

MONITORING REPORT
POLICY TYPE: CHANCELLOR LIMITATIONS
POLICY TITLE: FINANCIAL CONDITION AND ACTIVITIES; FINANCIAL PLANNING AND BUDGETING

Governing Board Agenda

Meeting Date: 8/22/17

ITEM NUMBER

ITEM TITLE

RESPONSIBLE AGENTS

Budget Analysis Report
Fund 1: General Unrestricted Fund
For the Twelve Months Ending 6/30/2016
FINAL

Ms. Gaye Murphy
Ms. Kim Granio

Expenditure Summary: \$652.5M (year to date)

- Typically evenly spread across each month, as the majority is payroll and benefits which are recorded every two weeks.
- 89.3% of expenditures have been recognized year to date (versus 84.7% in 14/15, 89.5% in 13/14, and 91.6% in 12/13).
- 10.7% of the budget remains unexpended or unencumbered (versus 15.3% in 14/15, 10.5% in 13/14, and 8.4% in 12/13).

Revenue Summary: \$659.0M (year to date)

- The two major revenues, property taxes and tuition, are collected in cycles. Tuition revenue is generally collected at the beginning of each semester while property tax revenue is mostly collected in the fall and spring when semi-annual payments are due from property owners.
- 90.1% of the budgeted revenue has been recognized year to date (versus 85.1% in 14/15, 96.4% in 13/14, and 97.6% in 12/13).

Fund Balance and Financial Stability Requirements

- The General Fund fund balance increased by \$6.4M (from \$167.2M to \$173.6M) in FY 15/16.
- MCCCDC is required to maintain a financial stability balance equal to 8% of the annual projected revenue. This currently equates to \$52.7M. The remaining fund balance of \$120.9M is comprised of college carryforward, designations for future operations, minimum financial condition measure for future years, allowance for student bad debt, priority initiatives, capital master planning, reserves for potential claims/contingency, enrollment growth/retention, and an undesignated balance of \$1.1M.
- Financial activities of the District comply with the Governing Board Policies, Chancellor Interpretations 2.4 and 2.6, though Restricted Fund revenue collection often lags behind expenditures given that the nature of grants and financial aid is one of reimbursement for expenditures and awards.
- The Governing Board contingency beginning balance is \$900,000. The remaining balance as of 6/30/16 is \$900,000.

Items of Particular Interest: Substantial Deviations from Budget or Expectations

The final Budget Analysis Report for the fiscal year is normally submitted to the Governing Board in October or November after the fiscal year is closed and the annual financial audit is substantially under way. For Fiscal Year 2015-16, the close of the fiscal year as well as the annual audit was significantly delayed and prolonged due to the new financial system that was implemented on July 1, 2015. The focus of the Controller's Office was to close the year and issue the financial statements and the completion and submission of the final Budget Analysis Report as of 6/30/16 was overlooked. We will ensure a more timely submission of future final Reports.

More information on the Budget Analysis Report access: <http://www.maricopa.edu/business/reporting/reports.html>

This report is also provided to the Audit & Finance Committee quarterly.

Funding	Approvals/Certifications
<p><u>Source:</u></p> <p><u>Account Identification:</u></p>	<p>Chancellor _____</p> <p>Academic & Student Affairs _____</p> <p>Business Services _____</p> <p>Human Resources _____ ITS _____</p> <p>Res Dev & Com Relations _____</p> <p>College President _____</p>

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
 BUDGET ANALYSIS REPORT
 FUND 1 - CURRENT UNRESTRICTED FUND
 June 2016 Final

EXPENDITURE ANALYSIS

<u>By Function:</u>	Budget (a)	Amount Expended	Percent Expended 15-16	Percent Expended 14-15	Percent Expended 13-14	Percent Expended 12-13	Amount Encumbered	Unencumbered Balance Available	Percent of Budget Available
INSTRUCTION	312,847,005	281,599,121	90.0	94.6	94.7	93.9	0	31,247,883	10.0
PUBLIC SERVICE	2,840,144	2,780,772	97.9	98.2	99.6	99.9	0	59,372	2.1
ACADEMIC SUPPORT	79,421,907	73,870,727	93.0	91.5	90.9	90.5	0	5,551,180	7.0
STUDENT SERVICES	76,344,940	72,968,321	95.6	90.0	90.7	89.2	0	3,376,619	4.4
INSTITUTIONAL SUPPORT	137,956,519	119,171,017	86.4	90.9	90.6	94.4	0	18,785,503	13.6
OPERATION/MAINTENANCE OF PLANT	89,930,205	86,527,946	96.2	94.1	94.6	99.7	0	3,402,259	3.8
STUDENT FINANCIAL ASSISTANCE	19,302,311	15,589,993	80.8	82.5	82.9	88.1	0	3,712,319	19.2
CONTINGENCIES	12,416,859	0	0.0	0.0	0.0	0.0	0	12,416,859	
TOTAL OPERATIONAL	<u>731,059,890</u>	<u>652,507,897</u>	89.3	84.7	89.5	91.6	<u>0</u>	<u>78,551,993</u>	10.7
<u>By Account:</u>									
PERSONNEL SERVICES	383,593,719	372,645,897	97.1	98.1	97.5	97.6	0	10,947,822	2.9
EMPLOYEE BENEFITS	114,654,156	113,939,660	99.4	99.4	97.4	94.8	0	714,496	0.6
CONTRACTUAL SERVICES	63,466,945	63,462,243	100.0	92.8	95.1	99.9	0	4,702	0.0
SUPPLIES, MATERIALS, PARTS	10,167,905	9,575,807	94.2	89.1	92.9	99.8	0	592,097	5.8
CURRENT FIXED CHARGES	9,283,317	9,280,337	100.0	90.8	94.2	85.8	0	2,980	0.0
COMMUNICATIONS AND UTILITIES	22,351,518	17,638,548	78.9	80.1	84.9	93.7	0	4,712,970	21.1
TRAVEL	5,021,222	5,016,926	99.9	96.3	95.7	93.5	0	4,296	0.1
STUDENT AID AND MISCELLANEOUS	27,065,691	16,945,314	62.6	64.1	82.3	74.9	0	10,120,377	37.4
TRANSFERS-INTRAFUND	39,037,483	2,500	0.0	0.0	2.2	0.0	0	39,034,983	100.0
TRANSFERS TO OTHER FUNDS	44,001,075	44,000,665	100.0	109.0	82.1	97.9	0	410	0.0
CONTINGENCIES	12,416,859	0	0.0	0.0	0.0	0.0	0	12,416,859	
TOTAL OPERATIONAL	<u>731,059,890</u>	<u>652,507,897</u>	89.3	84.7	89.5	91.6	<u>0</u>	<u>78,551,993</u>	10.7

(a) Represents budget as amended by approved transfers.

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REVENUE ANALYSIS (a)	Budget (b)	Recognized	Percent Recognized 15-16	Percent Recognized 14-15	Percent Recognized 13-14	Percent Recognized 12-13	Revenue	Variance Over/(Under) Budget	Comments
PROPERTY TAX	437,227,709	436,312,368	99.8	99.0	99.2	98.7	436,312,368	-915,341	Projected, see (a)
STATE AID	0	0	0.0	100.0	100.0	100.0	0	0	Per State Budget
IN LIEU TAX, SALT RIVER PROJECT	9,575,128	9,462,117	98.8	99.3	99.9	101.5	9,462,117	-113,011	Based on budget
GENERAL TUITION	218,855,940	187,909,158	85.9	87.6	90.1	92.6	187,909,158	-30,946,782	Based on budget
OUT-OF-STATE TUITION	15,160,431	16,493,155	108.8	98.3	93.8	89.2	16,493,155	1,332,724	Based on budget
OUT-OF-COUNTY TUITION	246,215	237,765	96.6	106.7	104.0	98.6	237,765	-8,450	Based on budget
OTHER FEES AND CHARGES	4,593,131	5,168,133	112.5	106.1	98.3	98.7	5,168,133	575,002	Based on budget
INVESTMENT INCOME	505,000	1,449,791	287.1	161.9	165.5	140.1	1,449,791	944,791	Based on budget
MISCELLANEOUS AND OTHER	2,750,654	1,931,117	70.2	78.6	82.5	103.2	1,931,117	-819,537	Based on budget
SUBTOTAL REVENUES	688,914,208	658,963,605	95.7	95.4	96.2	97.5	658,963,605	-29,950,603	
BUDGETED USE OF FUND BALANCE	42,145,682	0	0.0	100.0	100.0	100.0	0	0	Based on budget
TOTAL SOURCES	731,059,890	658,963,605	90.1	85.1	96.4	97.6	658,963,605	-29,950,603	

FINANCIAL CONDITION ANALYSIS

Total revenues	658,963,605	
Less total expenditures	-652,507,897	
Increase in fund balance	6,455,709	% of Revenues
Beginning fund balance (audited)	167,181,746	
Ending fund balance 6/30/16 (audited)	173,637,455	26%
Less designations for future operations		
3.5% college carry forward	17,065,981	
Additional allocations	22,367,935	
Total budgeted designations:	39,433,916	
Less minimum financial condition measure (c)	52,717,088	8%
Less minimum financial condition measure for future years	8,778,094	
Less allowance for student bad debt	3,000,000	
Less priority initiatives (SSE, SSI, ITS, etc.)	24,696,664	
Less capital master planning	5,000,000	
Less reserves for potential claims/contingency	18,848,518	
Less enrollment growth/retention	18,062,300	
Less life without bond transfers	2,000,000	
Undesignated balance	1,100,875	

(a) See specific revenue analysis by type on page 4

(b) Represents adopted budget, as amended by approved budget transfers.

(c) The financial condition measure represents that portion of the undesignated general fund balance equal to 8% of the annual projected revenues. This measure represents the minimum level of the undesignated general fund balance that must be continuously maintained to ensure continued operations in the event of unforeseen circumstances and contingencies.

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
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EXPENDITURE COMMENTS

Expenditures have been selected for comment (1) if the percent of budget expended varies from the prior year by at least five percentage points or (2) if transactions or activities during the month are unusual. Some of these variations result from fluctuations in budget amounts allocated from year to year. Others are the result of timing differences for annually recurring expenditures.

By Function

Instruction	Includes expenditures directly related to instruction including credit courses and vocational and technical courses. Percent recognized is consistent with prior year.
Public Service	Includes expenditures for activities established primarily to provide non-instructional services beneficial to individuals and groups external to the District. Percent recognized is consistent with prior year.
Academic Support	Includes activities to support the District's primary mission, such as student computing and library services. Percent recognized is consistent with prior year.
Student Services	Includes activities that contribute to the students' emotional and physical well being; to promote intellectual, cultural, and social development outside the context of the formal classroom; and to facilitate student enrollment in courses. Examples are Admissions and Records, student activities, financial aid, counseling, etc. Increase in percent recognized is due to a decrease in the budget for Transfers to Same Fund.
Institutional Support	Includes activities that provide safety, security, printing, travel, marketing, insurance, management, business and human resource operations, and planning. In prior years, this had been split into two functions: General Institutional and Administration. Percent recognized is consistent with prior year.
Operation/Maintenance of Plant	Includes expenditures allocated for the operation and maintenance of the physical plant, such as utility costs and staff responsible for the maintenance of buildings and grounds for all units. Percent recognized is consistent with prior year.
Student Financial Assistance	Maricopa funded scholarships such as the President's scholarship, and honors awards. Percent recognized is consistent with prior year.
Contingencies	Includes amounts carried from one fiscal year to the next by the colleges and district office units, amount of property tax levied but not collected, basic contingency for unexpected needs as prioritized by the Governing Board.

By Account

Personnel Services	Includes salaries and wages for all employees in all types of positions such as full-time, part-time, temporary, permanent, all employee groups, etc. Percent recognized is consistent with prior year.
Employee Benefits	Includes all employer paid costs of employee health insurance, retirement contributions, social security and Medicare, life insurance, workers compensation, unemployment, etc. Percent recognized is consistent with prior year.
Contractual Services	Includes expenditures such as funding for professional services, advertising, marketing, etc. Increase in percent recognized is due to the budget for Professional Services decreasing while the expenditures remained approximately the same. In addition, the expenditures for Licensing Agreements increased.
Supplies, Materials, Parts	Includes the cost of classroom and office supplies and materials, software, audiovisual aids, etc. Increase in percent recognized is due to the budget for supplies decreasing while the actual expenditures decreased slightly.
Current Fixed Charges	Includes expenditures for facilities rentals, liability and property insurance, subscriptions, etc. Increase in percent recognized is due to a fiscal year coding issue for subscriptions.
Communications and Utilities	Includes all costs relating to telephone, postage, electricity, water, sewer, etc. Percent recognized is consistent with prior year.

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Travel	Includes mileage, in and out of state travel, international travel, registration, hotel, airfare, etc. Percent recognized is consistent with prior year.
Student Aid and Miscellaneous	Includes statutory waivers, employee and dependent waivers, non-capital equipment, bad debt expense relating to student accounts, etc. Percent recognized is consistent with prior year.
Transfers-Intrafund	Includes allocations for enrollment growth funding (reserved to help fund additional courses for increased student enrollment), funds for incremental costs from capital development facilities, etc.
Transfers to Other Funds	Includes transfers for programs accounted for in other funds of the district, such as the Maricopa and Southwest Skill Centers, mandatory match associated with federal programs (financial aid and Small Business Development Center), funds for Meet and Confer, funding for capital expenses, etc.
Contingencies	Includes amounts carried from one fiscal year to the next by the colleges and district office units, amount of property tax levied but not collected, basic contingency for unexpected needs as prioritized by the Governing Board.
REVENUE COMMENTS	
Property Tax	Primary property taxes levied and collected for use in current operations without restrictions. The variance is due to anticipated actual collections. Percent recognized is consistent with prior year.
State Aid	Effective in FY 16, the State of Arizona no longer provides financial support to the Maricopa County Community College District.
In Lieu Tax, Salt River Project	Monies paid to the District by SRP for use in current operations as a substitution for property taxes. Percent recognized is consistent with prior year.
General Tuition	Tuition and fees received from students whether directly or from a third party. Percent recognized is consistent with prior year.
Out-of-State Tuition	Tuition and fees received from students who do not reside within the state or are not otherwise eligible for in-state tuition, whether directly or from a third party. Increase in percent recognized is due to a timing difference in recording Educational Service Partnership adjustment for FY16.
Out-of-County Tuition	Counties that do not have a community college district provide monies for operations to the districts where their students attend. Decrease in percent recognized is due to a timing difference in posting waivers.
Other Fees and Charges	Includes funds received from students for various fees such as registration, transcripts, evaluation by examination registration fees, music lessons, etc. Increase in percent recognized is due to a decrease in the budget for registration fees while the actual receipts decreased slightly from prior year.
Investment Income	Idle monies of the District are invested per Governing Board policy and the income is available for operating purposes. Based on accounting standards, the District adjusts the value of its investments monthly to that of the market and these adjustments are reflected in the investment income line. Therefore, the actual amount for this revenue line can fluctuate up and down over the course of the year.
Miscellaneous and Other	Includes funds recovered from previously written off student debts as well as other small types of revenues. Decrease in percent recognized is due to a decrease in bookstore revenue.
Budgeted Use of Fund Balance	Includes budget capacity to allow colleges and district office divisions to carry forward up to 3.5% of operating budgets from one fiscal year to the next, enrollment growth funding for the colleges, and contingencies for unanticipated expenses. In prior years, 100% of the budgeted amount was recognized for reporting purposes; however, beginning with the Dec-14 Report, fund balance will not be recognized as a source until used. Therefore, the percent recognized from prior years will not be relevant to the current year's calculation.