

2.11.1 The institution has a sound financial base and demonstrated financial stability to support the mission of the institution and the scope of its programs and services.

The member institution provides the following financial statements: (1) an institutional audit (or *Standard Review Report* issued in accordance with *Statements on Standards for Accounting and Review Services* issued by the AICPA for those institutions audited as part of a systemwide or statewide audit) and written institutional management letter for the most recent fiscal year prepared by an independent certified public accountant and/or an appropriate governmental auditing agency employing the appropriate audit (or *Standard Review Report*) guide; (2) a statement of financial position of unrestricted net assets, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net assets attributable to operations for the most recent year; and (3) an annual budget that is preceded by sound planning, is subject to sound fiscal procedures, and is approved by the governing board.

Audit requirements for applicant institutions may be found in the Commission policy entitled "Accreditation Procedures for Applicant Institutions. **(Financial Resources)**

Compliance Partial Compliance Non-Compliance

Narrative:

Chattahoochee Valley Community College (CVCC) has a sound financial base and demonstrated financial stability to support the mission of the institution and the scope of its programs and services as demonstrated below:

Sound Financial Base

Chattahoochee Valley Community College is a member of the Alabama Community College System and is required by State Board Policy [301.01](#) to operate within available resources and to maintain adequate operational balances to ensure financial stability. College revenue sources include the State of Alabama, student tuition and fees, and state and federal grants. October 1, 2011 through September 30, 2012 fiscal year total revenues were \$13,963,340 which included operating revenues of \$3,566,260 consisting of tuition and fees, federal and state contracts. Total expenditures for the same period were \$13,955,788 which included operating expenditures of \$13,581,150 consisting of instruction, academic support, student services, institutional support, operation and maintenance, scholarships, and depreciation.

The College's accounting system follows the generally accepted principles of accounting as presented in the College and University Business Administration published by the National Association of College and University Business Officers ([NACUBO](#)). As a member of the Alabama Community College System, the College is a component of the State of Alabama, a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board ([GASB](#)) states that a primary government is financially accountable for a component unit if it appoints a voting majority of an organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific burden on, the primary government. In the case of CVCC, the primary government is the State of Alabama, which governs the Department of Postsecondary Education through the aegis of the Alabama State Board of Education. State Board Policy [101.01](#) states that the Department of Postsecondary Education (through its Chancellor) has the authority and responsibility for the operation, management, supervision, and regulation of the College. In addition, the College receives a significant portion of its funding from the State of

Alabama (potential to impose a specific financial burden). Based upon these criteria, the College is considered (for financial reporting purposes) to be a component unit of the State of Alabama. State Board Policy [301.02](#) dictates that the College is to submit annual budgets and financial statements to the Department of Postsecondary Education and annual expenditures and revenues information to the [Integrated Postsecondary Education Data System](#) (IPEDS). The [Chief Financial Officer](#) is responsible for the preparation of all financial statements and budgets. Select [financial reports](#) are submitted to the President monthly. Additional [reports](#) are submitted upon request.

Chattahoochee Valley Community College has a sound financial base, is fiscally well managed and possesses sufficient financial resources to support all of its programs. A review of the [Trend Analysis](#) reveals an increase in campus expenditures from fiscal year 2008-09 to 2011-12. A summary is shown below:

Chattahoochee Valley Community College
Operating Expenditure Comparison
Fiscal Year 2008-09 to 2011-12

<u>Function</u>	<u>Fiscal Yr</u> <u>2008-09</u>	<u>%</u>	<u>Fiscal Yr</u> <u>2011-12</u>	<u>%</u>	<u>\$ Diff</u>	<u>% Diff</u>
Instruction	\$4,894,558	38%	\$5,170,142	38%	\$ 275,584	5.63%
Public Service	\$ 498	0%			(\$498)	(0.01%)
Academic Support	\$ 551,883	4%	\$ 650,761	5%	\$ 98,878	2.02%
Subtotal Instructional Costs	\$5,446,939	42%	\$5,820,903	43%	\$373,964	2.87%
Student Services	\$ 1,619,889	12%	\$1,449,655	11%	(\$170,234)	(-3.48%)
Institutional Support	\$1,690,788	13%	\$1,861,887	14%	\$171,099	3.50%
Operation & Maintenance	\$1,145,687	9%	\$1,377,736	10%	\$232,049	4.74%
Scholarship & Financial Aid	\$2,707,769	21%	\$2,599,367	19%	(\$108,401)	(2.21%)
Depreciation	\$ 423,462	3%	\$471,602	3%	\$ 48,141	0.98%
Subtotal Non-Instructional Costs	\$7,587,594	58%	\$7,760,247	57%	\$172,653	1.32%
Total Operating Expenditures	\$13,034,533	100%	\$13,581,151	100%	\$546,618	11.17%

The increase in instruction can be explained by the College's hiring four new full-time instructional faculty to support enrollment in allied health, business, industrial maintenance, and the public safety programs. The decrease in student services is mainly a reduction in College advertising of \$102,731. The increase in institutional support is due to the hiring of a new institutional effectiveness director and staff and College bad debt expense of \$30,731. The increase in operations and maintenance is due to the hiring of two new full time maintenance staff, increase in utilities with the opening of two new campus buildings, replacement of two campus vehicles, and several deferred maintenance projects such as HVAC replacements. The decrease in scholarship and financial aid is due to reduced campus credit hour enrollment.

The 2011-12 audited [financial statement](#) presents the changes in unrestricted net assets. For fiscal year ending September 30, 2010, unrestricted net assets of \$8,566,311 decreased (\$379,444) or 4.24%, from the previous year. The financial position of the College decreased in fiscal year ending September 30, 2011 by (\$1,549,983) or (18.09%), to \$7,016,328; and by (\$152,896), or (2.18%) to \$6,863,432 in fiscal year ending September 30, 2012. The material decreases in unrestricted net assets since fiscal year 2009-10 are a result of two planned campus construction projects for a new \$12.8 million 59,278 square foot academic and performing arts building and a new \$949,000 8,770 square foot workforce development industrial training center. However, as of September 30, 2012, CVCC has completed the planned construction projects and has cash and short term investments in reserve of \$8,096,276 for six months of operating expenditures of \$13,581,150; the Department of Postsecondary Education recommends two months of reserves. Therefore, if funding from the State was delayed, the College could pay normal operating expenditures for a six month period.

Audited Financial Statements

Independent examiners from the State of Alabama Examiners of Public Accounts conduct annual audits. They perform audits using generally accepted governmental auditing standards for financial audits, as issued by the Comptroller General of the United States. The Examiners are not directly connected with the College, and selection of individuals to perform the audits is made at the state level. A written report addressing the [audit results](#) is submitted to the State Board of Education, as required by State Board Policy [318.01](#). An [Institutional Management Letter](#) is submitted to the auditing agency at the conclusion of the audit.

Preparation of Budget

Chattahoochee Valley Community College demonstrates financial stability through its internal budgeting system which serves two purposes. The first purpose is to set guidelines for annual expenditures in budget units under the control of campus budget coordinators. The second purpose is to serve as the foundation for the annual budget submitted to the Alabama State Board of Education. The budgeting process begins in early spring for the fiscal year beginning the following October 1. A summary of CVCC's campus budget process and management is documented in the [Finance and Budgeting Processes Handbook](#). Also, documented is CVCC's 2012-13 Budget Calendar and Forms.

Campus budget planning involves continual input from all levels on the [organizational chart](#). The strategic planning process involves submission of budget requests from functional units to support their objectives and strategies of the plan. This requires Division Chairpersons to meet with faculty to determine educational needs for each program and Directors to meet with their staffs to compile budget requests for their functional units. Budget requests are submitted on Form A for essential operational department needs and Form B for strategic planning objectives. Strategic planning objectives linked to Form B requests are prioritized by the [Strategic Funding Committee](#) and submitted to the President's Cabinet. All Form A and B requests are reviewed by the Cabinet, which consists of the President, Deans, Director of Institutional Effectiveness, Administrator to Special Projects, and the Chief Financial Officer of the College. The Cabinet determines final budget based on revenue projections, projected personnel and benefit costs, and anticipated operational expense funding patterns. This process ensures that planning for institutional effectiveness is linked to the budgeting process and that funding for institutional planning priorities is provided ([2012-13 Form A Department Budget Requests](#); [2012-13 Form B Department Strategic Planning Requests](#)). A summary of campus approved Form B Strategic Planning Goals from [2011-12](#) and [2012-13](#) are included as examples.

When the internal CVCC budget is complete and approved by the President's Cabinet, it is forwarded to the Business Office. The approved figures are then transferred to a format accepted by the Department of Postsecondary Education (DPE) and sent to State Board of Education for approval (Approved [Budget 2011-12](#); Approved [Budget 2012-13](#)). The final budget is signed and approved by the President before being submitted to the State Board for approval. CVCC is required by State Board Policy and Department of Postsecondary Education to operate within the budget. Budget revisions may be requested through DPE if changes are required during the year. The approval and final department projected budgets are then available online when access is allowed to the computer system at the start of the new fiscal year each October 1st.

SUPPORT DOCUMENTATION
State Board Policy 301.01: Financial Management
National Association of College and University Business Officers - NACUBO
Government Accounting Standards Board - GASB
State Board Policy 101.01: Governance Responsibility
State Board Policy 301.02: Accounting Procedures
Integrated Postsecondary Education Data System (IPEDS)
Job Description – Chief Financial Officer
Financial Report Example – Monthly submission
Financial Report Example – Request
Trend Analysis
Audited Financial Statements 2011-12
State Board Policy 318.01: Audits
Institutional Management Letter
Finance and Budgeting Processes Handbook, Section 4.0 Campus Budgeting Procedures – Pages 10-12
Organizational Chart
Strategic Funding Committee
2012-13 Form A Department Budget Requests
2012-13 Form B Department Strategic Planning Requests
Approved 2011-12 Form B Requests
Approved 2012-13 Form B Requests
Approved Budget 2011-12
Approved Budget 2012-13