are appropriately considered in the remaining time covered by the 2016-2018 Internal Audit Plan. There are no proposed changes to the plan based this solicitation.

- Follow up on prior audit comments is an ongoing process. A number of open action items on the Internal Audit Follow Up Matrix have target dates for actions, or for further updates, of June 30, 2017. A full update of this matrix will be distributed at the next Audit Committee meeting in September.

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Community College of Philadelphia
Internal Audit Plan - July 1, 2016 to June 30, 2018

Functional Area	Risk Rating	Risk Explanation / Reason for Audit	Fiscal Year	Stage
Financial Audits				
Colonial One Card	L	Determine controls over prepaid card program	2017	
Check Requests - Vendors	L	Verify controls for payments to vendors	2018	
Check Requests - Employees	L	Verify controls for reimbursements to employees	2018	
Purchasing Cards	M	Determine compliance with purchasing card policies	2018	
403(b) Transactions *	L	Determine controls over payments to retirement savings vendors	2018	
Investigation 4/17 - Related Controls	N/A			4
Operational Audits				
Royalty Payments from Publishers	N/A	Determine controls and procedures related to textbook selection process and funds received from publishers	2017	7
403(b) Administration *	L	Determine controls over employee requests related to retirement savings	2018	
Part-Time Faculty Medical Benefits	L	Determine controls and accuracy of only benefit funded entirely by staff	2017	
Business Continuity Plan	M	Determine management's level of preparation for business interruption	2017	1
Pell Grants - Appeal Process for Academic Progress	M	Determine compliance with requirements	2017	2
Veterans' Resource Center	M	Compliance with Veterans' Education Benefits Laws	2018	
Off Campus Programs - DACE, Workforce Development	M	Ensure risks are controlled / minimized in remote locations	2017 2018	5
Compliance				
50th Anniversary Scholarship Program	M	Determine compliance with requirements	2017	
Family Educational Rights and Privacy Act	M	Compliance with FERPA regulations	2017	2

Community College of Philadelphia
Internal Audit Plan - July 1, 2016 to June 30, 2018

Functional Area	Risk Rating	Risk Explanation / Reason for Audit	Fiscal Year	Stage
State Recruiting Regulations	M	Determine compliance with regulations / restrictions	2017	
Family Medical Leave Act	L	Determine compliance with policies, procedures and regulations	2018	
Residency Verification	L	Compliance with procedures and controls to pay tuition based on residency	2018	
Forgivable Loans	L	Compliance with procedures and controls for such loans	2018	
Clery Act	M	Compliance with law and required disclosures	2017	1
IT Audits				
Disaster Recovery Plan	M	Determine adequacy of readiness and periodic testing	2017	4
Non-ITS Administered Software Programs	M	Determine adequacy of administration controls	2017	1
Network Security	L	Determine adequacy of controls for systems access	2018	
Administrative				
Investigation 4/17	N/A			Complete
Follow Up on Prior Issues			Ongoing	
Committee Meetings (Grants, Data Breach, EMT, external audits/reviews)			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