Audited Financial Statements

June 30, 2018

HACC

Founded in 1964

CENTRAL PENNSYLVANIA'S COMMUNITY COLLEGE

CONTENTS

Smith Elliott Kearns & Company, LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Harrisburg Area Community College
Harrisburg, Pennsylvania

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Harrisburg Area Community College (the College), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Harrisburg Area Community College Foundation were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harrisburg Area Community College as of June 30, 2018 and 2017, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 11 to the financial statements, the College adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 75, Accounting and *Financial Reporting for Postemployment Benefits Other than Pensions*, as of July 1, 2017. Our opinion has not been modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, schedule of College's proportionate share of the net pension liability on pages 61 - 62, schedule of College's contributions – Pension Plans on page 63, schedule of changes in the College's total OPEB liability and related ratios – College plan on page 64, schedule funding progress – OPEB on page 65, schedule of College's proportionate share of net OPEB liability – PSERS on page 66, schedule of the College's OPEB contributions – PSERS on page 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenses by functional classification is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenses by functional classification and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenses by functional classification and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
October 25, 2018

INTRODUCTION

Management's Discussion and Analysis (MD&A) of Harrisburg Area Community College's (HACC) financial statements provides an overview of the College's financial performance during the fiscal year ended June 30, 2018, with selected comparative information for the years ended June 30, 2017 and June 30, 2016. The purpose of the MD&A is to assist readers with understanding the accompanying financial statements by providing objective and understandable analysis of HACC's financial activities based on current known facts, decisions, and conditions. HACC management has prepared this analysis and is responsible for the completeness and fairness of the information contained within. This MD&A should be read in conjunction with the financial statements and notes.

The College has prepared its financial statements in accordance with Government Accounting Standards Board (GASB) principles which establish standards for external financial reporting for public colleges and universities and require that the financial statements be presented to focus on the College as a whole. Three financial statements are presented: the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows. This MD&A includes comments on each statement and focuses on the activities of the College (Primary Institution) and the Foundation (Component Unit) as a whole.

Additionally, the College has implemented Government Accounting Standards Board Statement No. 14, "The Financial Reporting Entity". Pursuant to the criteria set forth in GASB 14, it was determined that the HACC Foundation, whose sole purpose is to serve the institution by providing resources for scholarships and other college projects, should be treated as a blended unit of the College due in part to the governance structure of the Foundation. The Foundation's financial statements for June 30, 2018 are combined in the financial statements section of the report and are included in the MD&A discussions. Separately issued financial statements are available for the HACC Foundation by contacting Mr. Timothy L. Sandoe, Vice President of Finance, Harrisburg Area Community College, One HACC Drive, Harrisburg, PA 17110-2999.

FINANCIAL HIGHLIGHTS

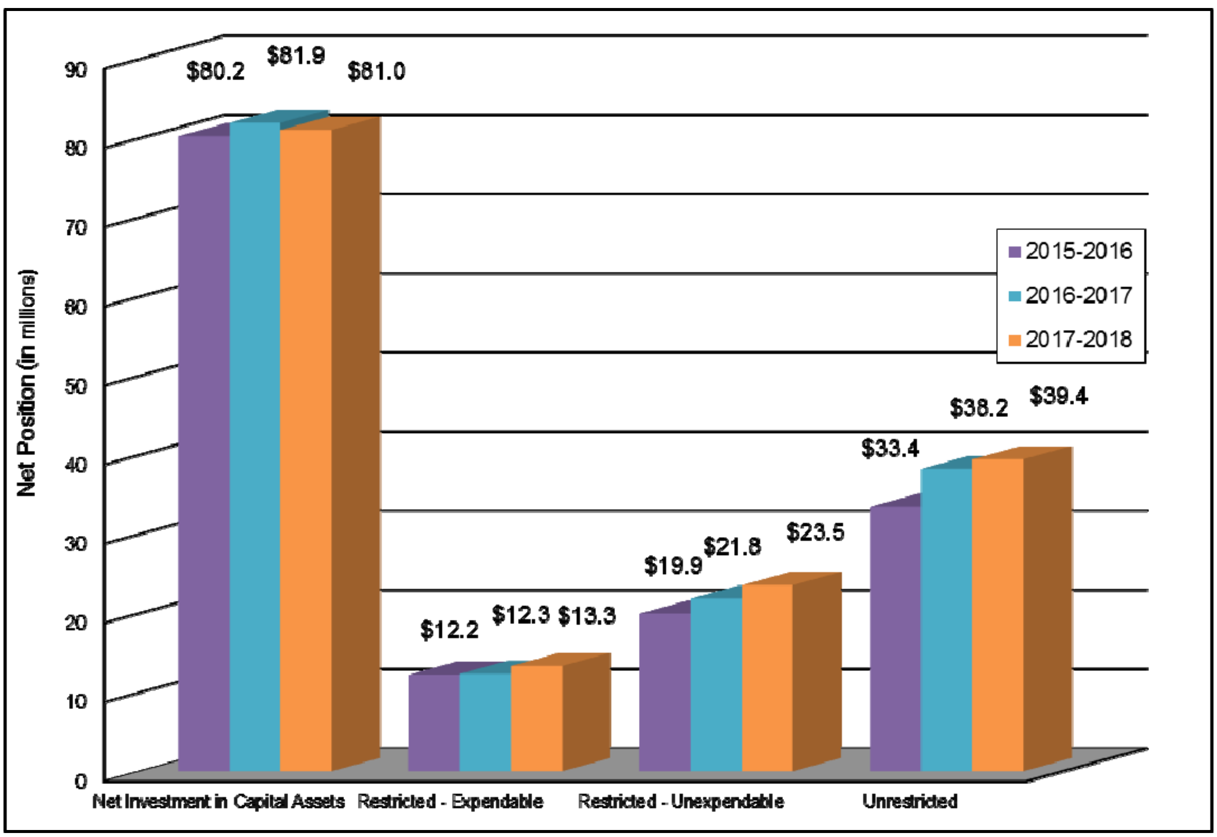
HACC's financial position continues to remain strong as of June 30, 2018. At June 30, 2018, HACC's assets and deferred outflows of resources of $ 341.9 million exceeded its liabilities and deferred inflows of resources of $ 184.7 million by $ 157.2 million, an increase compared to the prior year of $ 3.3 million (as restated). A minor restatement of previous year 2016-2017 as necessitated by the College's adoption of new accounting guidance, GASB No. 75 discussed in detail later. This resulted in a $ 0.3 million decrease in the previous year's net position to $ 153.9 million. Almost all of the current year's combined $ 3.3 million net position increase came from the HACC Foundation, the majority of which was driven by market-driven endowment gain and hence restricted. At June 30, 2017, assets and deferred outflows of resources of $ 349.6 million exceeded liabilities and deferred inflows of resources of $ 195.4 million by $ 154.2 million, an increase over the prior year of $ 8.5 million.

The "Net Position", which represents the difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources, is divided into two major categories. The first category, net investment in capital assets, shows the College's equity in property, plant, and equipment that it owns. The second category, restricted-expendable, represents the temporarily restricted portion of the Foundation Endowment. The third category, restricted-nonexpendable, is the permanently restricted portion of the Foundation Endowment. The fourth category, unrestricted net position, is available to use for any lawful purpose of the College. The following table and graph summarizes the College's statement of net position by category for the fiscal years ended June 30, 2018, 2017 and 2016.

Net Position
As of June 30
(In millions)

	2018	2017	Increase (Decrease) 2017-2018	2016	Increase (Decrease) 2016-2017
Net Investment in Capital Assets	$ 81.0	$ 81.9	$ (0.9)	$ 80.2	$ 1.7
Restricted - Expendable	13.3	12.3	1.0	12.2	0.1
Restricted - Unexpendable	23.5	21.8	1.7	19.9	1.9
Unrestricted	39.4	38.2	1.2	33.4	4.8
Total Net Position	$ 157.2	$ 154.2	$ 3.0	$ 145.7	$ 8.5

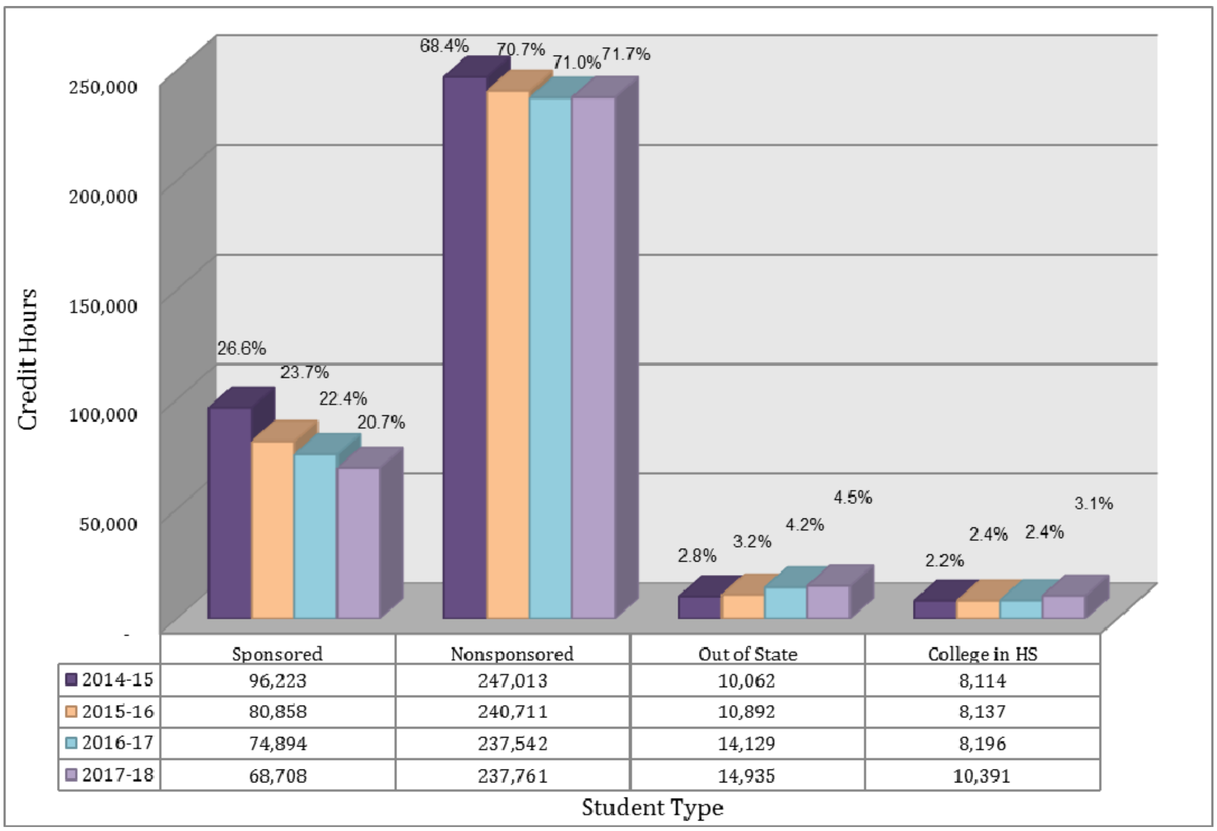
Comparison of Net Position Fiscal Years 2018, 2017 and 2016



Credit Hour Production

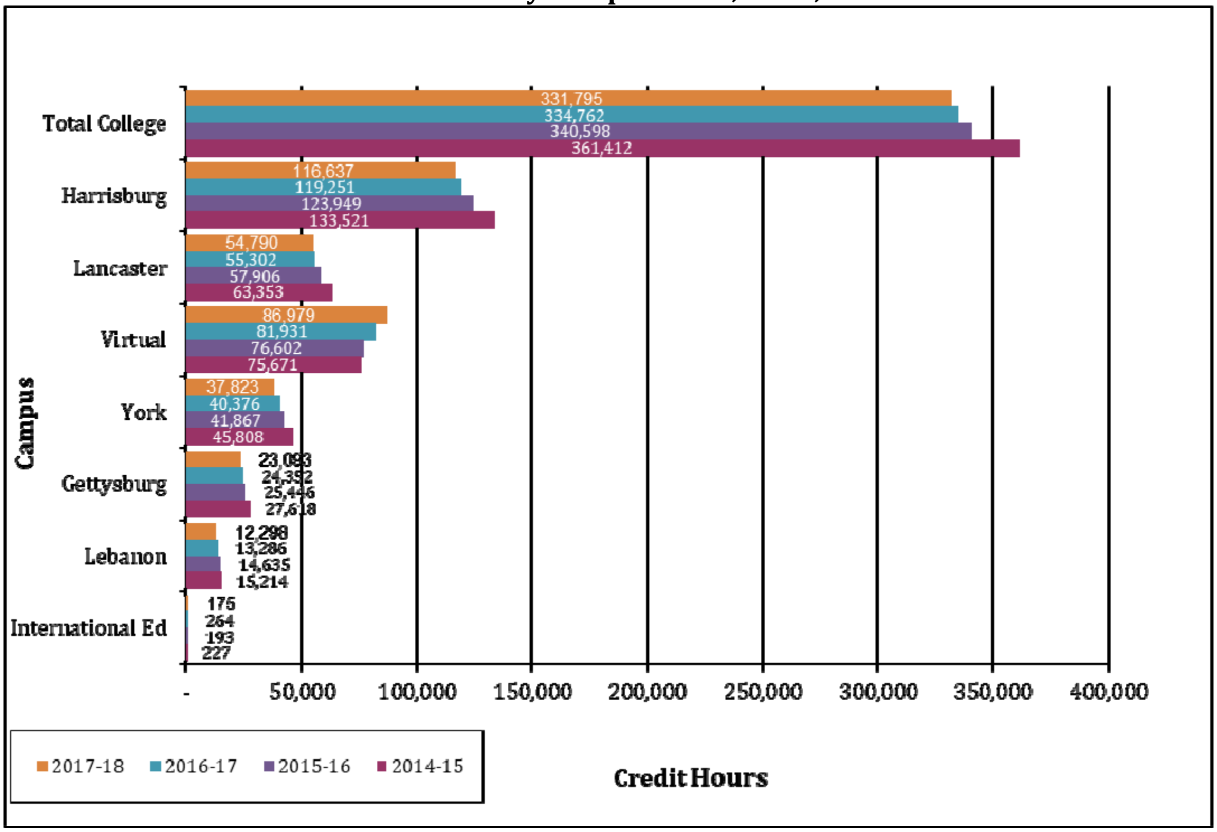
The College experienced a decrease in enrollments of 0.9% (2,966 credit hours) in 2018, 1.7% (5,838 credit hours) in 2017 and 5.7% (20,813 credit hours) in 2016 due to the continuing effects of the economy and college-going demographic. Total credit hours have gone from 340,598 in 2016, 334,760 in 2017 to 331,795 in 2018. In 2018, the proportion of non-sponsored student credit hours compared to total credit hours increased to 71.7% from 71.0% in 2017 and 70.7% in 2016. Correspondingly, the proportion of sponsoring student credit hours fell to 20.7% in 2018, down from 22.4% in 2017 and 23.7% in 2016. Each non-sponsored student paid tuition of $211.00 per credit hour in 2018, while a sponsored student paid $174.25 per credit hour and received local sponsoring school district support.

Credit Hour Production by Student Type



	Sponsored	Nonsponsored	Out of State	College in HS
2014-15	96,223	247,013	10,062	8,114
2015-16	80,858	240,711	10,892	8,137
2016-17	74,894	237,542	14,129	8,196
2017-18	68,708	237,761	14,935	10,391

Credit Hour Production by Campus 2018, 2017, 2016 and 2015



STATEMENT OF NET POSITION

The statement of net position presents the assets, deferred outflows/inflows of resources, liabilities, and net position of the College as of the end of the June 30, 2018 fiscal year. This statement provides a snapshot of the financial condition of the College with unrestricted net position representing funds available to continue the operations of the institution. It presents the end-of-the-year data for current and noncurrent assets, deferred outflows/inflows of resources, current and noncurrent liabilities, and net position (assets plus deferred outflows/inflows minus liabilities). Over a period of time, increases and decreases in net position may serve as a useful gauge of the College's financial position. As the following chart illustrates, the College is in a strong financial position with net position increasing over the past year due to a continuing alignment of operating costs with operating revenues.

Statement of Net Position
(In millions)

	2018	2017	Increase (Decrease) 2018-2017	2016	Increase (Decrease) 2017-2016
Assets					
Current Assets	$ 83.1	$ 87.2	$ (4.1)	$ 58.2	$ 29.0
Noncurrent Assets	249.6	252.1	(2.5)	256.4	(4.3)
Total Assets	332.7	339.3	(6.6)	314.6	24.7
Deferred Outflows of Resources	9.2	10.3	(1.1)	6.7	3.6
Total Assets and Deferred Outflows of Resources	341.9	349.6	(7.7)	321.3	28.3
Liabilities					
Current Liabilities	28.5	29.7	(1.2)	25.2	4.5
Noncurrent Liabilities	152.6	162.5	(9.9)	147.5	15.0
Total Liabilities	181.1	192.2	(11.1)	172.7	19.5
Deferred Inflows of Resources	3.6	3.2	0.4	2.9	0.3
Total Liabilities and Deferred Inflows of Resources	184.7	195.4	(10.7)	175.6	19.8
Net Position					
Net Investment in Capital Assets	81.0	81.9	(0.9)	80.2	1.7
Restricted - expendable	13.3	12.3	1.0	12.2	0.1
Restricted - nonexpendable	23.5	21.8	1.7	19.9	1.9
Unrestricted	39.4	38.2	1.2	33.4	4.8
Total Net Position	$ 157.2	$ 154.2	$ 3.0	$ 145.7	$ 8.5

In 2018, current assets decreased by $ 4.1 million over 2017. During the year, cash and cash equivalents, both operating and restricted, decreased by a combined $ 6.1 million and short-term investments increased by $ 2.8 million. Cash and cash equivalents increased by $ 1.1 million over 2017 due to increased state funding. In 2018, the College spent down the remaining funds from General Obligation Bonds – Series 2016 for $ 18 million, decreasing the restricted cash and cash equivalents at June 30, 2018 by $ 7.2 million. $ 2 million of cash and cash equivalents were invested into short-term instruments. In 2018, the College incurred a modest decrease in accounts receivable of $ 500,000 due to continuing collection efforts. The bookstore inventory decreased by $ 200,000 due to the better inventory control.

The noncurrent assets decreased by $ 2.5 million in 2018 from the previous year. This decrease is mainly attributable to the outpacing of depreciation expense to investment in new assets by $ 2.8 million. Long term investments increased slightly by $ 200,000 due to slight changes in maturity dates. Accounts receivable – long term portion increased by $ 100,000 partially offsetting the decrease in accounts receivable mentioned above.

Deferred Outflows of Resources decreased by $ 1.1 million due to a decrease in deferred outflows related to pension liability of $ 900,000 and $ 300,000 decrease in deferred charges in bond refinancing. These decreases are offset by the adoption of GASB 75 with a new deferred outflow related to Other Post Employment Benefit (OPEB) liability of $ 100,000.

The College adopted new accounting guidance, Governmental Accounting Standards Board (“GASB”) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* as of July 1, 2017. This statement requires entities that provide other postemployment benefits other than pension plans (OPEB) to report a liability for its net liability as well as deferred inflows and outflows of resources related to those other postemployment liabilities. The College’s OPEB liability is $ 1.5 million as of June 30, 2018, $ 1.5 million as of June 30, 2017, and $ 1.3 million as of June 30, 2016 based on previous accounting standards.

Current liabilities for 2018 decreased by $ 1.2 million due to a decrease in Accounts Payable and Unearned revenue of $ 1.6 million and an increase of $ 200,000 in current portion of long-term liabilities and an increase of $200,000 deposits held in custody for others.

The noncurrent liabilities decreased by $ 9.9 million. This was a result of a $ 9.1 million principal pay-down on the College's long-term debt and an $ 800,000 decrease of proportionate share of net pension liability associated with the Public School Employees' Retirement System (PSERS) and Pennsylvania State Employee's Retirement System (SERS) defined benefit plans.

The College's proportionate share of net pension liability of the combined PSERS and SERS defined benefit pension plans was $ 29.9 million as of June 30, 2018, $ 30.7 million as of June 30, 2017, and $ 27.9 million as of June 30, 2016. The College's proportionate share of net pension liability from the SERS plan was $ 18.8 million as of June 30, 2018. The PSERS retirement code mandates the Commonwealth of Pennsylvania (Commonwealth) fund 50 percent of the College's retirement expense directly to the plan. This arrangement meets the criteria of a special funding situation in accordance with GASB standards, which mandates the College record 50 percent of the net pension liability of the PSERS plan. The College's total PSERS net pension liability is $ 22.2 million, which is equally allocated to the College and Commonwealth.

Net position as of June 30, 2018 increased to $ 157.2 million, from $ 154.2 million as of June 30, 2017. The largest portion of the net position, $ 81.0 million, reflects the College's net investment in capital assets, which showed a $ 0.9 million decrease over 2017. The College uses these capital assets to provide services to students, faculty, and staff and they cannot be easily liquidated for future spending. Therefore, resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities. The Restricted –expendable and Restricted – nonexpendable increased by $ 2.7 million over 2017 due to an increase in contributions to and an increase in the market value of the Foundation endowment. The unrestricted net position balance of $ 39.4 million is available to use for any lawful purpose of the College and the Foundation.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statement of revenues, expenses, and changes in net position shows the College's financial results for the fiscal year. The statement includes the College's revenues and expenses, both operating and non-operating.

Operating revenues are those received by the College for directly providing goods and services. Non-operating revenues are those that exclude a direct exchange of goods and services. State and local (school district) appropriations are classified as non-operating revenues since these governmental agencies do not directly receive goods or services for the revenue.

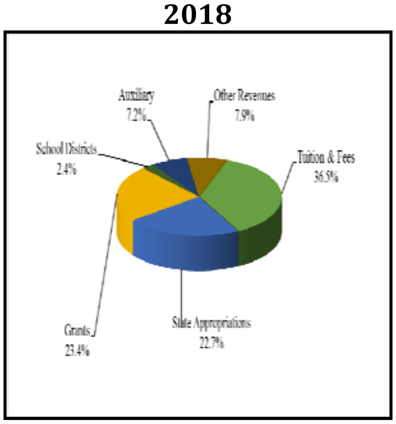
The following is a summarized version of the College's revenues, expenses, and changes in net position for years ending June 30, 2018, 2017 and 2016, as well as graphical representations of revenues and expenses by category.

Revenue, Expenses and Changes in Net Position
(In millions)

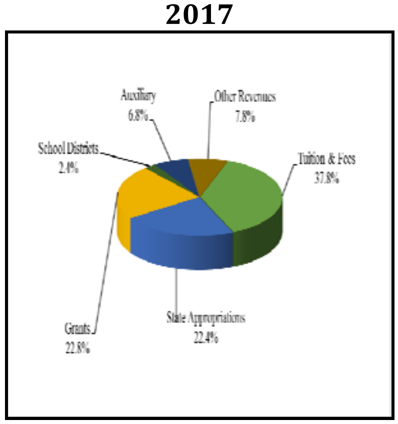
	2018	2017	Increase (Decrease) 2018-2017	2016	Increase (Decrease) 2017-2016
Operating Revenues	$ 126.3	$ 127.5	$ (1.2)	$ 121.4	$ 6.1
Operating Expenses	170.8	165.9	4.9	164.8	1.1
Operating Income (Loss)	(44.5)	(38.4)	(6.1)	(43.4)	5.0
Nonoperating Revenues (Net)	38.0	37.2	0.8	36.2	1.0
Net Income (Loss) Before Capital Contributions	(6.5)	(1.2)	(5.3)	(7.2)	6.0
Capital Contributions	9.8	9.7	0.1	8.7	1.0
Increase (Decrease) in Net Position	$ 3.3	$ 8.5	$ (5.2)	$ 1.5	$ 7.0

Total Operating and Non-Operating Revenues

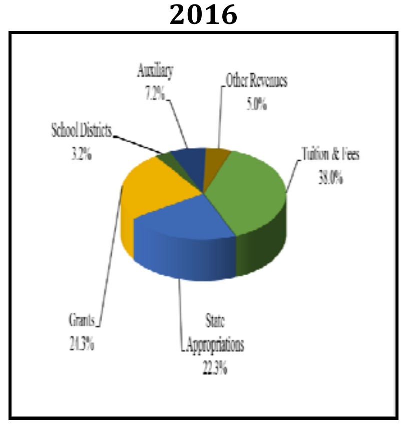
2018



2017



2016



2018 Operating revenues of $ 126.3 million were $ 1.2 million lower than $ 127.5 million in 2017. In 2018, tuition and fees decreased by $ 1.7 million driven by an overall decrease in tuition per credit hour charged to students, and a decrease in student enrollment of 0.9%. Scholarship allowances and discounts increased by $ 600,000 resulting in a total tuition and fee decrease of $ 2.3 million. In addition, the College experienced an overall increase of $ 900,000 in grants and contracts mainly due to the increase of $ 1.3 million in PELL Grants and $ 100,000 in PEMA Grants, partially offset by a reduction in State/Local Grants from PHEAA of $ 500,000. Auxiliary enterprise revenue increased by $ 700,000, largely driven by a $ 500,000 increase in bookstore revenue and an increase in food service revenue at the Harrisburg campus of $ 200,000. Other operating revenues, which includes income from institutional fees decreased by $ 300,000. For the Foundation, Contributions increased by $ 800,000 over 2017 due to an increase in contributions pledged and an increase in special event contributions. Foundation investment income increased by $ 300,000 due to rising interest rates and a larger return on investment, while realized and unrealized gains decreased by $ 1.3 million due to market conditions.

Tuition Per Credit Hour Comparison

	2018	2017	2016
Sponsored	$ 174.25	$ 176.00	$ 162.50
Non-Sponsored	$ 211.00	$ 213.00	$ 207.00
Out of State	$ 256.00	$ 256.00	$ 250.00
Dual Enrolled	$ 100.00	$ 100.00	$ 100.00
Veteran	$ 174.25	$ 176.00	$ 162.50

2018 Operating expenses increased by $ 4.9 million for a total of $ 170.8 million. Salary and fringe benefits increased $ 5.8 million. $ 3.1 million of this increase was driven by annual pay raises and an adjustment to many salary bands to better align with market salaries. Addition of Virtual course offerings raised its payroll by $ 0.6 million, and faculty parity adjustment for laboratory classes added another $ 0.6 million. The College's medical insurance provider raised its premiums by 15% and 12% in calendar years 2018 and 2017 respectively, adding $ 1.1 million to the fringe benefits cost. Fringe benefits cost also increased $ 0.4 million due to higher PSERS rates. Professional and Purchased Services decreased by $ 1.5 million due to decreased usage of contracted services. Scholarships increased by $ 500,000 due to an increase of $ 1.3 million in PELL awards partially offset by decreases in other scholarships such as PHEAA and SEOG. Supplies and other expenses decreased by $ 100,000 mainly as a result of the cost savings initiatives. Depreciation and Amortization increased by $ 500,000 due to depreciation of newly commissioned building improvements and purchase of non-instructional equipment.

Non-operating revenues (expenses) increased by $ 0.8 million which includes increases of $ 400,000 in state appropriations. Local appropriations (school district allocations) remained flat at $ 4.0 million due to the sponsoring school districts contractual agreement. Gifts increased $200,000 due to an increase in private scholarships and investment income increased $ 500,000 driven by rising interest rates.

The total capital contributions for fiscal year 2018 amounted to $ 9.8 million. This was an increase of $ 100,000 compared to 2017, which was attributable to an increase of $ 100,000 in state appropriations.

Ending net position as reported in the Statement of Revenues, Expenses, and Changes in Net Position reflects an overall increase of $ 3.3 million when compared to the net position reported as of June 30, 2017, as restated.

STATEMENT OF CASH FLOWS

The final statement presented by the College is the statement of cash flows. The statement of cash flows presents information about the cash activity of the College identifying the major sources and uses of cash during the year. The following summary shows the College's liquidity as of June 30, 2018 decreased $ 6.0 million compared to the prior year's increase of $ 13.7 million. The following is a summary of the statement of cash flows for the years ending June 30, 2018, 2017 and 2016.

Cash Flows
(In millions)

	2018	2017	Increase (Decrease) 2018-2017	2016	Increase (Decrease) 2017-2016
Cash Provided (Used) By:					
Operating Activities	$ (69.0)	$ (64.6)	$ (4.4)	$ (69.5)	$ 4.9
Noncapital Financing Activities	77.7	77.9	(0.2)	78.0	(0.1)
Capital Financing Activities	(15.0)	1.6	(16.6)	(11.3)	12.9
Investing Activities	0.3	(1.2)	1.5	8.2	(9.4)
Net Increase (decrease) in Cash and Cash Equivalents	(6.0)	13.7	(19.7)	5.4	8.3
Cash and Cash Equivalents - Beginning of Year	56.1	42.4	13.7	37.0	5.4
Cash and Cash Equivalents - End of Year	$ 50.1	$ 56.1	$ (6.0)	$ 42.4	$ 13.7

CAPITAL ASSET AND DEBT ADMINISTRATION

During the year ending June 30, 2018 the College had capital additions of $ 22.9 million. This included the 2016 bond funded projects: Cooper Student Center for $12.1 million, West parking lot for $3.9 million, and York renovations for $2.9 million. All other capital assets were equipment purchases and upgrades and minor renovations.

The College has several outstanding debt instruments, which were issued to finance various construction projects and other improvements. No new debt was acquired during the year. These debts, including payment schedules, are fully disclosed in detail within Notes 7 and 8 of the financial statements.

CAPITAL PLAN

For 2019, the College has several capital projects planned. The bond funded projects including Cooper Student Center, the West Parking lot, and the York renovations, were placed into service in 2018. The renovations for the McCormick building and collaborative classrooms across all campuses is ongoing. The deceleration lane for Lancaster project has begun and the Gettysburg campus will begin phase II of the Mechatronics lab project. At the Lancaster campus, a PACS server lab for the innovative Radiologic Informatics program is planned. College-wide technology is being upgraded to a new 10-gig fiber ring.

ECONOMIC FACTORS THAT WILL IMPACT THE FUTURE

The College’s financial position is closely tied to the economy and the Pennsylvania State budget. Changes in the economy, unemployment rates in Central Pennsylvania, high school graduating yield rates, the College’s challenges and opportunities to expand into new markets, and retention efforts have all affected student enrollments.

State and local funding through annual appropriations and other funding continues to be unpredictable, especially with the uncertainty of the economy. During 2017, the College amended the sponsorship agreement with the local sponsors (school districts) increasing their operating support on a graduating scale, from $ 4.0 million in fiscal year 2017-18 to $ 4.4 million in fiscal year 2021-22. In fiscal year 2017-18, local sponsors contributed $4.0 million in operating support, which remains flat with fiscal year 2016-17. At the same time, the local sponsors agreed to decrease and eventually eliminate the capital contributions from $ 1.5 million in fiscal year 2016-17 to $ 0.0 million in fiscal year 2021.

However, the College continues to focus on student retention and foster growth through the pursuit of alternative sources of revenue, including funding through grants, major gift campaigns, and partnerships with local businesses, hospitals, and state agencies to meet our ongoing mission to provide low cost education to all who seek it. The College continues to be innovative by offering new programs and methods of instruction to our students.

As the higher education landscape continues to rapidly change, HACC is engaging in enterprise risk management, a tool to identify and manage potential risks, and seize opportunities related to the achievement of its strategic goals and objectives.

HACC is accredited by the Middle States Commission on Higher Education. It accredited HACC initially in April of 1967. Over the past several years the College prepared for the Commission's reaffirmation visit in March 2018. The Commission commended the College for the quality of its self-study process and report and reaffirmed its accreditation on June 21, 2018. The next evaluation visit is scheduled for 2026-2027.

Overall, the College's current financial position remains strong as is evident by the 2018 financial statements. The College continues to make organizational changes that have a positive impact on the College's financial position. The current College structure is aligned to streamline operations, create efficiencies, leverage technology, and eliminate redundancies to advance fiscal stability and provide a high quality, low cost education where students come first.

HARRISBURG AREA COMMUNITY COLLEGE
Statements of Net Position
June 30, 2018 and 2017

	Primary Institution		Component Unit Foundation		Total	
	2018	2017	2018	2017 (As Restated)	2018	2017
ASSETS						
Current Assets						
Cash and cash equivalents	$ 47,069,736	$ 46,178,973	$ 2,562,034	$ 2,351,417	$ 49,631,770	$ 48,530,390
Restricted cash and cash equivalents	434,344	7,591,245	-	-	434,344	7,591,245
Short-term investments	21,079,392	18,342,345	-	-	21,079,392	18,342,345
Accounts receivable, net	8,671,985	9,017,746	218,598	343,326	8,890,583	9,361,072
Loans receivable - current portion	484	731	-	-	484	731
Other assets	885,714	967,525	3,480	-	889,194	967,525
Inventories	2,149,764	2,366,780	-	-	2,149,764	2,366,780
Internal balances	90,042	338,812	(90,042)	(338,812)	-	-
Total current assets	80,381,461	84,804,157	2,694,070	2,355,931	83,075,531	87,160,088
Noncurrent Assets						
Long-term investments	8,843,352	11,523,336	37,346,594	34,497,235	46,189,946	46,020,571
Accounts receivable - long term portion	-	-	222,267	112,838	222,267	112,838
Loans receivable - long term portion	8,187	8,492	-	-	8,187	8,492
Capital assets, net of accumulated depreciation	203,256,485	206,019,695	-	-	203,256,485	206,019,695
Total noncurrent assets	212,108,024	217,551,523	37,568,861	34,610,073	249,676,885	252,161,596
Total assets	292,489,485	302,355,680	40,262,931	36,966,004	332,752,416	339,321,684
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pension liability	7,095,831	8,032,024	-	-	7,095,831	8,032,024
Deferred outflows related to OPEB liability	118,332	-	-	-	118,332	-
Deferred charge on bond refunding	1,989,064	2,302,307	-	-	1,989,064	2,302,307
Total deferred outflows of resources	9,203,227	10,334,331	-	-	9,203,227	10,334,331
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 301,692,712	$ 312,690,011	$ 40,262,931	$ 36,966,004	$ 341,955,643	$ 349,656,015
LIABILITIES						
Current Liabilities						
Accounts payable and accrued expenses	$ 12,301,246	$ 13,537,363	$ -	$ -	$ 12,301,246	$ 13,537,363
Deposits held in custody for others	2,323,602	2,102,060	-	-	2,323,602	2,102,060
Unearned revenue	3,490,348	3,791,287	-	-	3,490,348	3,791,287
Current portion of long-term liabilities	10,375,600	10,233,403	-	-	10,375,600	10,233,403
Total current liabilities	28,490,796	29,664,113	-	-	28,490,796	29,664,113
Noncurrent Liabilities						
Long-term liabilities	121,249,004	130,280,993	-	-	121,249,004	130,280,993
Net pension liability	29,923,485	30,755,972	-	-	29,923,485	30,755,972
OPEB liability	1,462,465	1,461,934	-	-	1,462,465	1,461,934
Total noncurrent liabilities	152,634,954	162,498,899	-	-	152,634,954	162,498,899
Total liabilities	181,125,750	192,163,012	-	-	181,125,750	192,163,012
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pension liability	3,052,666	3,226,207	-	-	3,052,666	3,226,207
Deferred inflows related to OPEB liability	519,900	-	-	-	519,900	-
Total deferred inflows of resources	3,572,566	3,226,207	-	-	3,572,566	3,226,207
NET POSITION						
Net investment in capital assets	81,000,094	81,876,657	-	-	81,000,094	81,876,657
Restricted - expendable	-	-	13,286,016	12,368,569	13,286,016	12,368,569
Restricted - nonexpendable	-	-	23,502,665	21,793,916	23,502,665	21,793,916
Unrestricted	35,994,302	35,424,135	3,474,250	2,803,519	39,468,552	38,227,654
Total net position	116,994,396	117,300,792	40,262,931	36,966,004	157,257,327	154,266,796
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 301,692,712	$ 312,690,011	$ 40,262,931	$ 36,966,004	$ 341,955,643	$ 349,656,015

HARRISBURG AREA COMMUNITY COLLEGE
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2018 and 2017

	Primary Institution		Component Unit Foundation		Total	
	2018	2017	2018	2017	2018	2017
REVENUES						
Operating Revenues						
Student tuition and fees	$ 78,192,115	$ 79,858,189	$ -	$ -	$ 78,192,115	$ 79,858,189
Scholarship allowance and discounts	(18,101,177)	(17,562,093)	-	-	(18,101,177)	(17,562,093)
Federal grants	31,147,141	29,725,455	-	-	31,147,141	29,725,455
State and local grants	7,174,650	7,688,835	-	-	7,174,650	7,688,835
Nongovernmental grants	36,909	5,946	-	-	36,909	5,946
Sales and services of auxiliary enterprises	11,754,401	11,135,209	-	-	11,754,401	11,135,209
Other operating revenues	11,773,275	12,136,349	-	-	11,773,275	12,136,349
Contributions	-	-	1,851,403	1,145,810	1,851,403	1,145,810
Investment income, net of investment expenses	-	-	942,360	624,640	942,360	624,640
Realized and unrealized gains (losses) on investments	-	-	1,520,903	2,757,612	1,520,903	2,757,612
Total operating revenues	121,977,314	122,987,890	4,314,666	4,528,062	126,291,980	127,515,952
EXPENSES						
Operating Expenses						
Salaries and wages	78,382,466	74,268,861	1,296,600	1,005,588	79,679,066	75,274,449
Benefits and payroll taxes	28,481,366	27,158,746	514,446	435,897	28,995,812	27,594,643
Supplies and other expense	24,733,129	24,609,098	142,342	640,800	24,875,471	25,249,898
Professional and purchased services	4,062,102	5,485,373	85,007	165,629	4,147,109	5,651,002
Utilities	3,403,529	3,379,942	-	-	3,403,529	3,379,942
Depreciation and amortization	11,333,361	10,854,162	-	-	11,333,361	10,854,162
Scholarships	18,402,612	17,879,030	-	-	18,402,612	17,879,030
Total operating expenses	168,798,565	163,635,212	2,038,395	2,247,914	170,836,960	165,883,126
Operating income (loss)	(46,821,251)	(40,647,322)	2,276,271	2,280,148	(44,544,980)	(38,367,174)
NON-OPERATING REVENUES (EXPENSES)						
State appropriations	37,127,106	36,764,714	-	-	37,127,106	36,764,714
Local appropriations	3,986,382	4,000,494	-	-	3,986,382	4,000,494
Gifts	571,219	584,943	-	-	571,219	584,943
Gain (loss) on sale of assets	27,148	27	-	-	27,148	27
Investment income, net of investment expenses	861,367	445,177	-	-	861,367	445,177
Interest expense	(4,592,923)	(4,646,277)	-	-	(4,592,923)	(4,646,277)
Total non-operating revenues, net	37,980,299	37,149,078	-	-	37,980,299	37,149,078
Net gain (loss) before capital contributions, additions to permanent endowments and transfers	(8,840,952)	(3,498,244)	2,276,271	2,280,148	(6,564,681)	(1,218,096)
CAPITAL CONTRIBUTIONS, ADDITIONS TO PERMANENT ENDOWMENTS AND TRANSFERS						
Capital appropriations - local sources	1,500,000	1,500,000	-	-	1,500,000	1,500,000
Capital appropriations - state sources	7,354,322	7,172,206	-	-	7,354,322	7,172,206
Capital grants and gifts	196,741	463,244	-	-	196,741	463,244
Contributions to permanent endowments	-	-	833,831	624,518	833,831	624,518
Transfers in	1,660,894	2,306,483	1,847,719	1,772,776	3,508,613	4,079,259
Transfers out	(1,847,719)	(1,772,776)	(1,660,894)	(2,306,483)	(3,508,613)	(4,079,259)
Total Capital Contributions, Additions to Permanent Endowments and Transfers	8,864,238	9,669,157	1,020,656	90,811	9,884,894	9,759,968
Change in net position	23,286	6,170,913	3,296,927	2,370,959	3,320,213	8,541,872
Net position - beginning of year, as restated	116,971,110	111,129,879	36,966,004	34,595,045	153,937,114	145,724,924
Net position - end of year	$ 116,994,396	$ 117,300,792	$ 40,262,931	$ 36,966,004	$ 157,257,327	$ 154,266,796

HARRISBURG AREA COMMUNITY COLLEGE
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	Primary Institution		Component Unit Foundation		Total	
	2018	2017	2018	2017	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments received for tuition and fees	$ 60,676,365	$ 62,044,007	$ -	$ -	$ 60,676,365	$ 62,044,007
Payments received from auxiliary enterprise charges	11,894,150	11,002,257	-	-	11,894,150	11,002,257
Payments received from other revenues	11,837,708	12,009,649	2,577,679	1,483,742	14,415,387	13,493,391
Payments to and on behalf of employees	(103,887,461)	(98,015,824)	-	-	(103,887,461)	(98,015,824)
Payments to suppliers for goods and services	(33,380,270)	(35,096,630)	(357,487)	(179,088)	(33,737,757)	(35,275,718)
Payments for financial aid and scholarships	(18,402,044)	(17,878,364)	-	-	(18,402,044)	(17,878,364)
Net cash provided (used) by operating activities	(71,261,552)	(65,934,905)	2,220,192	1,304,654	(69,041,360)	(64,630,251)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Grants and contracts	37,934,005	38,120,063	-	-	37,934,005	38,120,063
State appropriations	35,296,743	34,928,889	-	-	35,296,743	34,928,889
Local appropriations	3,888,187	4,284,273	-	-	3,888,187	4,284,273
Gifts received	550,287	628,025	-	-	550,287	628,025
Transfer to/(from) other funds	1,608,167	2,076,186	(1,608,167)	(2,076,186)	-	-
Net cash provided (used) by noncapital financing activities	79,277,389	80,037,436	(1,608,167)	(2,076,186)	77,669,222	77,961,250
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES						
State and local appropriations	8,854,322	8,672,207	-	-	8,854,322	8,672,207
Capital grants and gifts received	172,239	463,244	-	-	172,239	463,244
Purchases of capital assets	(10,405,548)	(14,630,495)	-	-	(10,405,548)	(14,630,495)
Proceeds from sale of capital assets	27,148	27	-	-	27,148	27
Proceeds from capital debt	124,179	33,271,513	-	-	124,179	33,271,513
Capital debt refinancing payment	-	(14,079,998)	-	-	-	(14,079,998)
Principal paid on debt and capital leases	(8,896,209)	(7,245,460)	-	-	(8,896,209)	(7,245,460)
Interest paid on debt and capital leases	(4,917,954)	(4,835,109)	-	-	(4,917,954)	(4,835,109)
Net cash provided (used) by capital financing activities	(15,041,823)	1,615,929	-	-	(15,041,823)	1,615,929
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	(29,928,913)	(17,321,990)	(2,849,359)	(873,476)	(32,778,272)	(18,195,466)
Proceeds from sale/maturities of investments	29,871,850	15,950,447	-	-	29,871,850	15,950,447
Investment income	816,911	410,223	2,447,951	622,799	3,264,862	1,033,022
Net cash provided (used) by investing activities	759,848	(961,320)	(401,408)	(250,677)	358,440	(1,211,997)
Increase(Decrease) in cash and cash equivalents	(6,266,138)	14,757,140	210,617	(1,022,209)	(6,055,521)	13,734,931
Cash and cash equivalents - beginning of year	53,770,218	39,013,078	2,351,417	3,373,626	56,121,635	42,386,704
Cash and cash equivalents - end of year	$ 47,504,080	$ 53,770,218	$ 2,562,034	$ 2,351,417	$ 50,066,114	$ 56,121,635
AS REPORTED ON STATEMENT OF NET POSITION						
Cash and cash equivalents	$ 47,069,736	46,178,973	$ 2,562,034	$ 2,351,417	$ 49,631,770	$ 48,530,390
Restricted cash and cash equivalents	434,344	7,591,245	-	-	434,344	7,591,245
Total cash and cash equivalents	$ 47,504,080	$ 53,770,218	$ 2,562,034	$ 2,351,417	$ 50,066,114	$ 56,121,635

HARRISBURG AREA COMMUNITY COLLEGE
Statements of Cash Flows (Continued)
Years Ended June 30, 2018 and 2017

	Primary Insitution		Component Unit Foundation		Total	
	2018	2017	2018	2017	2018	2017
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES						
Operating (loss)	$ (46,821,251)	$ (40,647,322)	$ 2,276,271	$ 2,280,148	$ (44,544,980)	$ (38,367,174)
Adjustments to reconcile net operating loss to net cash used in operating activities:						
Depreciation and amortization	11,333,361	10,854,162	-	-	11,333,361	10,854,162
Grants classified as operating revenues	(38,358,700)	(37,420,236)	-	-	(38,358,700)	(37,420,236)
Miscellaneous nonoperating revenues	1,683,997	1,508,939	-		1,683,997	1,508,939
Investment income	-	-	(942,360)	(624,640)	(942,360)	(624,640)
Realized and unrealized (gains) losses on investments	-	-	(1,520,903)	(2,757,612)	(1,520,903)	(2,757,612)
Contributions to permanent endowments	-	-	833,831	624,518	833,831	624,518
Transfers to/(from) other funds	(1,794,992)	(1,542,479)	1,794,992	1,542,479	-	-
(Increase) Decrease in:						
Accounts receivable	892,640	(678,795)	30,611	74,225	923,251	(604,570)
Inventory	217,017	(364,963)	-	-	217,017	(364,963)
Other assets	80,444	(75,816)	(3,480)	-	76,964	(75,816)
Increase (Decrease) in:						
Unearned revenue	364,655	171,941	-	-	364,655	171,941
Accounts payable and accrued expenses	1,008,602	728,411	(248,770)	165,536	759,832	893,947
Compensated absences	466,999	218,222	-	-	466,999	218,222
Other postemployment benefits	(486,223)	83,850	-	-	(486,223)	83,850
Net pension liability and related items	(69,835)	1,108,277	-	-	(69,835)	1,108,277
Deposits held in custody for others	221,734	120,904	-	-	221,734	120,904
Net cash provided (used) by operating activities	$ (71,261,552)	$ (65,934,905)	$ 2,220,192	$ 1,304,654	$ (69,041,360)	$ (64,630,251)
NONCASH INVESTING, CAPITAL AND NONCAPITAL FINANCING TRANSACTIONS						
Capital gifts of equipment and buildings	$ 24,000	$ 37,135	$ -	$ -	$ 24,000	$ 37,135
Transfers of salaries, benefits, professional services, and other in-kind contributions	$ (1,924,219)	$ (1,929,179)	$ 1,924,219	$ 1,929,179	$ -	$ -
Unrealized gains (losses) on investments	$ (70,747)	$ (121,486)	$ (3,687,144)	$ 2,669,032	$ (3,757,891)	$ 2,547,546

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Harrisburg Area Community College (the "College") is a public comprehensive, two year, co-educational institution, which commenced operations in 1964 under the provisions of the Community College Act of 1963. Campuses are located in Gettysburg, Harrisburg, Lancaster, Lebanon, and York, Pennsylvania. The College is accredited by the Middle States Association of College and Secondary Schools.

Basis of Presentation

The financial statements of the College have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB"), providing a comprehensive, entity-wide perspective of the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, and changes in net position and cash flows.

The College's financial statements are presented on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. All activities of the College are accounted for within a single proprietary (enterprise) fund and are classified as a business-type activity. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been prepared on the accrual basis of accounting with a flow of economic resources measurement focus. Revenues are reported when earned and expenses when materials or services are received. All intercompany accounts and transactions have been eliminated.

Reporting Entity

GASB provides guidance to determine whether certain organizations for which the College is not financially accountable should be reported as component units based on the nature and significance of their relationship with the College. Generally, it requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a governmental unit. The Harrisburg Area Community College Foundation (the "HACC Foundation" or "Foundation") is included in the College's financial statements as a component unit due to the oversight responsibility of the College in accordance with GASB standards. The criteria used in determining oversight responsibility include financial interdependency, ability to appoint members of the governing body, ability to designate management, ability to significantly influence operations, and accountability for fiscal matters.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (continued)

In accordance with the provisions of the GASB, the HACC Foundation is shown as a blended component unit due primarily to the fact that it was organized for the purpose of receiving gifts and grants and to distribute the available funds to, or for the benefit of, the College and the Foundation's Board of Directors is appointed by the College Board of Trustees. Substantially all of HACC Foundation's expenses for scholarships and capital grants are reported as transfers between the entities in these financial statements. The blended financial statements include activity of both entities in the "total" columns, but have separate columns for the activity of the College and the Foundation in order to provide a more comprehensive and informational presentation.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The College's activity is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Accordingly, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with operations are included on the balance sheet. Net position (i.e. total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) is segregated into net investment of capital assets, restricted and unrestricted elements.

The College records tuition; all academic, instructional, and other student fees; student financial aid; and auxiliary activity, as operating revenue. In addition, governmental grants in which the grantor receives equal value for the funds given to the College are recorded as operating revenue. All expenses, with the exception of interest expense, loss on the sale of investments, and loss on the disposal of assets are recorded as operating expenses. Appropriations, gifts, interest income, capital grants, gain on the sale of investments, gains on the disposal of assets, and governmental grants in which the grantor does not receive equal value for the funds given to the College are reported as nonoperating revenue or other revenue.

Net Position

Net position is classified in the following categories:

Net Investment in capital assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt, accounts payable and retainage payable that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted expendable - This includes net position whose use is limited by donor-imposed stipulations that can be removed by the passage of time or action of the HACC Foundation pursuant to those stipulations. For the College, this also includes constraints imposed by creditors, grantors, or laws or regulations.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

Restricted nonexpendable - This includes net position whose use is limited by donor-imposed stipulations that cannot be removed by the passage of time or action of the HACC Foundation.

Unrestricted – This category of net position is the amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Unrestricted net position represents resources derived from student tuition and fees, state and local appropriations, and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of the entities and may be used at the discretion of the entities to meet current expenses for any purpose.

Use of restricted net position - The entities have not adopted a formal policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Generally, the entities attempt to utilize restricted funds first when practicable.

Management's Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

These include cash on hand, demand deposits, money market funds, certificates of deposit with an original maturity of less than ninety days, and, in accordance with GASB pronouncements, short-term pooled investments in the PSDLAF. For purposes of the statement of net position, the entities consider all highly liquid investments with original maturities of three months or less to be cash equivalents.

Restricted Cash and Cash Equivalents

Restricted cash consists of unspent bond proceeds which are designated to be used for the specific projects that were funded by the bonds.

Investments

Investments are reported at fair value based on quoted market prices. Certificates of deposit with an original maturity of greater than ninety days are considered investments.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Total Return Policy - HACC Foundation

The Foundation follows PA Act 141, "Investment of Trust Funds," and has adopted a total return policy for its permanently restricted endowment funds. Based on the PA Act 141 guidelines, the policy has been set into place where income for permanently restricted (nonexpendable) funds has been redefined to mean a percentage of the value of the trust. This percentage is determined annually by the Foundation Board and applied to the previous three years' average of the market value of the trust as a whole. The percentage must legally fall within the range of 2% to 7% and was approved to be 4% for the years ended June 30, 2018 and 2017. Actual investment return, net of the 4% spending policy, is added back to the restricted (nonexpendable) corpus. The purpose of this policy is to smooth out the spending of the funds while maintaining the long-term preservation of the fund as a whole under the assumption that in the long run, the actual income and growth of the fund will be greater than the spending of the fund.

Inventories

Inventories are stated at the lower of cost or market, cost being determined using the first-in, first-out method (FIFO).

Capital Assets

Buildings and improvements are stated at cost less accumulated depreciation. Equipment is stated at estimated historical cost (based on an appraisal done July 1, 1999, plus actual costs for subsequent purchases) less accumulated depreciation. The College provides for depreciation on the straight-line method over the estimated useful lives of the related assets as shown below. All assets with a purchased cost, or acquisition value if acquired by gift, in excess of $ 5,000 with an estimated useful life in excess of one year is capitalized. Normal repair and maintenance expenses are not capitalized because they neither add to the value of the property nor materially prolong its useful life.

Asset Type	Useful Life in Years
Buildings	45
Land improvements	20
Equipment	5 - 20
Furniture	20

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The College has several items that qualify for reporting in this category, including the deferred charge on bond refunding and various amounts related to pension and OPEB liabilities. These amounts will be amortized in future periods.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The College's deferred inflows of resources consist of various amounts related to pension and OPEB liabilities. These amounts will be amortized in future periods.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using either the effective interest method or the straight-line method (which approximates the effective interest method). Bonds payable are reported net of the applicable bond premium or discount. Prepaid bond insurance costs are reported as other assets and amortized over the term of the related debt.

Income Taxes

The College is considered an activity of the Commonwealth of Pennsylvania and is tax-exempt. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The HACC Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. HACC Foundation files Form 990, "Return of Organization Exempt from Income Tax".

Compensated Absences

Liability for compensated absences is accounted for in accordance with generally accepted accounting principles, which require entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned, and payment becomes probable.

The College's full-time employees earn up to a maximum of twenty vacation leave days per year and are entitled to compensation for accumulated, unpaid vacation leave upon termination up to a maximum of forty days. Full-time employees also earn up to 12 sick leave days per year and are entitled to compensation for accumulated unpaid sick leave upon retirement. The maximum payout is for 45 sick days.

The estimate of the liability for the accumulated unpaid sick leave has been calculated using the vesting method. Under that method, the College has identified the accrued sick leave benefit earned to date by each employee, determined the cost of that benefit by reference to the benefit provisions and the current rates paid by the College, and estimated the probability of the payment of that benefit to employees upon retirement.

The estimated expense incurred for vacation leave and sick leave is recorded as a component of fringe benefits and payroll taxes on the statement of revenues, expenses, and changes in net position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Revenues

The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating Revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises; (3) most Federal, state, local, and nongovernmental grants and contracts; and (4) sales and service of educational activities.

Nonoperating Revenues - Nonoperating revenues include activities that have the characteristics of non-exchange transactions (in which the College receives value without directly giving equal value in return), such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB, such as federal, state and local appropriations and investment income.

Capital Contributions, Additions to Permanent Endowments and Transfers - These include activities that have the characteristics of non-exchange transactions, such as contributions for capital purposes, permanently restricted contributions (nonexpendable), and transfers between the College and Foundation.

Accounts Receivable

College accounts receivable relate to transactions involving student tuition and fee billings for semesters in which services are provided, governmental appropriations, grants and contracts, financial aid, and other miscellaneous transactions. Foundation accounts receivable represent contributions receivable, net of an allowance for uncollectible accounts.

Allowance for Doubtful Accounts

It is the College's policy to provide an estimate for future losses on uncollectible accounts, contracts, grants, and loans receivable based on an evaluation of the underlying account, contract, grant and loan balances, the historical collectability experienced by the College on such balances and such other factors which, in the College's judgment, require consideration in estimating doubtful accounts.

The Foundation provides an allowance based on prior years' experience and management's analysis of specific promises made.

Scholarship Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the student's behalf.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Scholarship Allowances (Continued)

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, the Federal Direct Loan Program (FDLP) and the Federal Family Educational Loan (FFEL) Program is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as either operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a College-wide basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

Pension Plans

Employees of the College are provided pension benefits through one of three available multiple-employer retirement plans. The College follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 establishes standards for the measurement, recognition, and display of the net pension liability, deferred outflows and inflows of resources, pension expense, and note disclosures associated with their proportionate share of the pension plan.

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

Other Postemployment Benefits Other than Pensions

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The financial statements incorporate the changes required by Statement No. 75, which was adopted prospectively as of July 1, 2017.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NOTE 2 DEPOSITS AND INVESTMENTS

The College authorizes the following investment instruments which are allowable under Pennsylvania Law:

- U.S. Treasury obligations which carry the full faith and credit guarantee of the United States government and are considered to be the most secure instruments available;
- U.S. government agency and instrumentality obligations that have a liquid market with a readily determinable market value;
- Investment-grade obligations of state, provincial and local governments and public authorities;
- Repurchase agreements whose underlying purchased securities consist of the U.S. Treasury obligations or U.S. government agency and instrumentality obligations as outlined above;
- Certificates of deposit and other evidences of deposit at financial institutions;
- Bankers' acceptances;
- Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a nationally recognized rating agency.
- Shares of a portfolio of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933; provided that all of the following are met: (a) the only investments of that portfolio are in the authorized investments listed above, (b) the portfolio is managed so as to maintain its shares at a constant net asset value in accordance with 17 CFR 270 2a-7 (relating to money market funds); and (c) the portfolio is rated in the highest category by a nationally recognized rating agency.
- Shares of a portfolio of a local government investment pool, either state-administered or developed through State Law, also known as the Intergovernmental Cooperation Act, provided that the following are met: (a) the only investments of that portfolio are in the authorized investments listed above, (b) the portfolio is managed so as to maintain its shares at a constant net asset value in accordance with 17 CFR 270 2a-7 (relating to money market funds); and (c) the portfolio is rated in the highest category by a nationally recognized rating agency.

The Foundation is not restricted by any outside parties regarding the types of investments it may invest in. However, the Foundation does have an investment policy, which allows for investments in stock (domestic and foreign), fixed income securities, commercial real estate securities, private equity securities, hedge funds, commodities, and cash.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Deposits and Investments

Custodial credit risk is the risk that in the event of a bank failure, the College's or the Foundation's deposits may not be returned. The College and the Foundation have separate deposits and therefore have separate credit risk. Neither the College nor the Foundation has a written policy for custodial credit risk. As of June 30, 2018, $ 13,827,367 of the College's bank balance of $ 48,375,991 was exposed to custodial credit risk but collateralized under Pennsylvania Act 72. Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledger of the assets.

Based on the standards outlined in Act 72, the various banks utilized by the College have pledged collateral on a pooled basis on behalf of the College and all other governmental depositors in the respective financial institutions.

As of June 30, 2018, $ 2,311,826 of the Foundation's bank balance of $ 2,561,826 was exposed to custodial credit risk, all of which was uninsured and uncollateralized.

Credit Risk - Investments

Credit risk is the risk that an issuer of debt securities or other counterparty to an investment will not fulfill its obligations.

Included on the statement of net position of the College are pooled investments in the Pennsylvania School District Liquid Asset Fund (PSDLAF) of $ 518,318 (classified as cash equivalents) at June 30, 2018. These funds are basically mutual funds that consist of short term money market instruments and seek to maintain a constant net asset value of $ 1 per share. Portfolio securities are valued at amortized cost, which approximates market value. At June 30, 2018, the College's investment in PSDLAF was rated AAAm by Standard and Poor's.

The operation of PSDLAF is governed by an eleven member Board of Trustees, nine of whom are elected and two of whom serve ex officio. The Trustees have full, exclusive and absolute control and authority over the business of the Fund and its assets, subject to the rights of the settlors as provided in the Declaration of Trust. PSDLAF is not registered with the Securities and Exchange Commission (SEC); however, PSDLAF follows investment procedures similar to those followed by SEC registered money market funds.

In addition to PSDLAF, the College also invests in negotiable certificates of deposit and commercial paper. These instruments are unrated.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk – Investments (Continued)

As of June 30, 2018, the Foundation's investments were rated as follows:

Investment Type	Fair Value	S+P Credit Quality Rating
Stocks, options, and ETF's	$ 17,240,815	N/A
Fixed income securities	2,437,267	AAA+ - BBB-
Mutual funds	17,668,512	N/A
	$ 37,346,594	

The Foundation's investment policy limits fixed income securities to investment grade bonds.

Interest Rate Risk - Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments in PSDLAF are not subject to interest rate risk as the funds are accessible on a daily basis and the interest rates change daily based on market conditions.

As of June 30, 2018, the College had the following investments subject to interest rate risk:

		Investment Maturities (in Years)	
	Fair Value	Less than 1	1-5
Negotiable CD's	$ 17,326,445	$ 8,483,093	$ 8,843,352
Commercial paper	10,572,993	10,572,993	-

As of June 30, 2018, the Foundation had the following investments subject to interest rate risk:

		Investment Maturities (in Years)		
	Fair Value	Less than 1	1-5	6-10
Fixed income securities	$ 2,437,267	$ -	$ 574,867	$ 1,862,400

The College's and the Foundation's investment policies do not place limits on investment maturities.

Investments – Fair Value Measurements

Generally accepted accounting principles define fair value, describe a framework for measuring fair value, and require disclosure about fair value measurements. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. The established framework includes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments – Fair Value Measurements (Continued)

The following is a description of the valuation methodologies used for instruments measured at fair value on the Statement of Net Position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Negotiable Certificates of Deposit

The fair value of negotiable certificates of deposit are estimated using a discounted cash flow calculation that applies to interest rates currently being offered for deposits of similar remaining maturities to a schedule of aggregated expected maturities of such deposits. Such investments are classified within Level 2 of the valuation hierarchy.

Commercial Paper

Commercial paper consists of various corporations. These investments are generally valued at the most recent price of the equivalent quotes yield for such securities, or those comparable to maturity, quality, and type. Such investments are generally classified within Level 2 of the valuation hierarchy.

Equity Securities and Mutual Funds

Equity securities and mutual funds listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the mean of the last bid and ask prices on such exchange. The Foundation's interests in mutual funds are categorized by type as equity, fixed income, or alternative investments. Such securities are classified within Level 1 of the valuation hierarchy.

Government Obligations and Corporate Bonds

Government obligations consisting of U.S. Treasury bonds and notes, agency securities, mortgage backed securities and corporate debt obligations consisting of bonds are generally valued at the most recent price of the equivalent quotes yield for such securities, or those comparable maturity, quality, and type. Such investments are generally classified within Level 2 of the valuation hierarchy.

Hedge Fund Investment

The Foundation's net asset value investment at June 30, 2017 is a private hedge fund. The fair value of the hedge fund is based on returns and activity during the year received from the investment manager and measured at the net asset value. The pricing of this investment is based on a variety of methods which are proprietary to the investment funds and not readily available for disclosure.

These methods consist primarily of obtaining values of underlying securities, through active and inactive markets, owned by partnerships that the hedge fund has partial ownership in. The hedge fund issues separate audited financial statements and has certain equity restrictions. The redemption frequency is quarterly with 90 days plus 15 business days' notice.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

The primary objective of the hedge fund investment is in an intermediate fund or through investments made by the intermediate fund, to engage in business of trading equities, fixed income products, options, futures and other financial instruments.

The following table sets forth by level within the fair value hierarchy, the financial assets that were accounted for at fair value on a recurring basis as of June 30, 2018 and 2017:

	2018			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
College:				
Negotiable certificates of deposit	$ 17,326,445	$ -	$ 17,326,445	$ -
Commercial paper	10,572,993	-	10,572,993	-
Foundation:				
Mutual funds	17,668,512	17,668,512	-	-
Equities	17,240,815	17,240,815	-	-
US Government obligations	770,115	-	770,115	-
US Treasury bonds	459,632	-	459,632	
Municipal bonds	154,081	-	154,081	-
Corporate bonds	1,053,439	-	1,053,439	-
Total investments by fair value category	$ 65,246,032	$ 34,909,327	$ 19,763,712	$ -

	2017			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
College:				
Negotiable certificates of deposit	$ 18,573,688	$ -	$ 18,573,688	$ -
Commercial paper	10,288,714	-	10,288,714	-
Foundation:				
Mutual funds	7,067,777	7,067,777	-	-
Equities	17,179,164	17,179,164	-	-
US Government obligations	2,519,530	-	2,519,530	-
Fixed income exchange traded funds	1,678,932	1,678,932	-	-
Foreign bonds	400,122	-	400,122	
Corporate bonds	4,408,660	-	4,408,660	-
Total investments by fair value category	$ 62,116,587	$ 25,925,873	$ 25,902,000	$ -
Investments (Foundation) measured at net asset value (NAV)				
Private hedge fund	1,243,050			
Total investments measured at fair value	$ 63,359,637			

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

	College		HACC Foundation		Total	
	2018	2017	2018	2017	2018	2017
Student Tuition and fees	$ 7,294,817	$ 7,851,245	$ -	$ -	$ 7,294,817	$ 7,851,245
Allowance for doubtful accounts	(1,409,000)	(1,442,000)	-	-	(1,409,000)	(1,442,000)
Grants and contracts receivable	1,560,026	1,357,890	-	-	1,560,026	1,357,890
State appropriations receivable	765,478	655,915	-	-	765,478	655,915
Bookstore receivables	-	139,235	-	-	-	139,235
Other receivables	460,664	455,461	74,108	58,796	534,772	514,257
Contributions receivable (net of discount)	-	-	461,293	464,146	461,293	464,146
Allowance for doubtful accounts	-	-	(94,536)	(66,778)	(94,536)	(66,778)
Total	$ 8,671,985	$ 9,017,746	$ 440,865	$ 456,164	$ 9,112,850	$ 9,473,910

Bookstore receivables are net of $ 712,863 in vendor credit memos at June 30, 2017.

Contributions receivable of the Foundation, representing donor promises to give, have been discounted to their present value assuming their respective terms and a discount rate of 1.01% - 2.73% at June 30, 2018 and 2017. In addition to the contributions receivable noted above, the Foundation also has pledges outstanding for permanently restricted endowments that are not reflected in these financial statements. In accordance with GASB standards, contributions are considered voluntary nonexchange transactions which are not recorded as receivable and revenue until all eligibility requirements are met. In the case of contributions where the principal amount must be maintained in perpetuity, the time eligibility requirement related to permanently holding the assets cannot be met until the assets are received. Therefore, receivables are not recorded for these transactions and revenues are not recorded until assets are received. The amount of permanently restricted pledges, net of allowance, that are being maintained and tracked internally are $ 68,352 as of June 30, 2018 and $ 313,343 as of June 30, 2017.

NOTE 4 ENDOWMENTS

The Foundation's endowments consist of individual funds established to provide scholarships and benefits for students of Harrisburg Area Community College. The endowments include both donor-restricted endowment funds and funds designated by the Foundation to function as an endowment. Net position associated with endowment funds, including funds designated by the Foundation to function as endowments, are classified and reported as unrestricted, restricted expendable, or restricted nonexpendable net position based on the existence or absence of donor-imposed restrictions. The classification is based on the Board's interpretation of Pennsylvania's statutes that govern such endowments and its interpretations of donor intent and the related endowment bylaws.

The Foundation considers several factors when making a determination to appropriate or accumulate donor-restricted endowment funds. These factors include the duration and preservation of the fund, the mission of the Foundation, the purpose of any donor restrictions, general economic conditions, the possible effects of inflation and deflation, the expected total return from income and the appreciation of investments and other resources.

NOTE 4 ENDOWMENTS (CONTINUED)

The Board of Directors annually makes a determination of the level of funding that will be provided to the Foundation. The Board has the ability to provide funding from the annual investment income and has established a policy of receiving distributions equal to 4% of the average market value of the endowments for the last three years. Any undistributed investment income, as defined by the total return policy, are added to the endowment's temporarily restricted (expendable) principal.

The endowments are invested consistent with an investment policy statement that is monitored by the Board of Directors. To satisfy the long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and income (interest and dividends). Funds in the endowment are primarily invested in equities, fixed income securities and mutual funds. The investment policy sets investment ranges at 21% to 99% equities, 19% to 60% fixed income securities, 0% - 9% commercial real estate and private equities, 0% - 14% hedge funds, 0% - 7% commodities, and 0% - 5% cash.

Total Return Policy

Based on the Total Return Policy described in Note 1, $ 813,646 and $ 797,143 was designated as spendable income within the restricted nonexpendable funds during the years ended June 30, 2018 and 2017, respectively. The remaining amount of accumulated spendable income which is included in restricted expendable net position is $ 1,799,969 and $ 1,921,568 at June 30, 2018 and 2017, respectively.

NOTE 5 CAPITAL ASSETS

The following is a summary of capital asset transactions of the College for the years ended June 30, 2018 and 2017:

2018	Beginning Balance	Additions	Retirements	Ending Balance
Cost:				
Land (not being depreciated)	$ 11,368,181	$ -	$ -	$ 11,368,181
Construction in progress (not being depreciated)	14,386,177	957,485	(14,386,178)	957,484
Building	156,153,430	-	-	156,153,430
Improvements - land	9,490,967	4,789,411	-	14,280,378
Improvements - building	76,385,055	13,897,920	-	90,282,975
Improvements - leasehold	17,427,316	-	-	17,427,316
Instructional equipment	38,156,973	526,627	(21,561)	38,662,039
Non-instructional equipment	30,991,652	2,739,105	(35,070)	33,695,687
Total cost	354,359,751	22,910,548	(14,442,809)	362,827,490
Less accumulated depreciation:				
Building	(50,161,616)	(3,535,300)	-	(53,696,916)
Improvements - land	(2,700,624)	(483,327)	-	(3,183,951)
Improvements - building	(31,678,309)	(3,827,179)	-	(35,505,488)
Improvements - leasehold	(8,931,789)	(968,985)	-	(9,900,774)
Instructional equipment	(26,654,845)	(807,935)	21,561	(27,441,219)
Non-instructional equipment	(28,212,873)	(1,663,369)	33,585	(29,842,657)
Total accumulated depreciation	(148,340,056)	(11,286,095)	55,146	(159,571,005)
Capital assets, net	$ 206,019,695	$ 11,624,453	$ (14,387,663)	$ 203,256,485

NOTE 5 CAPITAL ASSETS (CONTINUED)

2017	Beginning Balance	Additions	Retirements	Ending Balance
Cost:				
Land (not being depreciated)	$ 11,368,181	$ -	$ -	$ 11,368,181
Construction in progress (not being depreciated)	3,420,319	14,355,383	(3,389,525)	14,386,177
Building	156,153,430	-	-	156,153,430
Improvements - land	9,314,096	176,871	-	9,490,967
Improvements - building	75,132,911	1,252,144	-	76,385,055
Improvements - leasehold	17,427,316	-	-	17,427,316
Instructional equipment	37,560,198	599,975	(3,200)	38,156,973
Non-instructional equipment	27,163,645	3,835,057	(7,050)	30,991,652
Total cost	337,540,096	20,219,430	(3,399,775)	354,359,751
Less accumulated depreciation:				
Building	(46,548,666)	(3,612,950)	-	(50,161,616)
Improvements - land	(2,256,157)	(444,467)	-	(2,700,624)
Improvements - building	(28,375,656)	(3,302,653)	-	(31,678,309)
Improvements - leasehold	(8,083,020)	(848,769)	-	(8,931,789)
Instructional equipment	(25,629,227)	(1,028,818)	3,200	(26,654,845)
Non-instructional equipment	(26,649,444)	(1,570,479)	7,050	(28,212,873)
Total accumulated depreciation	(137,542,170)	(10,808,136)	10,250	(148,340,056)
Capital assets, net	$ 199,997,926	$ 9,411,294	$ (3,389,525)	$ 206,019,695

NOTE 6 OTHER ASSETS

Other assets of the College at June 30 consist of:

	2018	2017
Prepaid expenses	$ 470,591	$ 505,136
Prepaid bond insurance	617,030	617,030
Accumulated amortization - prepaid bond insurance	(201,907)	(154,641)
	$ 885,714	$ 967,525

NOTE 7 BORROWINGS AND COMPENSATED ABSENCES

Long-term liabilities had the following activity during the year ended June 30, 2018 and 2017:

2018

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Long-term Portion
Leases and bonds/notes payable:						
Capital lease obligations	$ 272,935	$ 124,179	$ (86,209)	$ 310,905	$ 102,884	$ 208,021
Bonds and notes payable:						
Series of 2008	3,200,000	-	(1,560,000)	1,640,000	1,640,000	-
Series of 2011	41,005,000	-	(1,985,000)	39,020,000	2,065,000	36,955,000
Series of 2012	12,565,000	-	(610,000)	11,955,000	630,000	11,325,000
Series of 2013	4,265,000	-	(1,020,000)	3,245,000	1,035,000	2,210,000
Series of 2014	18,645,000	-	(1,690,000)	16,955,000	1,755,000	15,200,000
Series of 2015	4,130,000	-	(490,000)	3,640,000	505,000	3,135,000
Series of 2015A	14,075,000	-	(760,000)	13,315,000	785,000	12,530,000
Series of 2016	17,240,000	-	(630,000)	16,610,000	665,000	15,945,000
Series of 2016A	13,620,000	-	(65,000)	13,555,000	70,000	13,485,000
Bond premium	5,184,951	-	(606,573)	4,578,378	601,658	3,976,720
Bond discount	(166,294)	-	21,812	(144,482)	(16,539)	(127,943)
Total leases and bonds/notes payable	134,036,592	124,179	(9,480,970)	124,679,801	9,838,003	114,841,798
Other liabilities:						
Compensated absences:						
Vacation leave	3,126,161	556,046	(251,101)	3,431,106	296,434	3,134,672
Sick leave	3,351,643	319,546	(157,492)	3,513,697	241,163	3,272,534
Total other liabilities	6,477,804	875,592	(408,593)	6,944,803	537,597	6,407,206
Total long-term liabilities	$ 140,514,396	$ 999,771	$ (9,889,563)	$ 131,624,604	$ 10,375,600	$ 121,249,004

2017

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Long-term Portion
Leases and bonds/notes payable:						
Capital lease obligations	$ 225,449	$ 112,946	$ (65,460)	$ 272,935	$ 78,039	$ 194,896
Bonds and notes payable:						
Series of 2008	17,460,000	-	(14,260,000)	3,200,000	1,560,000	1,640,000
Series of 2011	42,895,000	-	(1,890,000)	41,005,000	1,985,000	39,020,000
Series of 2012	13,160,000	-	(595,000)	12,565,000	610,000	11,955,000
Series of 2013	5,270,000	-	(1,005,000)	4,265,000	1,020,000	3,245,000
Series of 2014	20,290,000	-	(1,645,000)	18,645,000	1,690,000	16,955,000
Series of 2015	5,065,000	-	(935,000)	4,130,000	490,000	3,640,000
Series of 2015A	14,245,000	-	(170,000)	14,075,000	760,000	13,315,000
Series of 2016	-	18,000,000	(760,000)	17,240,000	630,000	16,610,000
Series of 2016A	-	13,620,000	-	13,620,000	65,000	13,555,000
Bond premium	2,492,001	3,184,317	(491,367)	5,184,951	606,573	4,578,378
Bond discount	(276,893)	-	110,599	(166,294)	(21,811)	(144,483)
Total leases and bonds/notes payable	120,825,557	34,917,263	(21,706,228)	134,036,592	9,472,801	124,563,791
Other liabilities:						
Compensated absences:						
Vacation leave	3,096,849	229,365	(200,053)	3,126,161	361,847	2,764,314
Sick leave	3,162,734	295,405	(106,496)	3,351,643	398,755	2,952,888
Total other liabilities	6,259,583	524,770	(306,549)	6,477,804	760,602	5,717,202
Total long-term liabilities	$ 127,085,140	$ 35,442,033	$ (22,012,777)	$ 140,514,396	$ 10,233,403	$ 130,280,993

NOTE 7 BORROWINGS AND COMPENSATED ABSENCES (CONTINUED)

Bonds Payable

Bonds payable at June 30, 2018 and 2017 consist of the following:

	2018	2017
2008, issued $ 26,275,000 in December 2008; at a fixed rate of 4.00% - 5.75%; interest and principal payable semi-annually through October 2029.	$ 1,640,000	$ 3,200,000
2011, issued $51,010,000 in December 2011; at a fixed rate of 2.00%-5.00%; interest and principal payable semi-annually through October 2031.	39,020,000	41,005,000
2012, issued $14,860,000 in October 2012; at a fixed rate of 0.90%-3.75%; interest and principal payable semi-annually through October 2032.	11,955,000	12,565,000
2013, issued $8,185,000 in April 2013; at a fixed rate of 1.00%-2.50%; interest and principal payable semi-annually through October 2021.	3,245,000	4,265,000
2014, issued $22,510,000 in June 2014; at a fixed rate of 0.30%-3.50%; interest and principal payable semi-annually through October 2027.	16,955,000	18,645,000
2015, issued $5,720,000 in February 2015; at a fixed rate of 0.30%-2.46%; interest and principal payable semi-annually through October 2024.	3,640,000	4,130,000
2015A, issued $14,245,000 in February 2015; at a fixed rate of 0.50%-3.11%; interest and principal payable semi-annually through October 2030.	13,315,000	14,075,000
2016, issued $18,000,000 in July 2016; at a fixed rate of 0.75%-3.00%; interest and principal payable semi-annually through October 2036.	16,610,000	17,240,000
2016A, issued $13,620,000 in July 2016; at a fixed rate of 0.78%-2.7%; interest and principal payable semi-annually through October 2029.	13,555,000	13,620,000
Total bonds payable	$ 119,935,000	$ 128,745,000

The bonds are guaranteed by a municipal bond insurance policy. In addition, the College has pledged to include debt service payments due each fiscal year in its budget for such fiscal year.

Line of Credit

In addition to the above bonds payable, the College also has a line of credit, which was authorized on December 16, 2015, available in the amount of $ 30,000,000, with a variable interest rate of LIBOR plus 0.85%. During 2017-2018, the College reduced the line of credit from $ 30,000,000 to $ 10,000,000, with the interest rate remaining the same. There were no draws on the line of credit during the fiscal year and the ending balance as of June 30, 2018 and 2017 is $ 0.

NOTE 7 BORROWINGS AND COMPENSATED ABSENCES (CONTINUED)

Future Maturities

Under an agreement with the Commonwealth of Pennsylvania, a portion of the principal and interest on outstanding bonds eligible for state reimbursement will be paid by the Commonwealth on a reimbursement basis. The combined aggregate amounts of maturities of all bonds and notes are as follows:

Year Ending	State Share		College Share		Total	Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Total
2019	$ 4,125,793	$ 1,969,882	$ 5,024,207	$ 2,598,713	$ 9,150,000	$ 4,568,595	$ 13,718,595
2020	4,295,207	1,807,193	5,224,793	2,398,003	9,520,000	4,205,195	13,725,195
2021	4,096,500	1,626,266	5,078,500	2,174,979	9,175,000	3,801,245	12,976,245
2022	3,750,500	1,459,884	4,784,500	1,954,956	8,535,000	3,414,840	11,949,840
2023	3,871,500	1,303,666	4,948,500	1,756,154	8,820,000	3,059,820	11,879,820
2024 - 2028	18,482,250	4,285,528	23,492,750	5,976,587	41,975,000	10,262,115	52,237,115
2029 - 2033	12,080,000	1,037,182	17,225,000	2,019,051	29,305,000	3,056,233	32,361,233
2034 - 2036	-	-	3,455,000	209,250	3,455,000	209,250	3,664,250
Total	$ 50,701,750	$ 13,489,600	$ 69,233,250	$ 19,087,693	$ 119,935,000	$ 32,577,293	$ 152,512,293

NOTE 8 LEASES

Capital Leases

The College has entered into capital leases for certain vehicles. At June 30, 2018 and 2017, the leased assets are as follows:

	2018	2017
Capitalized equipment	$ 515,210	$ 391,031
Accumulated amortization	(201,484)	(115,275)
Net book value	$ 313,726	$ 275,756

The amortization expense for the years ended June 30, 2018 and 2017 was $ 86,209 and $ 65,477 and is included with depreciation expense for the respective years.

The future minimum lease payments under capital leases as of June 30, 2018 are as follows:

2019	$ 118,884
2020	105,576
2021	73,103
2022	43,903
2023	19,584
	361,050
Less interest	(50,145)
	$ 310,905

NOTE 8 LEASES (CONTINUED)

Operating Leases

The College has entered into long-term noncancelable operating leases for certain campus facilities and equipment. Minimum lease payments in future years are as follows:

2019	$ 3,807,827
2020	3,400,123
2021	3,270,721
2022	2,946,905
2023	690
Total minimum lease payments	$ 13,426,266

The total rent expenses under operating leases for the years ended June 30, 2018 and 2017 was $ 3,956,361 and $ 3,527,367, respectively.

NOTE 9 RISK MANAGEMENT

The College is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets, errors, and omissions, injuries to employees and students, and natural disasters.

The College has purchased commercial insurance to cover general and professional liability, directors and officers liability, worker's compensation, accident insurance, flood, unemployment compensation, and employees' health coverage. For these insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

The College is self-insured for dental coverage and a prescription drug plan. The liability for estimated claims at June 30, 2018 and 2017 represents three months of claims paid. Changes in the College's claims liability amount for the years ended June 30 were:

	2018	2017
Beginning balance	$ 136,481	$ 131,025
Claims made/Changes in estimates	615,285	551,380
Claims paid	(601,413)	(545,924)
Ending balance	$ 150,353	$ 136,481

NOTE 10 PENSION BENEFITS

Substantially all of the employees of the College are covered by one of three multi-employer contributory pension plans; the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF), the Commonwealth of Pennsylvania Public School Employees' Retirement System (PSERS), or the Commonwealth of Pennsylvania State Employees' Retirement System (SERS).

The Public School Employees' Retirement System ("PSERS") and the Commonwealth of Pennsylvania State Employees' Retirement System ("SERS") are governmental cost-sharing multiple-employer defined benefit plans. The Teachers Insurance and Annuity Association – College Requirement Equities Fund (TIAA-CREF) is a defined contribution plan.

General Information about the Pension Plans

Plan Descriptions

Public School Employees' Retirement System (PSERS) is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Pennsylvania State Employees' Retirement System (SERS) is the administrator of a cost-sharing multiple-employer defined benefit pension plan established by the Commonwealth of Pennsylvania to provide pension benefits for employees of state government and certain independent agencies. Members and employees of employees in the field of education are not required but are given the option to participate. SERS issues a publicly available financial report that can be obtained at www.SERS.pa.gov.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

NOTE 10 PENSION BENEFITS (CONTINUED)

General Information about the Pension Plans (Continued)

Benefits Provided (Continued)

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

SERS provides retirement, death, and disability benefits. Article II of the Commonwealth's constitution assigns the authority to establish and amend the benefit provision of the plan to the General Assembly. According to the State Employees' Retirement Code (SERC), all obligations of SERS will be assumed by the Commonwealth should SERS terminate.

Prior to Act 2010-120, employees who retire at age 60 with three years of service, or with 35 years of service if under age 60, are entitled to a normal annual retirement benefit. Members of the General Assembly and certain classified in hazardous duty positions can retire with full benefits at age 50, with at least three years of service. Act 2010-120 preserved all benefits in place for members but mandated a number of benefit reductions for new members effective January 1, 2011. The benefit reduction included a new class of membership that accrues benefits at 2% of their final average salary instead of the previous 2.5%. The new vesting period changed from five to 10 years of credit service, and the option to withdraw lump-sum accumulated deductions was eliminated. The new normal retirement age is 65 for most employees, and age 55 for members of the General Assembly and certain classified in hazardous duty positions.

Most members of SERS, and all state employees hired after June 30, 2001 and prior to January 1, 2011 (except state police officers and certain members of the judiciary and legislators), are Class AA members. Each class of benefits is based on a multiple of the base accrual rate of 2%, which is called the multiplier. The multiplier for Class AA is 1.25, which translate into an annual benefit of 2.5% of the member's highest three-year average salary times years of service and became effective for members July 1, 2001. The general annual benefit for Class A members is 2% of the member's highest three-year average salary times years of service.

Act 2010-120 created a new A-3 class of service and an optional A-4 class for most employees that entered SERS membership for the first time on or after January 1, 2011 and December 1, 2010 for legislators newly elected in November 2010. Employees who enter SERS membership after the effective date of Act 2010-120 enter as members of the A-3 class with a 45-day window to elect membership in the optional A-4 class. The general annual benefit for Class A-3 members is 2% of the member's highest three-year average salary times years of service while the Class A-4 benefit accrual rate is 2.5%.

NOTE 10 PENSION BENEFITS (CONTINUED)

General Information about the Pension Plans (Continued)

Contributions

Public School Employees' Retirement System (PSERS)

Member Contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions:

The College's contractually required contribution rate for fiscal years ended June 30, 2018 and 2017 was 31.74% and 29.20%, respectively, of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the employer were $ 1,434,602 and $ 883,862 for the years ended June 30, 2018 and 2017, respectively.

State Funding:

Pursuant to § 8327 of the PSERS Retirement Code, the Commonwealth of Pennsylvania funds 50% of the College's retirement expense directly to the Plan. This arrangement meets the criteria of a special funding situation in accordance with GASB standards. The net pension liabilities and related deferred inflows and outflows of resources represent the College's share of these amounts or 50%. However, the pension expense is increased and a revenue is recorded to represent the State's portion of pension expense that relates to the College.

NOTE 10 PENSION BENEFITS (CONTINUED)

General Information about the Pension Plan (Continued)

Contributions (Continued)

Pennsylvania State Employees' Retirement System (SERS)

Section 5507 of the SERC (71 Pa. C.S. §5507) requires the Commonwealth and other employers whose employees are SERS members to make contributions to the fund on behalf of all active members and annuitants necessary to fund the liabilities and provide the annuity reserves required to pay benefits. SERS funding policy, as set by the board, provides for periodic active member contributions at statutory rates. The SERS funding policy also provides for periodic employer contributions at actuarially determined rates based on SERS funding valuation, expressed as a percentage of annual retirement covered payroll, such that they, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due. However, Act 2010-120 imposes rate increase collars (limits on annual rate increases) on employer contributions that keep the employer contribution rate below the rates established in accordance with actuarial parameters. The collar for Commonwealth fiscal year 2015-2016 was 4.5% and will no longer apply effective July 1, 2017.

The general membership contribution rate for all Class A and Class AA members is 5% and 6.25% of salary, respectively. The general membership contribution rate under Act 2010-120 for A-3 and A-4 members is 6.25% and 9.3% of salary, respectively. All employee contributions are recorded in individually identified accounts that are credited with interest, calculated at 4% per annum, as mandated by statute. Accumulated employee contributions are credited interest vest immediately and are returned to the employee upon termination of service if the employee is not eligible for other benefits.

At December 31, 2016, the statutorily required composite contribution rate as collared by Act 2010-120 including the Benefits Completion Plan (BCP) was 29.51% while the actuarially determined rate would have been 32.15%. At December 31, 2017, the first year since legislatively-mandated contribution rates were enacted through Act 2010-120 that rate collars were no longer needed, the actuarially determined rate including the benefit completion plan (BCP) was 33.24%.

Employer rates are computed based on SERS full year ended December 31 and applied to the Commonwealth based on its fiscal year end of June 30; therefore, the employer contribution rates, in effect for SERS full year ended December 31, reflect a blended average of calculated rates. As of December 31, 2017 and 2016, the blended contribution rates, which include the BCP, were 31.38% and 27.26%, respectively. Contributions to the pension plan from the employer were $ 2,501,280 and $ 1,793,907 for the years ended June 30, 2018 and 2017.

NOTE 10 PENSION BENEFITS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public School Employees' Retirement System (PSERS)

At June 30, 2018 and 2017, the College reported a liability for its proportionate share of the net pension liability that reflected a reduction for Commonwealth pension support provided directly to the Plan. The amount recognized by the employer as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the College were as follows:

	2018	2017
College's proportionate share of the net pension liability	$ 11,112,390	$ 10,605,161
Commonwealth's proportionate share of the net pension liability associated with the College	11,112,390	10,605,161
Total	$ 22,224,780	$ 21,210,322

The net pension liability was measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017 and June 30, 2015 to June 30, 2016. The College's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the College's proportion was 0.0225, which was an increase of 0.0011 percent from its proportion measured as of June 30, 2016. At June 30, 2016, the College's proportion was 0.0214 percent, which was an increase of 0.0028 percent from its proportion measured as of June 30, 2015.

Pennsylvania State Employees' Retirement System (SERS)

At June 30, 2018 and 2017, the College reported a liability of $ 18,811,095 and $ 20,150,811, respectively, for its proportionate share of the net pension liability. The net pension liability and the total pension liability were measured and actuarially determined as of December 31, 2017, and December 31, 2016. The College's proportion of the net pension liability was calculated utilizing the employer's projected contributions as it relates to the total projected contributions. At December 31, 2017, the College's proportion was 0.1088 percent, which was an increase of 0.0042 percent from its proportion measured as of December 31, 2016. At December 31, 2016, the College's proportion was 0.1046 percent, which was a decrease of 0.0044 percent from its proportion measured as of December 31, 2015.

For the year ended June 30, 2018, the College recognized pension expense and related revenue for defined benefit plans as follows:

	PSERS	SERS	Total
Pension expense	$ 3,376,458	$ 2,107,070	$ 5,483,528
Revenue for support provided by the Commonwealth	1,680,612	-	1,680,612

NOTE 10 PENSION BENEFITS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Pennsylvania State Employees' Retirement System (SERS) (Continued)

For the year ended June 30, 2017, the College recognized pension expense and related revenue for defined benefit plans as follows:

	PSERS	SERS	Total
Pension expense	$ 3,028,503	$ 2,282,437	$ 5,310,940
Revenue for support provided by the Commonwealth	1,508,939	-	1,508,939

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PSERS		SERS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 116,000	$ 67,147	$ 318,058	$ 357,178	$ 434,058	$ 424,325
Changes in assumptions	302,000	-	941,795	-	1,243,795	-
Net difference between projected and actual investment earnings	257,000	-	-	747,918	257,000	747,918
Changes in proportions	1,435,979	-	829,789	1,813,683	2,265,768	1,813,683
Difference between employer contributions and proportionate share of total contributions	45,890	-	24,632	66,740	70,522	66,740
Contributions subsequent to the measurement date	1,434,901	-	1,389,787	-	2,824,688	-
	$ 3,591,770	$ 67,147	$ 3,504,061	$ 2,985,519	$ 7,095,831	$ 3,052,666

At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PSERS		SERS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 591,000	$ -	$ 290,873	$ 450,853	$ 881,873	$ 450,853
Changes in assumptions	383,000	-	-	-	383,000	-
Net difference between projected and actual investment earnings	-	88,340	2,937,999	-	2,937,999	88,340
Changes in proportions	1,469,574	-	440,329	2,578,579	1,909,903	2,578,579
Difference between employer contributions and proportionate share of total contributions	39,636	-	-	108,435	39,636	108,435
Contributions subsequent to the measurement date	883,862	-	995,751	-	1,879,613	-
	$ 3,367,072	$ 88,340	$ 4,664,952	$ 3,137,867	$ 8,032,024	$ 3,226,207

NOTE 10 PENSION BENEFITS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Amounts of $ 1,434,901 and $ 1,389,787 are reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018 related to the PSERS and SERS plans, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	PSERS	SERS	Total
2018	$ 694,003	$ (19,916)	$ 674,087
2019	775,587	(195,382)	580,205
2020	551,649	(367,358)	184,291
2021	68,483	(321,288)	(252,805)
2022	-	32,699	32,699
	$ 2,089,722	$ (871,245)	$ 1,218,477

Actuarial Assumptions

Public School Employees' Retirement System (PSERS)

The total pension liability as of June 30, 2017 was determined by rolling forward the System's total pension liability as of the June 30, 2016 actuarial valuation to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement.

PSERS' Board approved new actuarial assumptions for the June 30, 2016 actuarial valuation. The new assumptions were used to calculate the net pension liability at June 30, 2016 and are reflected above. The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period and was adopted by the Board at its June 10, 2016 Board meeting.

Changes in assumptions used in the measurement of the total pension liability beginning June 30, 2016 included:

- The investment rate of return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.00% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00% real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.

NOTE 10 PENSION BENEFITS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions (Continued)

- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

The target allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2017 are as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real estate	10.0%	3.8%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	(20.0%)	(1.1%)
	100.0%	

NOTE 10 PENSION BENEFITS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions (Continued)

Pennsylvania State Employees' Retirement System (SERS)

The actuarial assumptions used in the December 31, 2017 valuation were based on the experience study that was performed for the five-year period ending December 31, 2016. The actuary made recommendations with respect to the actuarial assumptions and methods based on their analysis.

SERS reviews its investment return assumptions in light of economic conditions every year as part of its annual valuation. Based on this work, SERS actuary recommended, and SERS Board adopted at the April 2017 meeting, a reduction in the targeted investment rate assumption to 7.25% for the 2016 actuarial valuation. In addition, SERS actuary recommended, and SERS Board adopted, a reduction in the inflation rate to 2.6% for the 2016 valuation. The change in inflation rate also impacted the general salary growth rate, which was lowered to 2.9% for the 2016 valuation.

The total pension liability as of December 31, 2017 was determined using the following actuarial assumptions incorporating the changes noted above:

- Actuarial cost method - Entry Age.
- Investment return - 7.25%, includes inflation at 2.60%, net of expenses.
- Salary increases – Average of 5.60% with a range of 3.70% - 8.90%, includes inflation at 2.60%.
- Mortality rates were based on the RP-2000 Mortality Tables adjusted for actual plan experience and future improvement.

The long-term expected real rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE 10 PENSION BENEFITS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions (Continued)

The target allocation and best estimates of geometric real rates of return for each major asset class as of December 31, 2017 are as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Private equity	16%	8.0%
Global public entity	43%	5.3%
Real estate	12%	5.4%
Multi-strategy	12%	5.1%
Fixed income	14%	1.6%
Cash	3%	0.3%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.25% for both PSERS and SERS. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined, and set by statute for each respective plan. Based on those assumptions, the pension plans' fiduciary net positions were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability, for each respective plan.

NOTE 10 PENSION BENEFITS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, for the PSERS plan and SERS plan, respectively, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Public School Employees' Retirement System (PSERS) – June 30, 2018

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
College's proportionate share of the net pension liability	$ 13,678,387	$ 11,112,390	$ 8,945,964

Pennsylvania State Employees' Retirement System (SERS) – June 30, 2018

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
College's proportionate share of the net pension liability	$ 23,877,148	$ 18,811,095	$ 14,471,436

Pension Plans Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.state.pa.us.

Detailed information about SERS' fiduciary net position is available in SERS Comprehensive Annual Financial Report which can be found on the System's website at www.sers.pa.gov.

Payables to the Pension Plan

As of June 30, 2018 and 2017, the College has $ 292,844 and $ 245,811 included in accounts payable and accrued wages for the contractually required contribution for the second quarter of 2018 and 2017, respectively, related to the PSERS plan.

NOTE 10 PENSION BENEFITS (CONTINUED)

Defined Contribution Pension Plan

The Teachers Insurance and Annuity Association-College Retirement and Equity Fund (TIAA-CREF) is a cost-sharing, multiple-employer defined contribution plan in which employees are eligible to participate. In a defined contribution plan, benefits depend on amounts contributed to the plan plus investment earnings. Employer and employee contribution rates are established by statute. The contribution policy, as established by statute, requires contributions by active members and employers. Active members contribute at a rate of 5 percent of their qualifying compensation; the College's contribution rate for each of the years ended June 30, 2018, 2017, and 2016 was 10 percent of qualifying compensation. In addition, employees may contribute to TIAA-CREF through the Supplemental Retirement Annuity.

The contributions to TIAA-CREF for the years ended June 30 were as follows:

	2018	2017
College	$ 4,524,749	$ 4,300,616

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN

Plan Descriptions and Benefits Provided

College Plan

The College has a healthcare plan for retired employees, which is a single employer defined benefit healthcare plan administered by the College. The plan provides medical and prescription drug coverage for both retiree and family. To continue coverage upon retirement, the retiree must reimburse the College 100% of the College's cost of coverage. After age 65, the coverage shall change to a Medicare Supplement Plan with a Medicare Part D Prescription Drug rider or with the plan prescription drug at an adjusted premium. The fact that the blended rate that the retirees pay is less than the actual cost of covering retired members and their beneficiaries results in what is known as an "implicit rate subsidy" by the College, which gives rise to the other postemployment benefit (OPEB).

No assets are accumulated in a trust that meets the criteria of GASB standards for the College Plan.

PSERS

In addition to the other postemployment benefit detailed above, the Public School Employees' Retirement System (PSERS) also provides a health insurance premium assistance program for all eligible employees, which is a governmental cost-sharing multiple employer defined benefit plan. Employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of $ 100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Plan Descriptions and Benefits Provided (Continued)

PSERS (Continued)

employer or the PSERS' health options program. Healthcare cost trends were applied to retirees receiving less than $ 1,200 in annual premium assistance. The annual premium assistance reimbursement for qualifying retirees is capped at a maximum of $ 1,200. As of June 30, 2017, there were no assumed future benefit increase to participating eligible retirees.

Retirees of the System can participate in the premium assistance program if they 1) have 24 ½ or more years of service, 2) are a disability retiree, 3) have 15 or more years of service and retired after reaching superannuation age, or 4) participate in the PSERS' health option program.

The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Plan Membership

Membership in the College's plan consisted of the following at July 1, 2017, the date of the latest actuarial valuation:

Active participants	857
Vested former participants	0
Retired participants	48
Total	905

Contributions

College Plan

The contribution requirements of plan members and the College are established and may be amended by the College. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the College. For fiscal year 2017, the estimated contribution was $ 80,348 in the form of additional premiums for active employees based on implicit rates for retired employees to the plan. Plan members receiving benefits also contributed $ 280,314, or 100% of the total premiums.

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Contributions (Continued)

PSERS

The College's contractually required contribution rate for the fiscal year ended June 30, 2018 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year with an additional amount to finance the unfunded accrued liability. Contributions to the OPEB plan from the employer were $ 37,515 for the year ended June 30, 2018.

The information below summarizes the required contributions, the percentage of required contribution actually contributed and the contribution rate for the two preceding years:

Fiscal Year Ended	Required Contribution	Percentage Contributed	Contribution Rate
2017	$ 25,123	100.00%	0.84%
2016	$ 28,279	100.00%	0.90%

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

College Plan

The College's total OPEB liability for June 30, 2018 was measured as of July 1, 2017, and the total OPEB liability was determined by rolling forward the total liability from July 1, 2016 to July 1, 2017 based on an actuarial valuation as of July 1, 2016, which was based on census information as of March 2016. The plan has no assets that are accumulated in a trust that meets the criteria established in GASB Statement No. 75. At June 30, 2018, the College reported a total OPEB liability of $ 1,004,047.

For the year ended June 30, 2018, the College recognized OPEB expense of $ 146,829.

PSERS

At June 30, 2018, the College reported a liability of $ 458,418 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2016 to June 30, 2017. The College's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the College's proportion was 0.0225 percent, which was an increase of 0.0011 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the College recognized OPEB expense of $ 45,887 and revenue from support from the Commonwealth of $ 22,974 due to the special funding situation.

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The table below summarizes the combined OPEB liability for the year ended June 30, 2018:

	Total OPEB/ Net OPEB Liability
College plan	$ 1,004,047
PSERS	458,418
Total	$ 1,462,465

Changes in the Total OPEB Liability

College Plan

	Total OPEB Liability
Beginning Balance	$ 1,436,134
Changes for the year:	
Service cost	146,848
Interest	38,332
Differences between expected and actual experience	(231,304)
Changes in assumptions	(305,615)
Benefit payments	(80,348)
Net changes	(432,087)
Ending Balance	$ 1,004,047

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Changes in the Total OPEB Liability (Continued)

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	College Plan		PSERS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 214,782	$ -	$ -	$ -	$ 214,782
Changes in assumptions	-	283,786	-	21,332	-	305,118
Net difference between projected and actual investment earnings	-	-	485	-	485	-
Changes in proportions - plan	-	-	20,309	-	20,309	-
Difference between employer contributions and proportionate share of total contributions	-	-	211	-	211	-
Contributions subsequent to the measurement date	59,812	-	37,515	-	97,327	-
	$ 59,812	$ 498,568	$ 58,520	$ 21,332	$ 118,332	$ 519,900

Amounts of $ 59,812 and $ 37,515 are reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date and will be recognized as a reduction in the total/net OPEB liability in the year ended June 30, 2019 related to the College and PSERS plans, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

	College	PSERS	Total
Year ended June 30:			
2019	$ (38,351)	$ (14)	$ (38,365)
2020	(38,351)	(14)	(38,365)
2021	(38,351)	(14)	(38,365)
2022	(38,351)	(135)	(38,486)
2023	(38,351)	(185)	(38,536)
Thereafter	(306,813)	35	(306,778)
Total	$ (498,568)	$ (327)	$ (498,895)

Actuarial Methods and Assumptions

College Plan

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

PSERS

The total OPEB liability for the College as of June 30, 2018, was determined by rolling forward the System's Total OPEB liability as of June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement.

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

	College Plan	PSERS
Actuarial Cost Method	Entry age normal	Entry age normal – level % of pay.
Investment Rate of Return	3.13%	3.13% - S&P 20-year municipal bond rate.
Salary	An assumption for salary increases is used for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.	Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
Mortality	Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.	Based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
Percentage of Eligible Employees Electing Coverage in Plan	40% of employees are assumed to elect coverage at retirement.	Eligible retirees will elect to participate pre-age 65 at 50% and eligible retirees will elect to participate post-age 65 at 70%.
Health Care Cost Trend Rate	6.00% in 2017, and 5.5% in 2018 through 2023. Rates gradually decrease from 5.4% in 2024 to 3.9% in 20175 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.	Applied to retirees with less than $ 1,200 in premium assistance per year. Benefit is capped at $ 1,200 per year.
Per Capita Claims Cost	Making use of weighted averages for various plan designs, the per capita claims cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. Dental and vision costs are assumed to not vary with age or gender. The resulting costs are as follows: age 45-49, $ 5,231 for males and $ 7,555 for females; 50-54, $ 6,928 for males and $ 8,539 for females; 55-59, $ 8,439 for males and $ 8,935 for females; and 60-64, $ 11,012 for males and $ 10,264 for females.	N/A

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

PSERS

Investment Return

Investments consist primarily of short term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year.

OPEB – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	76.4%	0.6%
Fixed Income	23.6%	1.5%
	100.0%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

Discount Rate

The discount rate used to measure the OPEB liability was 3.13% for both the College's Plan and PSERS. The College Plan is not funded, therefore, the S&P 20-year municipal bond rate of 3.13% as of June 30, 2017 is the applicable discount rate. Under the PSERS plan's funding policy, contributions are structured for short term funding of premium assistance. The funding policy sets contribution rates necessary to assure solvency of premium assistance through the third fiscal year after the actuarial valuation date. The premium assistance account is funded to establish reserves that are sufficient or the payment of premium assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB's plan fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 3.13% which represents the S&P 20-year municipal bond rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Sensitivity of the Total and Net OPEB Liability to Changes in the Discount Rate

The following presents the total and net OPEB liabilities of the College, as well as what the College's liabilities would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
College Plan - Total OPEB liability	$ 1,062,849	$ 1,004,047	$ 947,399
PSERS -College's proportionate share of the net OPEB liability	$ 521,000	$ 458,418	$ 406,000

The following presents the total and net OPEB liabilities of the plans, as well as what the plans' total OPEB liability would be if it were calculated using the healthcare cost trend rate that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

College Plan

	1% Decrease (5.0% decreasing to 2.9%)	Healthcare Cost Trend Rate (6.0% decreasing to 3.9%)	1% Increase (7.0% decreasing to 4.9%)
College Plan - Total OPEB Liability	$ 901,332	$ 1,004,047	$ 1,123,824

PSERS

	1% Decrease (Between 4% to 7%)	Healthcare Cost Trend Rate (Between 5% to 8%)	1% Increase (Between 6% to 9%)
PSERS - School District's proportionate share of the net OPEB liability	$ 458,000	$ 458,418	$ 459,000

OPEB Plan Fiduciary Net Position

PSERS

Detailed information about PSERS' fiduciary net position is available in the PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.pa.gov.

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Payables to the OPEB Plan

College Plan

As of June 30, 2018, the College had no amounts payable to the College OPEB Plan.

PSERS

As of June 30, 2018 and 2017, the College has $ 7,658 and $ 6,987 included in accounts payable and accrued wages for the contractually required contribution for the second quarter of 2018 and 2017, respectively, related to the PSERS plan.

OPEB Liability – June 30, 2017

For the year ended June 30, 2017, the College's accounting and reporting for OPEB was based on prior accounting guidance, GASB Statement No. 45. The following information relates to the OPEB liability for the year ended June 30, 2017 based on that guidance.

The College's annual other postemployment benefit (OPEB) cost (expense) for the year ended June 30, 2017 is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the College annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the College's net OPEB obligation to the plan for the year ended June 30, 2017:

Annual required contribution	$ 186,787
Interest on net OPEB obligation	62,014
Adjustments to ARC	(84,603)
Annual OPEB cost	164,198
Employer contributions made (estimated)	(80,348)
Increase in net OPEB obligation	83,850
Net OPEB obligation - beginning of year	1,378,084
Net OPEB obligation - end of year	$ 1,461,934

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	June 30 Net OPEB Obligation
2017	$ 164,198	48.93%	$ 1,461,934
2016	165,852	39.17%	1,378,084

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Funding Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation performed under GASB Statement 45, the plan had the following status and progress:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2015	$ -	$ 1,173,202	$ 1,173,202	0.00%	$ 44,187,613	2.66%

NOTE 12 CONTINGENCIES AND COMMITMENTS

Contingencies

The nature of the educational industry is such that, from time to time, the College is exposed to various risks of loss related to torts; alleged negligence; acts of discrimination; breach of contract; labor disputes; disagreements arising from the interpretation of laws or regulations; theft of, damage to and/or destruction of assets; errors and omissions; injuries to employees and natural disasters. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system. Management does not expect that the resolution of any outstanding claims and litigation, of which there are several being defended by the College, will have a material adverse effect on the financial position of the College.

Commitments

The College has signed contracts for various projects with commitments in the amount of $ 2,883,803, of which $ 1,630,886 has been incurred as of June 30, 2018.

NOTE 13 STATE APPROPRIATIONS

The following shows the detail of state appropriations earned for the years ended June 30, 2018 and 2017:

	2018	2017
Included in non-operating revenue:		
Retirement contribution	$ 1,703,587	$ 1,075,660
Social security reimbursement	2,898,399	2,730,655
Tuition reimbursement	32,525,120	32,525,120
Subtotal	37,127,106	36,331,435
Included in capital contributions:		
Debt reimbursement	6,098,945	5,927,160
Lease reimbursement	1,255,377	1,245,046
Subtotal	7,354,322	7,172,206
Total	$ 44,481,428	$ 43,503,641

NOTE 14 NET POSITION

College

The following shows the details of net investment in capital assets at June 30, 2018 and 2017:

	2018	2017
Capital assets, net	$ 203,256,485	$ 206,019,695
Bonds and notes payable (net of premium, discount and deferred charge on bond refunding) and capital leases	(122,690,735)	(131,734,283)
Unspent bond proceeds	434,344	7,591,245
Total	$ 81,000,094	$ 81,876,657

The remaining net position of the College is considered unrestricted.

HACC Foundation

The Foundation's board of directors has chosen to place the following limitations on unrestricted net position at June 30:

	2018	2017
Designated for endowment purposes	$ 1,715,417	$ 1,632,964
Undesignated	1,758,833	1,170,555
	$ 3,474,250	$ 2,803,519

Restricted expendable net position is available for the following purposes or periods at June 30:

	2018	2017
Scholarships and awards	$ 5,074,126	$ 3,810,613
Academic support	2,417,755	2,747,730
Capital improvements	3,918,144	3,895,194
Other	1,875,991	1,915,032
	$ 13,286,016	$ 12,368,569

Restricted nonexpendable net position is to provide a permanent endowment restricted for various purposes as follows at June 30:

	2018	2017
Scholarships and awards	$ 21,099,420	$ 19,842,829
Academic support	1,023,511	577,820
Other	1,379,734	1,373,267
	$ 23,502,665	$ 21,793,916

NOTE 15 INTERFUND ACTIVITY

At June 30, 2018 and 2017, the Foundation owes the College $ 90,042 and $ 338,812 for expenses paid for by the College that were not yet reimbursed by June 30 of the respective year and for unpaid amounts related to special initiative grants.

In addition, there were transfers made in 2018 and 2017 between the College and the Foundation. The College directly pays the salaries of College employees that provide services to the Foundation and for contracted services. The allocation of employee salaries between the College and the Foundation varies based on their roles and responsibilities. Thus, the Foundation's share of the expenses is reflected in these financial statements as salaries, wages, benefits, payroll taxes, and contracted services totaling $ 1,847,719 and $ 1,772,776 for the years ended June 30, 2018 and 2017, respectively. During the years ended June 30, 2018 and 2017, the Foundation provided the College with the following funding:

	2018	2017
Scholarship and awards	$ 976,861	$ 1,149,042
Capital related support	195,014	523,647
Debt service	167,950	341,497
Other endowments	321,069	292,297
	$ 1,660,894	$ 2,306,483

NOTE 16 RESTATEMENTS

During the year ended June 30, 2018, the College adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* which required the College to record the net OPEB liability, deferred outflows of resources, and OPEB expense associated with the OPEB plans of the College. As a result, the beginning net position amounts reflect the changes at June 30, 2017 resulting from the addition of previously unreported information. The restatement of beginning balances does not include deferred inflows or deferred outflows with the exception of a deferred outflow for contributions subsequent to the measurement date. For the year ended June 30, 2017, which is presented in these statements for comparative purposes, GASB Statement No. 75 was not implemented because adequate information was unavailable.

	Net position
As originally stated, June 30, 2017	$ 117,300,792
Restatements for GASB 75	(329,682)
As restated, June 30, 2017	$ 116,971,110

NOTE 16 RESTATEMENTS (CONTINUED)

During the fiscal year ending June 30, 2018 the Foundation completed a review of many significant funds and their restrictions to verify that the funds were appropriately classified as either unrestricted, restricted expendable, or restricted nonexpendable. Upon review, the Foundation identified some funds which had not been previously recognized in the appropriate restriction classification. Consequently, a restatement was completed to allow for the related specific funds to be appropriately categorized as unrestricted, restricted expendable, or restricted nonexpendable within the financial statements based upon the current donor agreements. The following are the effects of the net position reclassifications:

	2017 As Originally Stated	Effect of Restatement	2017 As Restated
Net Position			
Unrestricted	$ 2,305,368	$ 498,151	$ 2,803,519
Restricted expendable	13,416,169	(1,047,600)	12,368,569
Restricted nonexpendable	21,244,467	549,449	21,793,916
Total net position	$ 36,966,004	$ -	$ 36,966,004

The restatement had no impact on the statement of revenues, expenses and changes in net position for the year ending June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

HARRISBURG AREA COMMUNITY COLLEGE
Schedule of College's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

Public School Employees' Retirement System (PSERS)

For the Fiscal Year Ended June 30	College's proportion of the net pension liability (asset)	College's proportionate share of the net pension liability (asset)	Commonwealth's proportionate share of the net pension liability (asset) associated with the College	Total share of the net pension liability (asset)	College's covered payroll - measurement period	College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.0225%	$ 11,112,390	$ 11,112,390	$ 22,224,780	$ 6,002,302	185.14%	51.84%
2017	0.0214%	10,605,161	10,605,161	21,210,322	5,547,636	191.17%	50.14%
2016	0.0186%	8,056,648	8,056,648	16,113,296	4,797,798	167.92%	54.36%
2015	0.0174%	6,887,045	6,887,045	13,774,090	4,440,330	155.10%	57.24%

State Employees' Retirement System (SERS)

For the Fiscal Year Ended June 30	College's proportion of the net pension liability (asset)	College's proportionate share of the net pension liability (asset)	College's covered payroll - measurement period	College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.1088%	$ 18,811,095	$ 6,812,472	276.13%	62.97%
2017	0.1046%	20,150,811	6,407,146	314.51%	57.81%
2016	0.1090%	19,827,130	6,783,607	292.28%	58.90%
2015	0.1320%	19,613,942	7,852,744	249.77%	64.79%

NOTES

The amounts presented for each fiscal year were determined as of the measurement period year ended that was used for the fiscal year. For PSERS, the measurement period year end is one year prior to the fiscal year end. For SERS, the measurement period year end is six months prior to the fiscal year end.

* This schedule will be expanded to show 10 fiscal years as information becomes available in the future.

CHANGES IN ACTUARIAL ASSUMPTIONS

The following actuarial assumptions were changed during the 2017 fiscal year for the PSERS plan:

- The investment rate of return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.00% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00% real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The following actuarial assumptions were changed during the 2017 fiscal year for the SERS plan:

- Actuarial cost method - Entry Age.
- Investment return - 7.25%, includes inflation at 2.60%, net of expenses.
- Salary increases – Average of 5.60% with a range of 3.70% - 8.90%, includes inflation at 2.60%.
- Mortality rates were based on the RP-2000 Mortality Tables adjusted for actual plan experience and future improvement.

Schedule of College's Contributions – Pension Plans
Last 10 Fiscal Years

Public School Employees' Retirement System (PSERS)

For the Fiscal Year Ended June 30	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	College's covered payroll - fiscal year	Contributions as a percentage of covered payroll
2018	$ 1,434,602	$ 1,434,602	$ -	$ 8,809,346	16.29%
2017	883,862	883,862	-	6,014,086	14.70%
2016	705,816	705,816	-	5,547,636	12.72%
2015	502,831	502,831	-	4,797,798	10.48%
2014	361,260	361,260	-	4,440,330	8.14%
2013	245,381	245,381	-	N/A	N/A
2012	204,713	204,713	-	N/A	N/A
2011	116,871	116,871	-	N/A	N/A
2010	81,264	81,264	-	N/A	N/A
2009	83,361	83,361	-	N/A	N/A

State Employees' Retirement System (SERS)

For the Fiscal Year Ended June 30	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	College's covered payroll - fiscal year	Contributions as a percentage of covered payroll
2018	$ 2,501,280	$ 2,501,280	$ -	$ 6,881,612	36.35%
2017	1,793,907	1,793,907	-	6,373,459	28.15%
2016	1,585,540	1,585,540	-	6,710,811	23.63%
2015	1,345,915	1,345,915	-	6,867,547	19.60%
2014	978,634	978,634	-	N/A	N/A
2013	672,241	672,241	-	N/A	N/A
2012	565,062	565,062	-	N/A	N/A
2011	310,224	310,224	-	N/A	N/A
2010	221,951	221,951	-	N/A	N/A
2009	201,926	201,926	-	N/A	N/A

Schedule of Changes in the College's Total OPEB Liability and Related Ratios – College Plan
Last 10 Fiscal Years

COLLEGE PLAN

	2018
Total OPEB liability	
Service cost	$ 146,848
Interest	38,332
Differences between Expected and Actual Experience	(231,304)
Changes in assumptions	(305,615)
Benefit payments	(80,348)
Net change in total OPEB liability	(432,087)
Total OPEB liability - beginning	1,436,134
Total OPEB liability - ending	$ 1,004,047
Covered employee payroll	$ 48,960,678
Total OPEB liability as a percentage of covered employee payroll	2.05%

This schedule will be expanded to show multi-year trends as additional information becomes available in the future.

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For the College Plan, the measurement period year-end is one year prior to the fiscal year-end.

Schedule of Funding Progress - OPEB

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2015	$ -	$ 1,173,202	$ 1,173,202	0.00%	$ 44,187,613	2.66%
7/1/2013	$ -	$ 1,327,604	$ 1,327,604	0.00%	$ 48,575,539	2.73%
7/1/2011	$ -	$ 1,694,666	$ 1,694,666	0.00%	$ 52,739,477	3.21%

HARRISBURG AREA COMMUNITY COLLEGE
Schedule of College's Proportionate Share of Net OPEB Liability - PSERS
Year Ended June 30, 2018

For the Fiscal Year Ended June 30	College's Proportion of the Net OPEB Liability (Asset)	College's Proportionate Share of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset) associated with the College	Total Share of the Net OPEB Liability (Asset)	College's Covered Payroll - measurement period	College's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	0.0225%	$ 458,418	$ 458,418	$ 916,836	$ 6,002,302	7.64%	5.73%

Notes

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PSERS, the measurement period year-end is one year prior to the fiscal year-end.

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

Schedule of College's OPEB Contributions - PSERS
Year Ended June 30, 2018

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll - Fiscal Year	Contributions as a Percentage of Covered Employee Payroll
2018	$ 37,515	$ 37,515	$ -	$ 8,809,346	0.43%

Notes
This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

OTHER SUPPLEMENTARY INFORMATION

HARRISBURG AREA COMMUNITY COLLEGE
Schedule of Expenses by Functional Classification - Primary Institution
Years Ended June 30, 2018 and 2017

2018

Functional Classification	Natural Classification							
	Salaries and Wages	Fringe Benefits	Supplies & Other Expense	Professional & Purchased Services	Utilities	Depreciation	Scholarships	Total
Instruction	$ 48,712,973	$ 13,406,001	$ 2,771,078	$ 1,045,367	$ 182,260	$ -	$ -	$ 66,117,679
Research	-	-	-	-	-	-	-	-
Public Support	558,521	76,201	44,419	-	-	-	-	679,141
Academic Support	6,849,204	2,505,605	1,348,742	235,291	-	-	-	10,938,842
Student Services	9,002,313	3,987,803	375,014	570,403	-	-	-	13,935,533
Institutional Support	8,399,953	6,428,834	6,607,487	1,700,768	-	1,893,326	-	25,030,368
Operation and Maintenance of Plant	2,919,202	1,642,934	4,180,011	507,214	3,206,231	9,440,035	-	21,895,627
Student Aid	670,866		47,460	-	-	-	18,402,612	19,120,938
Auxiliary Enterprises	1,269,434	433,988	9,358,918	3,059	15,038	-	-	11,080,437
Total operating expenses	$ 78,382,466	$ 28,481,366	$ 24,733,129	$ 4,062,102	$ 3,403,529	$ 11,333,361	$ 18,402,612	168,798,565
Interest expense								4,592,923
Total expenses								$ 173,391,488

2017

Functional Classification	Natural Classification							
	Salaries and Wages	Fringe Benefits	Supplies & Other Expense	Professional & Purchased Services	Utilities	Depreciation	Scholarships	Total
Instruction	$ 45,709,614	$ 12,632,598	$ 3,382,168	$ 1,255,971	$ 211,698	$ -	$ 11,350	$ 63,203,399
Research	-	-	-	-	-	-	-	0
Public Support	353,147	30,707	53,400	277	-	-	-	437,531
Academic Support	6,485,023	2,360,095	1,308,987	438,790	-	-	-	10,592,895
Student Services	9,157,097	3,923,286	474,811	724,767	-	-	-	14,279,961
Institutional Support	7,865,264	6,257,474	7,154,239	2,351,280	-	2,025,145	-	25,653,402
Operation and Maintenance of Plant	2,907,599	1,551,257	3,927,172	646,432	3,155,070	8,829,017	-	21,016,547
Student Aid	578,018	2	20,742	-	-	-	17,867,680	18,466,442
Auxiliary Enterprises	1,213,099	403,327	8,287,579	67,856	13,174	-	-	9,985,035
Total operating expenses	$ 74,268,861	$ 27,158,746	$ 24,609,098	$ 5,485,373	$ 3,379,942	$ 10,854,162	$ 17,879,030	$ 163,635,212
Interest expense								4,646,277
Total expenses								$ 168,281,489

HARRISBURG AREA COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Total Passed-Through to Subrecipients	Cash Receipts	Accrual Basis Expenditures
DEPARTMENT OF EDUCATION					
Student Financial Aid Cluster					
FSEOG Program	84.007	N/A	$ -	$ 434,718	$ 414,300
FWS Program	84.033	N/A	-	552,925	552,925
PELL Program	84.063	N/A	-	27,546,038	27,804,800
Direct Student Loan Program	84.268	N/A	-	55,150,655	55,224,113
Total student financial aid cluster			-	83,684,336	83,996,138
Passed through Pennsylvania Department of Education					
Vocational Educational Grants Perkins III	84.048	FA 381-18-0022	-	1,158,234	1,094,201
Passed through Berks County Intermediate Unit					
Race to the Top - Early Learning Challenge	84.412A	PAKEY-BCIU17	-	4,933	14,798
Passed through Shippensburg University					
Race to the Top - Early Learning Challenge	84.412A	4500559297	-	-	7,196
			-	4,933	21,994
Passed through Tri-County Opportunities Industrialization Center,					
Adult Basic Education	84.002	064-18-FEDERAL	-	88,815	64,930
Total Department of Education			-	84,936,318	85,177,263
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE					
AmeriCorps	94.006	N/A	-	25,218	29,414
DEPARTMENT OF LABOR					
Passed through PA Department of Labor and Industry					
Trade Adjustment Assistance	17.245	TC-22519-11-60-A-42	-	307,257	307,257
Passed through Educational Data Systems					
WIOA On the Job Training	17.258	YSUB-6446C69-5-13	-	4,504	376
Total Department of Labor			-	311,761	307,633
DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed through Pennsylvania Department of Welfare					
Keystone Education Yields Success (KEYS)	93.558	4100063543	-	377,244	351,988
Passed through Child Care Consultants, Inc.					
PA Keys ECE Credential Program	93.575	HACC1718	-	181,200	167,000
Passed through Pennsylvania Development Disabilities Council					
Development Disabilities Basic Support and Advocacy Grants	93.630	4100066746	-	45,966	21,318
Total Department of Health and Human Services			-	604,410	540,306
DEPARTMENT OF HOMELAND SECURITY					
Passed through the City of Philadelphia					
PA Urban Search and Rescue Task Force	97.025	PA-TF-1	-	599,041	660,510
NATIONAL SCIENCE FOUNDATION					
Passed through Jefferson Community College and Technical College					
Geospatial Tech Center of Excellence: Growing the Workforce	47.076	DUE-1700496-HACC	-	-	11,052
ENVIRONMENTAL PROTECTION AGENCY					
Passed through Redevelopment Authority of Cumberland County					
Environmental Training	66.815	TR-96348001	-	-	41,543
Total federal financial assistance			$ -	$ 86,476,748	$ 86,767,721

NOTE 1 GENERAL INFORMATION

The accompanying Schedule of Expenditures of Federal Awards presents the activities of the federal financial assistance programs of the Harrisburg Area Community College (the College). Financial awards received directly from federal agencies, as well as financial assistance passed through other governmental agencies or nonprofit organizations, are included in the schedule.

NOTE 2 BASIS OF PRESENTATION/ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal awards activity of the College and the expenditures recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the basic financial statements.

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The Schedule of Expenditures of Federal Awards presents only a selected portion of the activities of the College. It is not intended to, and does not, present either the financial position, changes in net position, or cash flows of the College. The financial activity for the aforementioned awards is reported in the College's statement of revenues, expenses, and changes in net position. In certain programs, the expenditures reported in the financial statements may differ from the expenditures reported in the Schedule of Expenditures of Federal Awards, due to program expenditures exceeding grant or contract budget limitations which are not reported as expenditures in the Schedule of Expenditures of Federal Awards.

NOTE 4 FEDERAL DIRECT STUDENT LOANS

The College is only responsible for the performance of certain administrative duties and is not considered the lender with respect to the student loan programs, and accordingly, these loans are not included in its financial statements and it is not practical to determine the balance of loans outstanding to students and former students of the College under these programs. The amount reported on the Schedule of Expenditures of Federal Awards represents new loan advances during the year.

NOTE 5 INDIRECT COST RATE

The College has not elected to use the 10% de minimus indirect cost rate for its federal programs.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Harrisburg Area Community College
Harrisburg, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Harrisburg Area Community College, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Harrisburg Area Community College's basic financial statements, and have issued our report thereon dated October 25, 2018. The financial statements of the Harrisburg Area Community College Foundation, the blended component unit, were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Harrisburg Area Community College Foundation.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
October 25, 2018

Smith Elliott Kearns & Company, LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY *THE UNIFORM GUIDANCE*

Board of Trustees
Harrisburg Area Community College
Harrisburg, Pennsylvania

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Harrisburg Area Community College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Harrisburg Area Community College's major federal programs for the year ended June 30, 2018. Harrisburg Area Community College's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Harrisburg Area Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Harrisburg Area Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Harrisburg Area Community College's compliance.

Opinion on Each Major Federal Program

In our opinion, Harrisburg Area Community College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of Harrisburg Area Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Harrisburg Area Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Harrisburg Area Community College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
October 25, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	☐ Yes ☒ No
• Significant deficiencies identified?	☐ Yes ☒ None reported
Noncompliance material to financial statements noted?	☐ Yes ☒ No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	☐ Yes ☒ No
• Significant deficiencies identified?	☐ Yes ☒ None reported
Type of auditor's report issued on compliance for major programs**:**	Unmodified
• Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516	☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Student Financial Aid Cluster:
84.007	FSEOG Program
84.063	PELL Program
84.033	FWS Program
84.268	Direct Student Loan Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	☐ Yes ☒ No

Section II – Financial Statement Findings

A. Significant Deficiencies or Material Weaknesses in Internal Control

None noted.

B. Compliance Findings

There were no compliance findings related to the financial statement audit required to be reported.

Section III – Federal Findings and Questioned Costs

A. Material Weaknesses in Internal Control Over Compliance

None noted.

B. Compliance Findings

There were no compliance findings related to the federal awards required to be reported.

Summary Schedule of Prior Audit Findings

Harrisburg Area Community College submits the following information pertaining to the status of the 2017 prior year audit findings.

Findings related to financial statements:

None noted

Findings related to federal awards:

Compliance Finding 2017-001 Eligibility for Individuals

Condition: There was one student who was not enrolled for the Spring 2017 term that was awarded a PELL grant for this term.

Current Status: Corrective action was taken. No similar findings were noted on the 2017-2018 audit

Compliance Finding 2017-002 Returns to Title IV Not Completed Timely

Condition: There were two instances identified during our testing, the funds were not returned to ED until more than 200 days after the College learned that the student withdrew.

Current Status: Corrective action was taken. No similar findings were noted on the 2017-2018 audit