Audited Financial Statements

June 30, 2017

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, 2017 and 2016, 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 opinion.

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, 2017 and 2016, and the changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 the College's proportionate share of the net pension liability on pages 57 - 58, schedule of the College's contributions – Pension Plans on page 59, and the required schedule of funding progress - OPEB on page 60 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 opinions on the financial statements that collectively comprise the Harrisburg Area Community College's basic financial statements. 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 18, 2017, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 18, 2017

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, 2017, with selected comparative information for the years ended June 30, 2016 and June 30, 2015. 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 currently 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 and subsequent standards, 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 component unit of the College due in part to the governance structure of the Foundation. The Foundation's financial statements for June 30, 2017 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

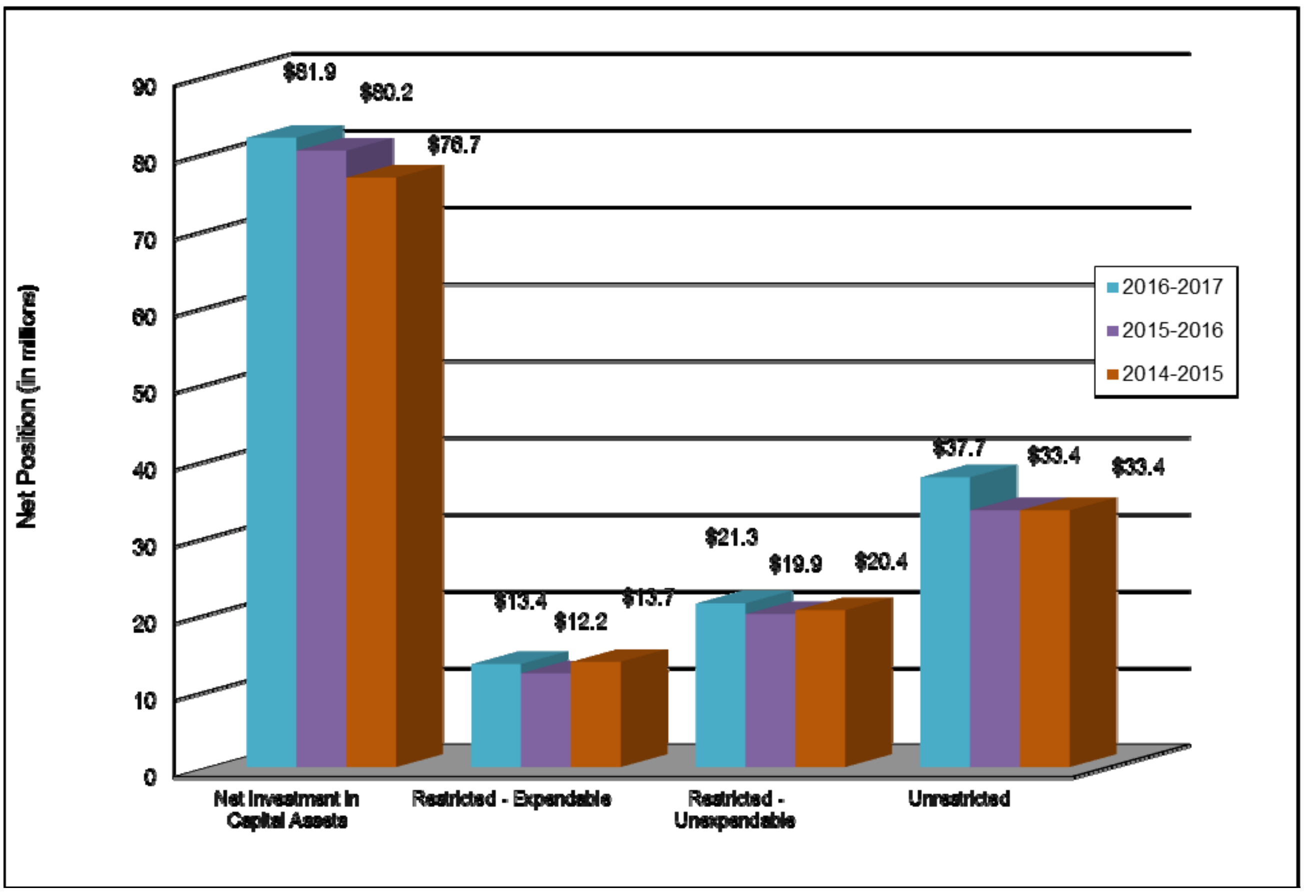
HACC's financial position continues to remain strong as of June 30, 2017. At June 30, 2017, HACC's assets and deferred outflows of resources of $ 349.7 million exceeded its liabilities and deferred inflows of resources of $ 195.4 million by $ 154.3 million, an increase compared to the prior year of $ 8.5 million. At June 30, 2016, assets and deferred outflows of resources of $ 321.3 million exceeded liabilities and deferred inflows of resources of $ 175.6 million by $ 145.7 million, an increase over the prior year of $ 1.5 million.

The "Net Position", which represents the difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources, are divided into four 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 and Foundation. The following table and graph summarizes the College's statement of net position by category for the fiscal years ended June 30, 2017, 2016 and 2015.

Net Position
As of June 30
(In millions)

	2017	2016	Increase (Decrease) 2016-2017	2015	Increase (Decrease) 2015-2016
Net Investment in Capital Assets	$ 81.9	$ 80.2	$ 1.7	$ 76.7	$ 3.5
Restricted - Expendable	13.4	12.2	1.2	13.7	(1.5)
Restricted - Unexpendable	21.3	19.9	1.4	20.4	(0.5)
Unrestricted	37.7	33.4	4.3	33.4	-
Total Net Position	$ 154.3	$ 145.7	$ 8.6	$ 144.2	$ 1.5

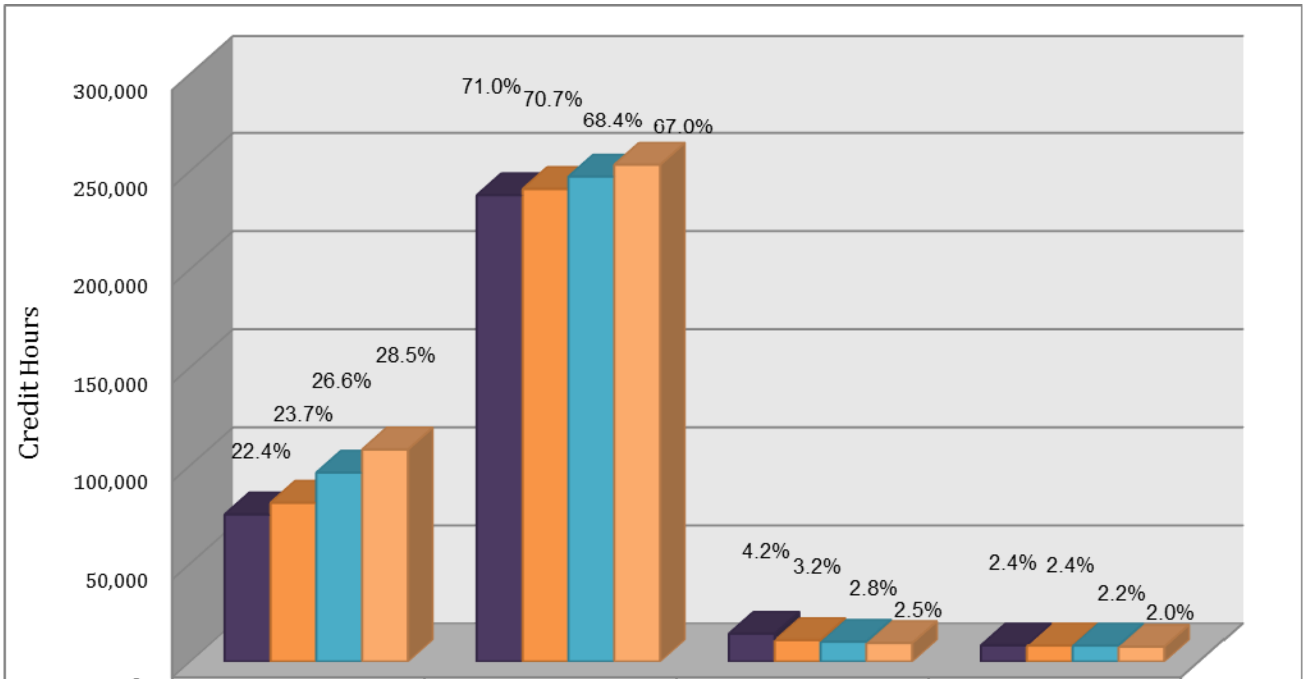
Comparison of Net Position Fiscal Years 2017, 2016 and 2015



CREDIT HOUR PRODUCTION

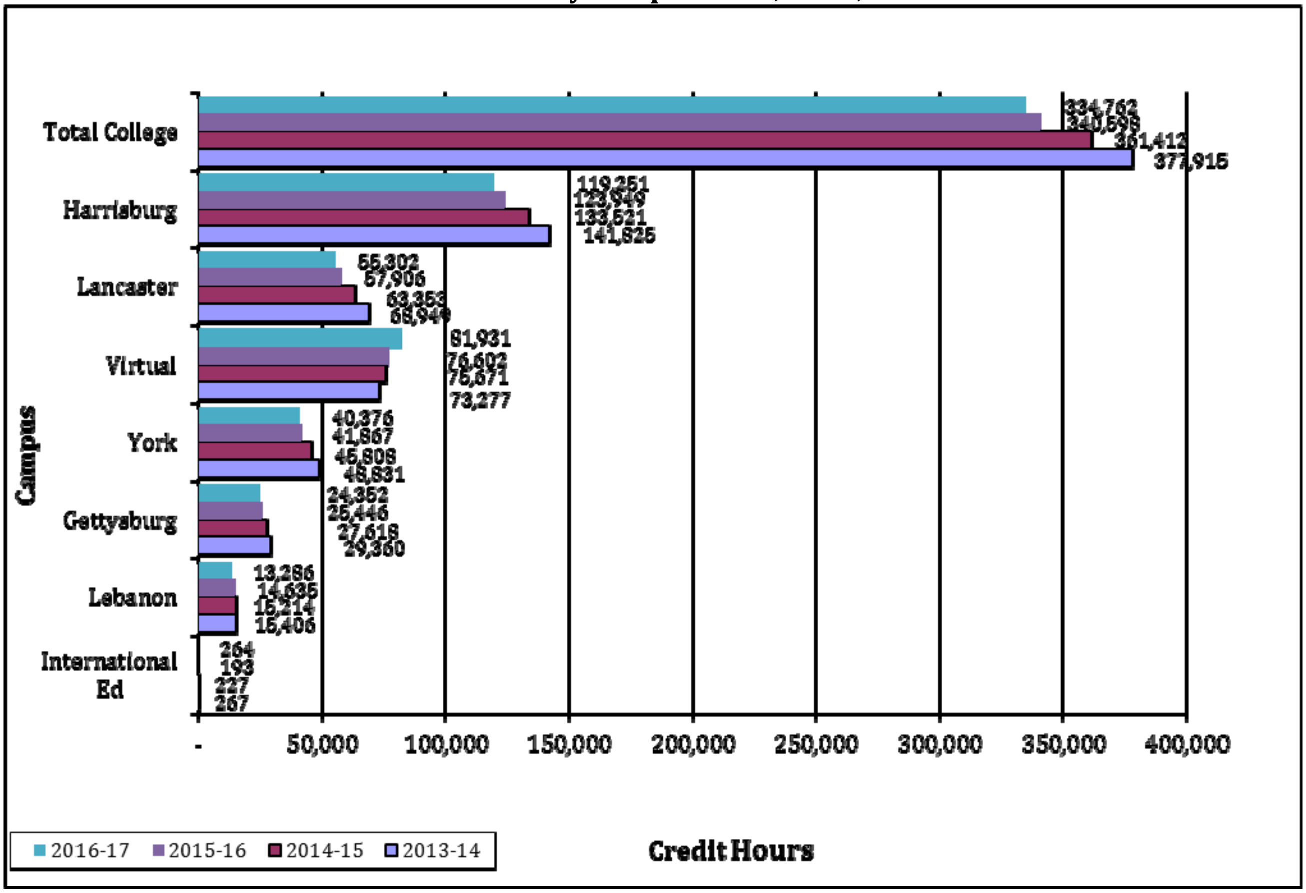
The College experienced a decrease in enrollments of 1.7% (5,838 credit hours) in 2017, 5.7% (20,813 credit hours) in 2016 and 4.4% (16,504 credit hours) in 2015 due to the continuing effects of the economy and college-going demographic. Total credit hours have gone from 361,411 in 2015, 340,598 for 2016 to 334,760 in 2017. In 2017, the proportion of non-sponsored student credit hours compared to total credit hours increased to 71.0% from 70.7% in 2016 and 68.4% in 2015. Correspondingly the proportion of sponsoring student credit hours fell to 22.4% in 2017, down from 23.7% in 2016 and 26.6% in 2015. Each non-sponsored student paid tuition of $ 213.00 per credit hour in 2017, while a sponsored student paid $ 176.00 per credit hour and received local sponsoring school district support.

Credit Hour Production by Student Type



	Sponsored	Nonsponsored	Out of State	College in HS
2016-17	74,894	237,542	14,129	8,196
2015-16	80,858	240,711	10,892	8,137
2014-15	96,223	247,013	10,062	8,114
2013-14	108,001	253,040	9,370	7,504

Credit Hour Production by Campus 2017, 2016, 2015 and 2014



STATEMENT OF NET POSITION

The statement of net position present the assets, deferred outflows/inflows of resources, liabilities, and net position of the College as of the end of the June 30, 2017 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 periods 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)

	2017	2016	Increase (Decrease) 2017-2016	2015	Increase (Decrease) 2016-2015
Assets					
Current Assets	$ 87.2	$ 58.2	$ 29.0	$ 53.0	$ 5.2
Noncurrent Assets	252.2	256.4	(4.2)	268.0	(11.6)
Total Assets	339.4	314.6	24.8	321.0	(6.4)
Deferred Outflows of Resources	10.3	6.7	3.6	4.0	2.7
Total Assets and Deferred Outflows of Resources	349.7	321.3	28.4	325.0	(3.7)
Liabilities					
Current Liabilities	29.7	25.2	4.5	26.2	(1.0)
Noncurrent Liabilities	162.5	147.5	15.0	153.9	(6.4)
Total Liabilities	192.2	172.7	19.5	180.1	(7.4)
Deferred Inflows of Resources	3.2	2.9	0.3	0.7	2.2
Total Liabilities and Deferred Inflows of Resources	195.4	175.6	19.8	180.8	(5.2)
			0.0		
Net Position			0.0		
Net Investment in Capital Assets	81.9	80.2	1.7	76.7	3.5
Restricted - expendable	13.4	12.2	1.2	13.6	(1.4)
Restricted - nonexpendable	21.3	19.9	1.4	20.4	(0.5)
Unrestricted	37.7	33.4	4.3	33.5	(0.1)
Total Net Position	$ 154.3	$ 145.7	$ 8.6	$ 144.2	$ 1.5

In 2017, current assets increased by $ 29.0 million over 2016. During the year, cash and cash equivalents, both operating and restricted, increased by a combined $ 13.8 million and short-term investments increased by $ 15.2 million. Cash and cash equivalents increased by $ 6.4 million over 2016 due to increased state funding and operating cost savings. Due to a second year of Pennsylvania State budget impasse the College adopted a conservative stance in FY 2016-2017 and decided to keep these funds liquid. In July 2016, the College issued General Obligation Bonds – Series 2016 for $ 18 million, increasing the restricted cash and cash equivalents at June 30, 2017 by $ 7.4 million. $ 15.2 million of long-term instruments changed classification to short-term instruments due to nearing of maturity dates and increased investment in commercial paper. In 2017, the College incurred a modest decrease in accounts receivable of $ 400,000 due to continuing collection efforts. The bookstore inventory increased by $ 400,000 due to the opening of our Apple store and repair center thereby increasing the need and dollar value of inventory on hand.

The noncurrent assets decreased by $ 4.3 million in 2017 from the previous year. As noted above $ 15.2 million of the College's long-term instruments changed classification to short-term investments due to the timing of maturity dates, which was partly offset by additional investments resulting in a net decrease in long-term instruments by $ 13.8 million. The Foundation's long- term investments increased by $ 3.6 million due to market gains. The overall decrease in long-term investments was offset by a $ 6.0 million increase in capitalized assets resulting from projects funded by the 2016 Bond. Deferred outflows of resources increased by $ 3.6 million due to a $ 1.5 million increase in deferred charges on bond refinancing, and a $ 2.1 million increase in deferred outflows resulting from changes in proportions, contributions subsequent to the measurement date, and net difference between projected and actual investment earnings relating to recognition of net pension liability.

Current liabilities for 2017 increased by $ 4.5 million due to an increase in accounts payable and deposits held in custody for others of $ 2.5 million and an increase of $ 500,000 in unearned revenue representing an increase in unpaid tuition and fees toward Summer II and Fall 2017 credit and noncredit semesters. The current portion of long-term liabilities increased by $ 1.5 million as a result of the refinancing of the 2008 bonds.

The noncurrent liabilities increased by $ 15.0 million. This resulted from an increase in long term liabilities of $ 11.9 million due to the refinanced bonds series 2016A and the new bond issuance of 2016, an increase in other post employee benefit liabilities of $ 100,000 and the recognition of an additional $ 2.9 million 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 adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 68 *Accounting and Financial Reporting for Pensions,* as of July 1, 2014. This statement requires entities that participate in pension plans to report a liability for its proportionate share of the net pension liability as well as deferred inflows and outflows of resources related to those pension liabilities. The College's proportionate share of net pension liability of the combined PSERS and SERS defined benefit pension plans is $ 30.8 million as of June 30, 2017, $ 27.9 million as of June 30, 2016, and $ 26.5 million as of June 30, 2015. The College's proportionate share of net pension liability from the SERS plan is $ 20.1 million as of June 30, 2017. The PSERS retirement code mandates the Commonwealth of Pennsylvania (Commonwealth) fund 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 which mandates the College record 50% of the net pension liability of the PSERS plan. The College's total PSERS net pension liability is $ 21.2 million which is equally allocated to the College and Commonwealth.

In addition, a deferred inflow, representing the difference between projected and actual investment earnings for the above net pension liability, was recorded as an increase of $ 400,000. See Notes to Financials to Financial Statements note 11 for additional information.

Net position as of June 30, 2017 increased to $ 154.3 million, from $ 145.7 million as of June 30, 2016. The largest portion of the net position, $ 81.9 million, reflects the College's net investment in capital assets, which showed a $ 1.7 million increase over 2016. 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 $ 2.6 million over 2016 due to an increase in the market value of the endowments. The unrestricted net position balance of $ 37.7 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.

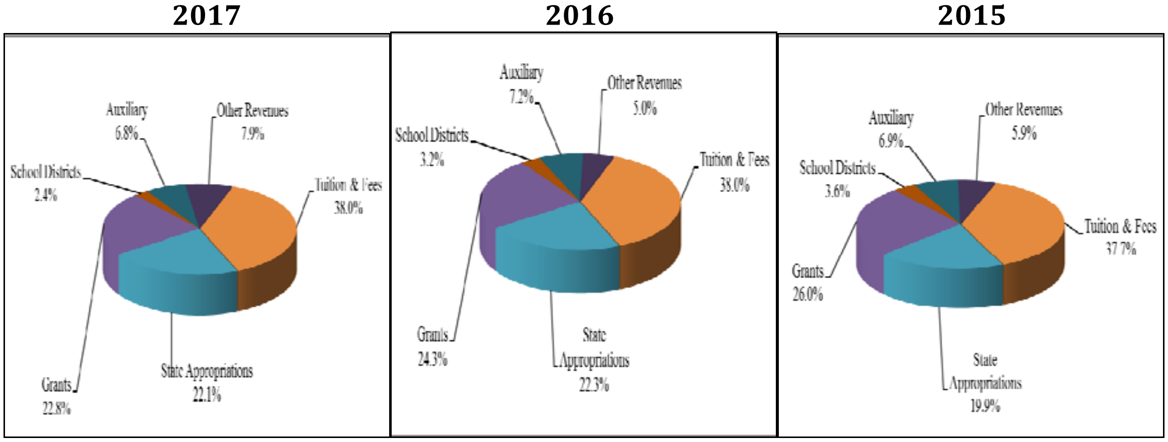
The following is a summarized version of the College's revenues, expenses, and changes in net position for years ending June 30, 2017, 2016 and 2015, as well as graphical representations of revenues and expenses by category.

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

	2017	2016	Increase (Decrease) 2017-2016	2015	Increase (Decrease) 2016-2015
Operating Revenues	$ 127.4	$ 121.4	$ 6.0	$ 133.5	$ (12.1)
Operating Expenses	165.3	164.8	0.5	172.4	(7.6)
Operating Income (Loss)	(37.9)	(43.4)	5.5	(38.9)	(4.5)
Nonoperating Revenues (Net)	36.7	36.2	0.5	35.6	0.6
Net Income (Loss) Before Capital Contributions	(1.2)	(7.2)	6.0	(3.3)	(3.9)
Capital Contributions	9.7	8.7	1.0	9.4	(0.7)
Increase (Decrease) in Net Position	$ 8.5	$ 1.5	$ 7.0	$ 6.1	$ (4.6)

Total Operating and Non-Operating Revenues

2017 **2016** **2015**



2017 Operating revenues of $ 127.4 million were $ 6.0 million higher than $ 121.4 million in 2016. In 2017, tuition and fees increased by $ 2.8 million driven by an overall increase in tuition per credit hour and fees partly offset by a smaller decrease in student enrollment of 1.7%. Scholarship allowances and discounts increased by $ 300,000 resulting in a total tuition and fee increase of $ 2.5 million. Also, the College experienced an overall decrease of $ 900,000 in grants and contracts mainly due to the reduction of PELL Grants. Auxiliary enterprise revenue decreased by $ 300,000, largely driven by a

$ 310,000 decrease in bookstore revenue, partly offset by a slight increase in food service revenue in Harrisburg campus of $ 10,000. Other operating revenues which includes income from institutional fees increased by $ 800,000. For the Foundation, Contributions increased by $ 100,000 over 2016 due to an increase in contributions pledged and an increase in special event contributions. Foundation investment income decreased by $ 300,000 due to changing interest rates and a lesser return on investment, while realized and unrealized gains increased by $ 4.1 million due to positive market conditions.

Tuition Per Credit Hour Comparison

	2017	2016	2015
Sponsored	$ 176.00	$ 162.50	$ 152.50
Non Sponsored	213.00	207.00	207.00
Out of State	256.00	250.00	310.50
Dual Enrolled	100.00	100.00	Regular Rate
College in the High School	50.00	50.00	50.00
Veteran	176.00	162.50	Regular Rate

2017 Operating expenses increased by $500,000 for a total of $165.3 million. With the exception of benefits and payroll taxes, supplies and other expense and professional and purchased services, the College experienced a decrease in all expense categories in 2017 compared to 2016. Salary and fringe benefits combined increased $ 1.0 million due to a $ 1.3 million increase in benefit costs partly being offset by vacant positions savings. Professional and purchased services increased by $ 1.1 million due to increased usage of contracted services to cover for vacant positions. Scholarships decreased by $ 1.4 million due to a reduction in PELL awards of $ 3.3 million and slight decreases in other scholarships. Supplies and other expenses increased by $ 500,000 due to increases in software costs. Depreciation and Amortization decreased by $ 600,000 due to correction to existing assets that had been over depreciated.

Non-operating revenues (expenses) increased by $ 500,000 which includes increases of $ 1.2 million in state appropriations and gifts and savings of $ 200,000 in interest expense due to refinancing of debt. Local appropriations (school district allocations) decreased by $ 1.0 million due to a change in the sponsoring contractual agreement and an increase of $ 100,000 in investment income due to an increase in interest rates.

The total capital contributions for fiscal year 2017 amounted to $ 9.7 million. This was an increase of $ 1.0 million compared to 2016 which includes an increase of $ 900,000 in local and state appropriations and an increase of $ 100,000 in grants and gifts.

Ending net position as reported in the Statement of Revenues, Expenses, and Changes in Net Position reflects an overall increase of $ 8.5 million when compared to the net position reported as of June 30, 2016.

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, 2017 increased $ 13.7 million compared to the prior year's increase of $ 5.4 million. The following is a summary of the statement of cash flows for the years ending June 30, 2017, 2016 and 2015.

Cash Flows
(In millions)

	2017	2016	Increase (Decrease) 2017-2016	2015	Increase (Decrease) 2016-2015
Cash Provided (Used) By:					
Operating Activities	$ (65.7)	$ (69.5)	$ 3.8	$ (68.4)	$ (1.1)
Noncapital Financing Activities	79.0	78.0	1.0	83.0	(5.0)
Capital Financing Activities	1.6	(11.3)	12.9	(10.5)	(0.8)
Investing Activities	(1.2)	8.2	(9.4)	(5.0)	13.2
Net Increase (decrease) in Cash and Cash Equivalents	13.7	5.4	8.3	(0.9)	6.3
Cash and Cash Equivalents - Beginning of Year	42.4	37.0	5.4	37.9	(0.9)
Cash and Cash Equivalents - End of Year	$ 56.1	$ 42.4	$ 13.7	$ 37.0	$ 5.4

CAPITAL ASSET AND DEBT ADMINISTRATION

During the year ending June 30, 2017, the College had total capital additions of approximately $ 16.8 million which included the Harrisburg Campus renovation of the Cooper Student Center, the renovation of the West Parking Lot, the replacement of the Whitaker Cooling Towers, Whitaker Envelope repair, capital lease of additional fleet vehicles and the purchase of miscellaneous equipment. The Lancaster Campus saw the Learning Center/Library renovation and miscellaneous equipment purchases. The York Campus had six major projects begin, including the Goodling/Cytec Parking Lot Lighting replacement, the Goodling Electrical Service replacement, the Leader Restroom renovation, the Cytec Parking Lot Drainage & Resurface, the Leader Parking Lot Reconstruction and the engineering of the Leader Roof repair. In addition, an Auto Lab Extension was completed. Gettysburg and Lebanon Campuses saw miscellaneous equipment purchases.

The College has several outstanding debt instruments which were issued to finance various construction projects and other improvements. These debts, including payment schedules are fully disclosed in greater detail within Notes 7 and 8 of the financial statements.

CAPITAL PLAN

For 2018, the College has a variety of capital projects that have been planned or are currently being planned based upon funding availability. The Harrisburg Campus will complete the Cooper Student Center and West Parking Lot renovations by the fall of 2017. New projects for the Harrisburg Campus will be Roof renovations on Stabler and McCormick Buildings and Sound Deadening classroom improvements. Projects on the Lancaster Campus include adding a right turn lane at one of the major intersection to the campus. Gettysburg Campus will be replacing three Rooftop Units. College wide Collaborative Classroom improvements are planned.

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 will contribute $ 4.0 million in operating support, this 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 method 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. Baker Tilly, a nationally recognized and locally based accounting and advisory firm that offers internal audit, risk-related and consulting services to higher education institutions, will work closely with the College by conducting interviews with colleagues, gain feedback to develop a risk assessment report, establish key performance indicators (KPIs) and develop a college-wide policy to help the College make sound risk decisions.

Overall, the College's current financial position remains strong as is evident by the 2017 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, 2017 and 2016

	Primary Institution		Component Unit Foundation		Total	
	2017	2016 (as restated)	2017	2016	2017	2016
ASSETS						
Current Assets						
Cash and cash equivalents	$ 46,178,973	$ 38,775,177	$ 2,351,417	$ 3,373,626	$ 48,530,390	$ 42,148,803
Restricted cash and cash equivalents	7,591,245	237,901	-	-	7,591,245	237,901
Short-term investments	18,342,345	3,125,393	-	-	18,342,345	3,125,393
Accounts receivable, net	9,017,746	9,403,688	343,326	367,972	9,361,072	9,771,660
Loans receivable - current portion	731	829	-	-	731	829
Other assets	967,525	941,751	-	-	967,525	941,751
Inventories	2,366,780	2,001,817	-	-	2,366,780	2,001,817
Internal balances	338,812	173,276	(338,812)	(173,276)	-	-
Total Current Assets	84,804,157	54,659,832	2,355,931	3,568,322	87,160,088	58,228,154
Noncurrent Assets						
Long-term investments	11,523,336	25,368,745	34,497,235	30,866,147	46,020,571	56,234,892
Accounts receivable - long term portion	-	-	112,838	160,576	112,838	160,576
Loans receivable - long term portion	8,492	9,013	-	-	8,492	9,013
Capital assets, net of accumulated depreciation	206,019,695	199,997,926	-	-	206,019,695	199,997,926
Total Noncurrent Assets	217,551,523	225,375,684	34,610,073	31,026,723	252,161,596	256,402,407
Total Assets	302,355,680	280,035,516	36,966,004	34,595,045	339,321,684	314,630,561
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pension liability	8,032,024	5,904,286	-	-	8,032,024	5,904,286
Deferred charge on bond refunding	2,302,307	810,354	-	-	2,302,307	810,354
Total Deferred Outflows of Resources	10,334,331	6,714,640	-	-	10,334,331	6,714,640
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 312,690,011	$ 286,750,156	$ 36,966,004	$ 34,595,045	$ 349,656,015	$ 321,345,201
LIABILITIES						
Current Liabilities						
Accounts payable and accrued expenses	$ 13,537,363	$ 11,180,875	$ -	$ -	$ 13,537,363	$ 11,180,875
Deposits held in custody for others	2,102,060	1,981,156	-	-	2,102,060	1,981,156
Unearned revenue	3,791,287	3,248,858	-	-	3,791,287	3,248,858
Current portion of long-term liabilities	10,233,403	8,774,306	-	-	10,233,403	8,774,306
Total Current Liabilities	29,664,113	25,185,195	-	-	29,664,113	25,185,195
Noncurrent Liabilities						
Long-term liabilities	130,280,993	118,310,834	-	-	130,280,993	118,310,834
Net pension liability	30,755,972	27,883,778	-	-	30,755,972	27,883,778
OPEB obligations	1,461,934	1,378,084	-	-	1,461,934	1,378,084
Total Noncurrent Liabilities	162,498,899	147,572,696	-	-	162,498,899	147,572,696
Total Liabilities	192,163,012	172,757,891	-	-	192,163,012	172,757,891
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pension liability	3,226,207	2,862,386	-	-	3,226,207	2,862,386
NET POSITION						
Net investment in capital assets	81,876,657	80,220,696	-	-	81,876,657	80,220,696
Restricted - expendable	-	-	13,416,169	12,207,303	13,416,169	12,207,303
Restricted - nonexpandable	-	-	21,244,467	19,909,268	21,244,467	19,909,268
Unrestricted	35,424,135	30,909,183	2,305,368	2,478,474	37,729,503	33,387,657
Total Net Position	117,300,792	111,129,879	36,966,004	34,595,045	154,266,796	145,724,924
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 312,690,011	$ 286,750,156	$ 36,966,004	$ 34,595,045	$ 349,656,015	$ 321,345,201

HARRISBURG AREA COMMUNITY COLLEGE
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016

	Primary Institution		Component Unit Foundation		Total	
	2017	2016 (as restated)	2017	2016	2017	2016
REVENUES						
Operating Revenues						
Student tuition and fees	$ 79,858,189	$ 77,050,067	$ -	$ -	$ 79,858,189	$ 77,050,067
Scholarship allowance and discounts	(17,562,093)	(17,150,343)	-	-	(17,562,093)	(17,150,343)
Federal grants	29,725,455	30,810,189	-	-	29,725,455	30,810,189
State and local grants	7,688,835	7,450,317	-	-	7,688,835	7,450,317
Nongovernmental grants	5,946	36,845	-	-	5,946	36,845
Sales and services of auxiliary enterprises	11,135,209	11,427,756	-	-	11,135,209	11,427,756
Other operating revenues	12,136,349	11,331,436	-	-	12,136,349	11,331,436
Contributions	-	-	989,407	884,516	989,407	884,516
Investment income, net of investment expenses	-	-	624,640	905,027	624,640	905,027
Realized and unrealized gains (losses) on investments	-	-	2,757,612	(1,308,426)	2,757,612	(1,308,426)
Total Operating Revenues	122,987,890	120,956,267	4,371,659	481,117	127,359,549	121,437,384
EXPENSES						
Operating Expenses						
Salaries and wages	74,268,861	75,017,278	1,005,588	589,097	75,274,449	75,606,375
Benefits and payroll taxes	26,725,467	25,616,856	435,897	244,188	27,161,364	25,861,044
Supplies and other expense	24,378,801	23,362,642	417,162	913,184	24,795,963	24,275,826
Professional and purchased services	5,485,373	4,789,917	463,161	54,350	5,948,534	4,844,267
Utilities	3,379,942	3,420,075	-	-	3,379,942	3,420,075
Depreciation and amortization	10,854,162	11,508,592	-	-	10,854,162	11,508,592
Scholarships	17,879,030	19,258,183	-	-	17,879,030	19,258,183
Contributions and grants	-	-	-	-	-	-
Total Operating Expenses	162,971,636	162,973,543	2,321,808	1,800,819	165,293,444	164,774,362
Operating (Loss)	(39,983,746)	(42,017,276)	2,049,851	(1,319,702)	(37,933,895)	(43,336,978)
NON-OPERATING REVENUES (EXPENSES)						
State appropriations	36,331,435	35,173,419	-	-	36,331,435	35,173,419
Local appropriations	4,000,494	5,000,000	-	-	4,000,494	5,000,000
Gifts	584,943	511,149	-	-	584,943	511,149
Gain (loss) on sale of assets	27	41,323	-	-	27	41,323
Investment income, net of investment expenses	445,177	277,777	-	-	445,177	277,777
Interest expense	(4,646,277)	(4,792,010)	-	-	(4,646,277)	(4,792,010)
Total Non-Operating Revenues, net	36,715,799	36,211,658	-	-	36,715,799	36,211,658
Net (Loss) Before Capital Contributions, Additions to Permanent Endowments and Transfers	(3,267,947)	(5,805,618)	2,049,851	(1,319,702)	(1,218,096)	(7,125,320)
CAPITAL CONTRIBUTIONS, ADDITIONS TO PERMANENT ENDOWMENTS AND TRANSFERS						
Capital appropriations - local sources	1,500,000	1,000,000	-	-	1,500,000	1,000,000
Capital appropriations - state sources	7,172,206	6,827,766	-	-	7,172,206	6,827,766
Capital grants and gifts	463,244	267,786	-	-	463,244	267,786
Contributions to permanent endowments	-	-	624,518	566,130	624,518	566,130
Transfers in	2,076,186	1,739,465	1,772,776	833,271	3,848,962	2,572,736
Transfers out	(1,772,776)	(833,271)	(2,076,186)	(1,739,465)	(3,848,962)	(2,572,736)
Total Capital Contributions, Additions to Permanent Endowments and Transfers	9,438,860	9,001,746	321,108	(340,064)	9,759,968	8,661,682
Change in Net Position	6,170,913	3,196,128	2,370,959	(1,659,766)	8,541,872	1,536,362
Net Position - Beginning of Year, as Restated	111,129,879	107,933,751	34,595,045	36,254,811	145,724,924	144,188,562
Net Position - End of Year	$ 117,300,792	$ 111,129,879	$ 36,966,004	$ 34,595,045	$ 154,266,796	$ 145,724,924

HARRISBURG AREA COMMUNITY COLLEGE
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	Primary Institution		Component Unit Foundation		Total	
	2017	2016 (as restated)	2017	2016	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments received for tuition and fees	$ 62,044,007	$ 59,977,926	$ -	$ -	$ 62,044,007	$ 59,977,926
Payments received from auxiliary enterprise charges	11,002,257	11,429,140	-	-	11,002,257	11,429,140
Payments received from other revenues	12,009,649	11,115,261	1,483,742	1,479,280	13,493,391	12,594,541
Payments to and on behalf of employees	(99,091,484)	(101,134,273)	-	-	(99,091,484)	(101,134,273)
Payments to suppliers for goods and services	(35,096,630)	(32,221,439)	(179,088)	(819,444)	(35,275,718)	(33,040,883)
Payments for financial aid and scholarships	(17,878,365)	(19,259,611)	-	-	(17,878,365)	(19,259,611)
Net cash provided (used) by operating activities	(67,010,565)	(70,092,996)	1,304,654	659,836	(65,705,911)	(69,433,160)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Grants and contracts	38,120,063	36,276,255	-	-	38,120,063	36,276,255
State appropriations	36,004,549	34,987,201	-	-	36,004,549	34,987,201
Local appropriations	4,284,273	5,289,904	-	-	4,284,273	5,289,904
Gifts received	628,025	1,408,965	-	-	628,025	1,408,965
Transfer to/(from) other funds	2,076,186	1,739,465	(2,076,186)	(1,739,465)	-	-
Net cash provided (used) by noncapital financing activities	81,113,096	79,701,790	(2,076,186)	(1,739,465)	79,036,910	77,962,325
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES						
State and local appropriations	8,672,207	7,827,766	-	-	8,672,207	7,827,766
Capital grants and gifts received	463,244	961,905	-	-	463,244	961,905
Purchases of capital assets	(14,630,495)	(8,121,270)	-	-	(14,630,495)	(8,121,270)
Proceeds from sale of capital assets	27	41,327	-	-	27	41,327
Proceeds from capital debt	33,271,513	103,903	-	-	33,271,513	103,903
Capital debt refinancing payment	(14,079,998)	-	-	-	(14,079,998)	-
Principal paid on debt and capital leases	(7,245,460)	(7,107,056)	-	-	(7,245,460)	(7,107,056)
Interest paid on debt and capital leases	(4,835,109)	(5,016,022)	-	-	(4,835,109)	(5,016,022)
Net cash provided (used) by capital financing activities	1,615,929	(11,309,447)	-	-	1,615,929	(11,309,447)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	(17,321,990)	(85,737,935)	(873,476)	(503,416)	(18,195,466)	(86,241,351)
Proceeds from sale/maturities of investments	15,950,447	93,224,250	-	-	15,950,447	93,224,250
Investment income	410,223	285,304	622,799	913,662	1,033,022	1,198,966
Net cash provided (used) by investing activities	(961,320)	7,771,619	(250,677)	410,246	(1,211,997)	8,181,865
Increase(Decrease) in cash and cash equivalents	14,757,140	6,070,966	(1,022,209)	(669,383)	13,734,931	5,401,583
Cash and cash equivalents - beginning of year	39,013,078	32,942,112	3,373,626	4,043,009	42,386,704	36,985,121
Cash and cash equivalents - end of year	$ 53,770,218	$ 39,013,078	$ 2,351,417	$ 3,373,626	$ 56,121,635	$ 42,386,704
AS REPORTED ON STATEMENT OF NET POSITION						
Cash and cash equivalents	$ 46,178,973	$ 38,775,177	$ 2,351,417	$ 3,373,626	$ 48,530,390	$ 42,148,803
Restricted cash and cash equivalents	7,591,245	237,901	-	-	7,591,245	237,901
Total cash and cash equivalents	$ 53,770,218	$ 39,013,078	$ 2,351,417	$ 3,373,626	$ 56,121,635	$ 42,386,704

HARRISBURG AREA COMMUNITY COLLEGE
Statements of Cash Flows (Continued)
Years Ended June 30, 2017 and 2016

	Primary Insitution		Component Unit Foundation		Total	
	2017	2016 (as restated)	2017	2016	2017	2016
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES						
Operating (loss)	$ (39,983,746)	$ (42,017,276)	$ 2,049,851	$ (1,319,702)	$ (37,933,895)	$ (43,336,978)
Adjustments to reconcile net operating loss to net cash used in operating activities:						
Depreciation and amortization	10,854,162	11,508,592	-	-	10,854,162	11,508,592
Grants classified as operating revenues	(37,420,236)	(38,297,351)	-	-	(37,420,236)	(38,297,351)
Investment income	-	-	(624,640)	(905,027)	(624,640)	(905,027)
Realized and unrealized (gains) losses on investments	-	-	(2,757,612)	1,308,426	(2,757,612)	1,308,426
Contributions to permanent endowments	-	-	624,518	566,130	624,518	566,130
Transfers to/(from) other funds	(1,772,776)	(833,271)	1,772,776	833,271	-	-
(Increase) Decrease in:						
Accounts receivable	(678,795)	281,877	74,225	811,973	(604,570)	1,093,850
Inventory	(364,963)	(91,887)	-	-	(364,963)	(91,887)
Other assets	(75,816)	70,498	-	-	(75,816)	70,498
Increase (Decrease) in:						
Unearned revenue	171,941	(399,677)	-	-	171,941	(399,677)
Accounts payable and accrued expenses	728,411	(1,283,233)	165,536	(635,235)	893,947	(1,918,468)
Compensated absences	218,222	(31,716)	-	-	218,222	(31,716)
Other postemployment benefits	83,850	100,888	-	-	83,850	100,888
Net pension liability and related items	1,108,277	716,225	-	-	1,108,277	716,225
Deposits held in custody for others	120,904	183,335	-	-	120,904	183,335
Net cash provided (used) by operating activities	$ (67,010,565)	$ (70,092,996)	$ 1,304,654	$ 659,836	$ (65,705,911)	$ (69,433,160)
NONCASH INVESTING, CAPITAL AND NONCAPITAL FINANCING TRANSACTIONS						
Capital gifts of equipment and buildings	$ 37,135	$ 8,500	$ -	$ -	$ 37,135	$ 8,500
Transfers of salaries, benefits, and professional services (in-kind contributions)	$ (1,772,776)	$ (833,271)	$ 1,772,776	$ 833,271	$ -	$ -
Unrealized gains (losses) on investments	$ (121,486)	$ (3,115)	$ 2,669,032	$ (1,308,426)	$ 2,547,546	$ (1,311,541)

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"), including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities (an Amendment of GASB Statement No. 34*). The financial statement presentation required by GASB No. 34 and No. 35 provides 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, but have separate columns for the activity of the College and the Foundation.

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, 2017 and 2016. 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 fair 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 liabilities. These amounts will be amortized in future periods. A deferred charge on bond refunding results from the difference in the carrying value of refunding debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 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, discounts, and prepaid bond insurance costs are deferred and amortized over the life of the bonds using either the straight-line method or the rate of the interest expense, 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 the 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 uncollectibles.

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. See Note 11 for additional information.

NOTE 2 DEPOSITS AND INVESTMENTS

The College authorizes the following investment instruments which are allowable under PA Law, including Act 10 of 2016:

- 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.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

- 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 they 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.

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 to it. 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, 2017, $ 23,032,925 of the College's bank balance of $ 55,044,920 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, 2017, $ 1,095,281 of the Foundation's bank balance of $ 2,345,281 was exposed to custodial credit risk, all of which was uninsured and uncollateralized.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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 $ 513,014 (classified as cash equivalents) at June 30, 2017. 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, 2017, 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.

As of June 30, 2017, the Foundation's investments were rated as follows:

Investment Type	Fair Value	S+P Credit Quality Rating
Stocks, options, and ETF's	$ 18,858,096	N/A
Fixed income securities	7,328,312	B+ - AA+
Mutual funds	7,067,777	N/A
Private hedge fund	1,243,050	N/A
	$ 34,497,235	

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, 2017, 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	$ 18,573,688	$ 8,053,629	$ 10,520,059
Commercial paper	10,288,714	10,288,714	-

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

As of June 30, 2017, 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	$ 7,328,312	$ -	$ 5,235,309	$ 2,093,003

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

Foreign Securities and Currencies Risk – Investments

Foreign securities prices may decline or fluctuate because of economic or political actions of foreign governments or the possibility that foreign currency will fluctuate in value against the U.S. dollar. Investments include foreign bonds and equities with a fair value of $ 4,868,992 which may be subject to foreign securities and currencies risk.

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). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability. Classification of assets and liabilities within the hierarchy considers the markets in which the assets and liabilities are traded and reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy and those investments included in each are as follows:

Level 1 – Represented by quoted prices available in an active market. Level 1 securities include highly liquid government bonds, treasury securities, mortgage products and exchange traded equities and mutual funds.

Level 2 – Represented by assets and liabilities similar to Level 1 where quoted prices are not available, but are observable, either directly or indirectly through corroboration with observable market data, such as quoted prices for similar securities and quoted prices in inactive markets and estimated using pricing models or discounted cash flows. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states, and political subdivisions and certain corporate, asset backed securities, swap agreements, and life insurance contracts.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments – Fair Value Measurements (Continued)

Level 3 – Represented by financial instruments where there is limited activity or unobservable market prices and pricing models significant to determining the fair value measurement include the reporting entity's own assumptions about the market risk. Level 3 securities would include hedge funds, private equity securities, and those with internally developed values.

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.

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 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.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Hedge Fund Investment (Continued)

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.

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, 2017 and 2016:

	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 by type:				
Fixed income	2,713,848	2,713,848	-	-
Equity	1,271,209	1,271,209	-	-
Alternative investments	3,082,720	3,082,720	-	-
Total mutual funds	7,067,777	7,067,777	-	-
Equities by industry:				
Consumer discretionary	1,520,709	1,520,709	-	-
Consumer staples	123,309	123,309	-	-
Financials	1,558,791	1,558,791	-	-
Health care	958,048	958,048	-	-
Industrials	787,345	787,345	-	-
Information technology	1,144,410	1,144,410	-	-
Materials	64,086	64,086	-	-
Other - Foreign stocks	4,468,870	4,468,870	-	-
Exchange traded funds	6,553,596	6,553,596	-	-
Total 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 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Hedge Fund Investment (Continued)

	2016			
	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	$ 28,494,138	$ -	$ 28,494,138	$ -
Foundation:				
Mutual funds by type:				
Fixed Income	2,351,056	2,351,056	-	-
Equity	887,147	887,147	-	-
Alternative investments	2,183,386	2,183,386	-	-
Total mutual funds	5,421,589	5,421,589	-	-
Equities by industry:				
Consumer discretionary	663,522	663,522	-	-
Consumer staples	172,579	172,579	-	-
Energy	59,263	59,263	-	-
Financials	1,073,584	1,073,584	-	-
Health care	1,071,468	1,071,468	-	-
Industrials	356,696	356,696	-	-
Information technology	1,253,078	1,253,078	-	-
Materials	80,455	80,455	-	-
Telecom services	763,545	763,545	-	-
Other - Foreign stocks	4,209,348	4,209,348	-	-
Exchange traded funds	5,823,610	5,823,610	-	-
Total equities	15,527,148	15,527,148	-	-
US Government obligations	2,375,040	-	2,375,040	-
Fixed income exchange traded funds	1,654,596	1,654,596	-	-
Foreign bonds	712,717	-	712,717	
Corporate bonds	3,997,330	-	3,997,330	-
Total investments by fair value category	$ 58,182,558	$ 22,603,333	$ 35,579,225	$ -
Investments (Foundation) measured at net asset value (NAV)				
Private hedge fund	1,177,727			
Total investments measured at fair value	$ 59,360,285			

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

	College		HACC Foundation		Total	
	2017	2016	2017	2016	2017	2016
Student Tuition and fees	$ 7,877,686	$ 7,856,181	$ -	$ -	$ 7,877,686	$ 7,856,181
Allowance for doubtful accounts	(1,442,000)	(1,500,000)	-	-	(1,442,000)	(1,500,000)
Grants and contracts receivable	1,357,890	1,834,116	-	-	1,357,890	1,834,116
State appropriations receivable	655,915	327,026	-	-	655,915	327,026
Bookstore receivables	139,235	1,541	-	-	139,235	1,541
Other receivables	429,020	884,824	58,796	56,955	487,816	941,779
Contributions receivable (net of discount)	-	-	464,146	765,177	464,146	765,177
Allowance for doubtful accounts	-	-	(66,778)	(293,584)	(66,778)	(293,584)
Total	$ 9,017,746	$ 9,403,688	$ 456,164	$ 528,548	$ 9,473,910	$ 9,932,236

Bookstore receivables are net of $ 712,863 and $ 302,959 in vendor credit memos at June 30, 2017 and 2016, respectively.

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% - 1.71% at June 30, 2017 and 2016. 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 $ 313,343 as of June 30, 2017 and $ 334,203 as of June 30, 2016.

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 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, $ 797,143 and $ 797,198 was designated as spendable income within the restricted nonexpendable funds during the years ended June 30, 2017 and 2016, respectively. The remaining amount of accumulated spendable income which is included in restricted expendable net position is $ 1,495,365 and $ 1,089,801 at June 30, 2017 and 2016, respectively.

NOTE 5 CAPITAL ASSETS

The following is a summary of capital asset transactions of the College for the years ended June 30, 2017 and 2016:

2017	Beginning Balance	Additions	Retirements	Ending Balance
Cost:				
Land (not being depreciated)	$ 11,368,181	$ -	$ -	$ 11,368,181
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
Construction in progress (not being depreciated)	3,420,319	14,355,383	(3,389,525)	14,386,177
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 5 CAPITAL ASSETS (CONTINUED)

2016				
	Beginning Balance	Additions	Retirements	Ending Balance
Cost:				
Land (not being depreciated)	$ 11,368,181	$ -	$ -	$ 11,368,181
Building	156,153,430	-	-	156,153,430
Improvements - land	8,549,561	764,535	-	9,314,096
Improvements - building	72,162,428	2,970,483	-	75,132,911
Improvements - leasehold	17,427,316	-	-	17,427,316
Instructional equipment	36,712,159	924,282	(76,243)	37,560,198
Non-instructional equipment	26,144,352	1,180,398	(161,105)	27,163,645
Construction in progress (not being depreciated)	1,202,500	5,337,653	(3,119,834)	3,420,319
Total cost	329,719,927	11,177,351	(3,357,182)	337,540,096
Less accumulated depreciation:				
Building	(42,871,647)	(3,677,019)	-	(46,548,666)
Improvements - land	(1,844,588)	(417,606)	6,037	(2,256,157)
Improvements - building	(24,827,181)	(3,548,475)	-	(28,375,656)
Improvements - leasehold	(7,234,251)	(848,769)	-	(8,083,020)
Instructional equipment	(24,470,342)	(1,211,909)	53,024	(25,629,227)
Non-instructional equipment	(25,016,646)	(1,792,891)	160,093	(26,649,444)
Total accumulated depreciation	(126,264,655)	(11,496,669)	219,154	(137,542,170)
Capital assets, net	$ 203,455,272	$ (319,318)	$ (3,138,028)	$ 199,997,926

NOTE 6 OTHER ASSETS

Other assets of the College at June 30 consist of:

	2017	2016
Prepaid expenses	$ 505,136	$ 475,478
Prepaid bond insurance	617,030	618,852
Accumulated amortization - prepaid bond insurance	(154,641)	(152,579)
	$ 967,525	$ 941,751

NOTE 7 SHORT-TERM AND LONG-TERM LIABILITIES

Long-term liabilities had the following activity during the year ended June 30, 2017 and 2016:

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

2016

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Long-term Portion
Leases and bonds/notes payable:						
Capital lease obligations	$ 173,602	$ 103,904	$ (52,057)	$ 225,449	$ 63,389	$ 162,060
Bonds and notes payable:						
Series of 2008	18,885,000	-	(1,425,000)	17,460,000	1,490,000	15,970,000
Series of 2011	44,700,000	-	(1,805,000)	42,895,000	1,890,000	41,005,000
Series of 2012	13,740,000	-	(580,000)	13,160,000	595,000	12,565,000
Series of 2013	6,260,000	-	(990,000)	5,270,000	1,005,000	4,265,000
Series of 2014	21,890,000	-	(1,600,000)	20,290,000	1,645,000	18,645,000
Series of 2015	5,720,000	-	(655,000)	5,065,000	935,000	4,130,000
Series of 2015A	14,245,000	-	-	14,245,000	170,000	14,075,000
Bond premium	2,714,007	-	(222,006)	2,492,001	189,114	2,302,887
Bond discount	(298,701)	-	21,808	(276,893)	(21,808)	(255,085)
Total leases and bonds/notes payable	128,028,908	103,904	(7,307,255)	120,825,557	7,960,695	112,864,862
Other liabilities:						
Compensated absences:						
Vacation leave	3,014,495	465,279	(382,925)	3,096,849	403,749	2,693,100
Sick leave	3,109,497	477,531	(424,294)	3,162,734	409,862	2,752,872
Total other liabilities	6,123,992	942,810	(807,219)	6,259,583	813,611	5,445,972
Total long-term liabilities	$ 134,152,900	$ 1,046,714	$ (8,114,474)	$ 127,085,140	$ 8,774,306	$ 118,310,834

NOTE 7 SHORT-TERM AND LONG-TERM LIABILITIES (CONTINUED)

Bonds Payable

Bonds payable at June 30, 2017 and 2016 consist of the following:

	2017	2016
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.	$ 3,200,000	$ 17,460,000
2011, issued $51,010,000 in December 2011; at a fixed rate of 2.00%-5.00%; interest and princpal payable semi-annually through October 2031.	41,005,000	42,895,000
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.	12,565,000	13,160,000
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.	4,265,000	5,270,000
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.	18,645,000	20,290,000
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.	4,130,000	5,065,000
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.	14,075,000	14,245,000
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.	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.	13,620,000	-
Total bonds payable	$ 128,745,000	$ 118,385,000

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.

Series of 2016A Bonds Payable

With the issuance of the Series of 2016A bonds, the Series of 2008 was advance refunded. At June 30, 2017, there is $ 12,770,000 of defeased principal bonds that will mature and be paid on October 1, 2018. In addition, there is $ 13,807,288 currently in escrow to cover both principal and interest payments between June 30, 2017 and October 1, 2018.

As a result of the refunding of the Series of 2008, with the issuance of the Series of 2016A bonds, the College will have the following benefits:

(1) Cash flow gain $ 1,629,434
(2) Economic gain $ 1,611,685

(1) Represents the difference between the cash flows required to service the old debt and the new debt, less bond issue costs.
(2) Represents the difference in present value of the old debt and the new debt, less bond issue costs.

NOTE 7 SHORT-TERM AND LONG-TERM LIABILITIES (CONTINUED)

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%. There were no draws on the line of credit during the fiscal year and the ending balance as of June 30, 2017 and 2016 is $ 0.

Subsequent Event

Subsequent to year-end, the College reduced the line of credit from $ 30,000,000 to $ 10,000,000, with the interest rate remaining the same.

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 June 30	State Share Principal	State Share Interest	College Share Principal	College Share Interest	Total Principal	Total Interest	Total
2018	$ 3,975,000	$ 2,123,441	$ 4,835,000	$ 2,781,179	$ 8,810,000	$ 4,904,620	$ 13,714,620
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
2023-2027	18,643,750	5,010,872	23,786,250	6,885,806	42,430,000	11,896,678	54,326,678
2028-2032	15,287,500	1,606,067	20,292,500	2,720,350	35,580,000	4,326,417	39,906,417
2033-2036	502,500	9,437	5,042,500	354,887	5,545,000	364,324	5,909,324
Total	$ 54,676,750	$ 15,613,041	$ 74,068,250	$ 21,868,873	$ 128,745,000	$ 37,481,913	$ 166,226,913

Total interest costs for the year ended June 30, 2017 amounted to $ 4,661,170. Interest of $ 14,893 was capitalized and recorded as a capital asset, while the remaining balance was expensed. During the year ended June 30, 2016, no interest was capitalized.

NOTE 8 LEASES

Capital Leases

The College has entered into capital leases for certain vehicles. At June 30, 2017 and 2016, the leased assets are as follows:

	2017	2016
Capitalized equipment	$ 391,031	$ 278,085
Accumulated amortization	(115,275)	(49,797)
Net book value	$ 275,756	$ 228,288

The amortization expense for the years ended June 30, 2017 and 2016 was $65,477 and $ 39,551 and is included with depreciation expense for the respective years.

NOTE 8 LEASES (CONTINUED)

The future minimum lease payments under capital leases as of June 30, 2017 are as follows:

2018	$	89,710
2019		89,067
2020		76,403
2021		44,046
2022		14,656
		313,882
Less interest		(40,947)
	$	272,935

Operating Leases

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

2018	$	3,281,499
2019		2,876,145
2020		2,830,646
2021		2,625,000
2022		2,625,000
Total minimum lease payments	$	14,238,290

The total rent under operating leases for the years ended June 30, 2017 and 2016 was $ 3,527,367 and $ 3,660,325, respectively.

NOTE 9 DUE TO THE COMMONWEALTH OF PENNSYLVANIA

Included in accounts payable and accrued expenses are amounts due to the Commonwealth of Pennsylvania as of June 30, representing the outstanding deficiency of reimbursable operating and capital expenditures compared to the advances received from the Commonwealth. The outstanding amounts due to the Commonwealth are $ 51,041 and $ 49,041 as of June 30, 2017 and 2016, respectively.

Under the terms of the Commonwealth Community College Funding Legislation (Act 46), annual audits are prepared by each College's external audit firm and submitted to the Department of Education for review. Such audits could lead to reimbursement of appropriated funds to the Commonwealth. College management believes that reimbursements, if any, will be immaterial.

NOTE 10 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, 2017 and 2016 represents three months of claims paid. Changes in the College's claims liability amount for the years ended June 30 were:

	2017	2016
Beginning balance	$ 131,025	$ 18,516
Claims made/Changes in estimates	551,380	636,609
Claims paid	(545,924)	(524,100)
Ending balance	$ 136,481	$ 131,025

NOTE 11 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.

Summary of Significant Accounting Policies

Pensions

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.

NOTE 11 PENSION BENEFITS (CONTINUED)

General Information about the Pension Plan

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.

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.

NOTE 11 PENSION BENEFITS (CONTINUED)

General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

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 11 PENSION BENEFITS (CONTINUED)

General Information about the Pension Plan (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 Colleges' contractually required contribution rate for fiscal years ended June 30, 2017 and 2016 was 29.20% and 25.00%, 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 $ 883,862 and $ 705,816 for the years ended June 30, 2017 and 2016.

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 11 PENSION BENEFITS (CONTINUED)

General Information about the Pension Plan (Continued)

Contributions (Contributions)

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 and 2015, the statutorily required composite contribution rate as collared by Act 2010-120 including the Benefits Completion Plan (BCP) was 25.01% for both years while the actuarially determined rate would have been 32.15% and 31.44%, respectively.

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, 2016 and 2015, the blended contribution rates, which include the BCP, were 27.26% and 22.77%, respectively. Contributions to the pension plan from the employer were $ 1,793,907 and $ 1,585,540 for the years ended June 30, 2017 and 2016.

NOTE 11 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, 2017 and 2016, 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:

	2017	2016
College's proportionate share of the net pension liability	$ 10,605,161	$ 8,056,647
Commonwealth's proportionate share of the net pension liability associated with the College	10,605,161	8,056,647
Total	$ 21,210,322	$ 16,113,294

The net pension liability was measured as of June 30, 2016 and 2015, 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, 2015 to June 30, 2016 and June 30, 2014 to June 30, 2015. 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, 2016, the College's proportion was 0.0214, which was an increase of 0.0028 percent from its proportion measured as of June 30, 2015. At June 30, 2015, the College's proportion was 0.0186 percent, which was an increase of 0.0012 percent from its proportion measured as of June 30, 2015.

Pennsylvania State Employees' Retirement System (SERS)

At June 30, 2017 and 2016, the College reported a liability of $ 20,150,811 and $ 19,827,130, 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, 2016, and December 31, 2015. 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, 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. At December 31, 2015, the College's proportion was 0.1090 percent, which was a decrease of 0.023 percent from its proportion measured as of December 31, 2014.

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	$ 2,595,224	$ 2,282,437	$ 4,877,661
Revenue for support provided by the Commonwealth	1,075,660	-	1,075,660

NOTE 11 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, 2016, the College recognized pension expense and related revenue for defined benefit plans as follows:

	PSERS	SERS	Total
Pension expense	$ 1,595,616	$ 2,112,844	$ 3,708,460
Revenue for support provided by the Commonwealth	700,880	-	700,880

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

At June 30, 2016, 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	$ -	$ -	$ 401,464	$ -	$ 401,464	$ -
Changes in assumptions	-	-	-	-	-	-
Net difference between projected and actual investment earnings	-	49,554	2,607,827	-	2,607,827	49,554
Changes in proportions	682,564	-	609,686	2,662,702	1,292,250	2,662,702
Difference between employer contributions and proportionate share of total contributions	26,999	-	-	150,130	26,999	150,130
Contributions subsequent to the measurement date	705,816	-	869,930	-	1,575,746	-
	$ 1,415,379	$ 49,554	$ 4,488,907	$ 2,812,832	$ 5,904,286	$ 2,862,386

NOTE 11 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)

Amounts of $ 883,862 and $ 995,751 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, 2017 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	$ 616,351	$ 257,662	$ 874,013
2019	616,351	257,662	874,013
2020	690,936	86,956	777,892
2021	471,231	(61,959)	409,272
2022	-	(8,987)	(8,987)
	$ 2,394,869	$ 531,334	$ 2,926,203

Actuarial Assumptions

Public School Employees' Retirement System (PSERS)

The total pension liability as of June 30, 2016 was determined by rolling forward the System's total pension liability as of the June 30, 2015 actuarial valuation to June 30, 2016 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 11 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. 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 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, 2016 are as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	(14.0%)	0.5%
	100.0%	

NOTE 11 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, 2016 valuation were based on the experience study that was performed for the five-year period ending December 31, 2015. 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 from 7.5% used for the 2015 actuarial valuation based on the experience study. In addition, SERS actuary recommended, and SERS Board adopted, a reduction in the inflation rate to 2.6% for the 2016 valuation from 2.75% used for the 2015 actuarial valuation based on the experience study. The change in inflation rate also impacted the general salary growth rate, which was lowered to 2.9% for the 2016 valuation from 3.05% used for the 2015 valuation based on the experience study.

The total pension liability as of December 31, 2016 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 11 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 pension plan's policy in regard to the allocation of invested plan assets is established and may be amended. 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 December 31, 2016 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%
Hedge Funds	12%	4.8%
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, for each respective plan. Based on those assumptions, the pension plan's 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 11 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, 2017

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
College's proportionate share of the net pension liability	$ 12,972,965	$ 10,605,161	$ 8,615,507

Pennsylvania State Employees' Retirement System (SERS) – June 30, 2017

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
College's proportionate share of the net pension liability	$ 24,937,566	$ 20,150,811	$ 16,051,645

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, 2017 and 2016, the College has $ 252,798 and $ 250,325 included in accounts payable and accrued wages for the contractually required contribution for the second quarter of 2017 and 2016, respectively, related to the PSERS plan.

NOTE 11 PENSION BENEFITS (CONTINUED)

General Information about the 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, 2017, 2016, and 2015 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:

	2017	2016
College	$ 4,300,616	$ 4,360,355

NOTE 12 POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

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).

Funding Policy

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 years 2017 and 2016, the estimated contributions were $ 80,348 and $ 64,964 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 and $ 268,586 for 2017 and 2016, respectively, or 100% of the total premiums.

NOTE 12 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

The College's annual other postemployment benefit (OPEB) cost (expense) 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's 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:

	2017	2016
Annual required contribution	$ 186,787	$ 186,787
Interest on net OPEB obligation	62,014	57,474
Adjustments to ARC	(84,603)	(78,409)
Annual OPEB cost	164,198	165,852
Employer contributions made (estimated)	(80,348)	(64,964)
Increase in net OPEB obligation	83,850	100,888
Net OPEB obligation - beginning of year	1,378,084	1,277,196
Net OPEB obligation - end of year	$ 1,461,934	$ 1,378,084

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three 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
2015	205,379	30.31%	1,277,196

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the plan had the following funding 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 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Funded Status and Funding Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the entry age normal cost method was used. The actuarial assumption included a 4.5 percent investment rate of return (net of administrative expenses), annual salary increase of 3.75-6.25%, and an annual healthcare cost trend rate of 6 percent in 2015, 5.5% in 2016 through 2020, and the rates will gradually decrease from 5.4% in 2021 to 3.8% in 2075 and later. The actuarial value of assets was based on the fair value of assets, of which there are none. The UAAL is being amortized based on a level dollar 30 year open amortization period.

Other Postemployment Benefits – Public School Employees' Retirement System (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 cost-sharing multiple employer defined benefit plan. The PSERS Retirement Board is established by state law as an independent administrative board of the Commonwealth. The plan benefits and contributions are specified in the Pennsylvania Public School Employees' Code. Changes in benefit and contribution provisions must be made by legislation. Pursuant to state law, all legislative bills and amendments proposing to change the plan are to be accompanied with an actuarial note prepared by an enrolled actuary form the Public Employee Retirement Commission providing an estimate of the cost and actuarial effect of the proposed change. Under this program, 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.

NOTE 12 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

The PSERS issues a publicly available financial report that includes financial statements and required supplementary information that can be obtained from their website at http://www.psers.state.pa.us/.

Participating eligible employees 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 employees must obtain their health insurance through the employer. The contribution rate is set at a level necessary to establish reserves sufficient to provide premium assistance for the subsequent fiscal year. The portion of the total contribution rate for the College and used by the Commonwealth to fund the premium assistance was 0.83% for the year ended June 30, 2016.

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

Fiscal Year Ended	Required Contribution	Percentage Contributed	Contribution Rate
2017	$ 25,123	100.00%	0.83%
2016	$ 28,279	100.00%	0.84%
2015	$ 30,863	100.00%	0.90%

NOTE 13 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 renovations to the Cooper Student Center (phases one and two) in the amount of $ 12,606,135, of which $ 11,514,692 has been incurred as of June 30, 2017. The College has a project for parking lot reconstruction at the Harrisburg campus of $ 4,300,840, of which $ 1,414,954 has been incurred as of June 30, 2017. In addition, the College has a project for the Leader Building renovations at the York campus of $ 1,211,840, of which $ 183,224 has been incurred as of June 30, 2017. The College also has various projects with a commitment of $ 2,653,319, of which $ 846,243 has been incurred as of June 30, 2017.

NOTE 14 STATE APPROPRIATIONS

The following shows the detail of state appropriations earned for the years ended June 30, 2017 and 2016:

	2017	2016
Included in non-operating revenue:		
Retirement contribution	$ 1,075,660	$ 700,880
Social security reimbursement	2,730,655	2,763,865
Tuition reimbursement	32,525,120	31,708,674
Sub-total	36,331,435	35,173,419
Included in capital contributions:		
Debt reimbursement	5,927,160	5,580,719
Lease reimbursement	1,245,046	1,247,047
Sub-total	7,172,206	6,827,766
Total	$ 43,503,641	$ 42,001,185

NOTE 15 NET POSITION

College

The following shows the details of net investment in capital assets at June 30, 2017 and 2016:

	2017	2016
Capital assets, net	$ 206,019,695	$ 199,997,931
Bonds and notes payable (net of premium, discount and deferred charge on bond refunding) and capital leases	(131,734,283)	(120,015,136)
Unspent bond proceeds	7,591,245	237,901
Total	$ 81,876,657	$ 80,220,696

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:

	2017	2016
Designated for endowment purposes	$ 828,525	$ 761,190
Undesignated	1,476,843	1,717,284
	$ 2,305,368	$ 2,478,474

NOTE 15 NET POSITION (CONTINUED)

HACC Foundation (Continued)

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

	2017	2016
Scholarships and awards	$ 4,414,251	$ 3,835,335
Academic support	2,426,406	2,302,759
Capital improvements	4,828,533	4,657,187
Other	1,746,979	1,412,022
	$ 13,416,169	$ 12,207,303

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

	2017	2016
Scholarships and awards	$ 19,790,019	$ 18,527,971
Academic support	268,438	256,013
Other	1,186,010	1,125,284
	$ 21,244,467	$ 19,909,268

NOTE 16 INTERFUND ACTIVITY

At June 30, 2017 and 2016, the Foundation owes the College $ 338,812 and $ 173,276 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 2017 and 2016 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 $ 1,772,776 and $ 833,271 for the years ended June 30, 2017 and 2016, respectively. During the years ended June 30, 2017 and 2016, the Foundation provided the College with the following funding:

	2017	2016
Scholarships and awards	$ 1,149,042	$ 961,372
Capital related support	523,647	601,243
Debt service	341,497	92,875
Other endowments	62,000	83,975
	$ 2,039,758	$ 1,739,465

NOTE 17 RESTATEMENTS

Restatements were made to correct the accounts receivable, capital assets, deferred charge on bond refunding, and long-term liabilities as of June 30, 2016 to the appropriate balances.

	Net position	Accounts receivable, net	Capital assets, net	Deferred charge on bond refunding	Long-term liabilities
As originally stated, June 30, 2016	$ 111,108,462	$ 8,859,688	$ 200,546,874	$ 816,881	$ 118,343,726
Restatements	21,417	544,000	(548,948)	(6,527)	(32,892)
As restated, June 30, 2016	$ 111,129,879	$ 9,403,688	$ 199,997,926	$ 810,354	$ 118,310,834

Change in net position, June 30, 2016, as originally stated	$ 3,174,711
Debt related items	26,360
Capital assets	(4,943)
Change in net position, June 30, 2016, as restated	$ 3,196,128

REQUIRED SUPPLEMENTARY INFORMATION

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

Public School Employees' Retirement System (PSERS)

	2017	2016	2015
College's proportion of the net pension liability (asset)	0.0214%	0.0186%	0.0174%
College's proportionate share of the net pension liability (asset)	$ 10,605,161	$ 8,056,648	$ 6,887,045
Commonwealth's proportionate share of the net pension liability (asset) associated with the College	10,605,161	8,056,648	6,887,045
Total	$ 21,210,322	$ 16,113,296	$ 13,774,090
College's covered payroll - measurement period	$ 2,773,818	$ 2,398,899	$ 2,220,165
College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	382.33%	335.85%	310.20%
Plan fiduciary net position as a percentage of the total pension liability	50.14%	54.36%	57.24%

State Employees' Retirement System (SERS)

	2017	2016	2015
College's proportion of the net pension liability (asset)	0.1046%	0.1090%	0.1320%
College's proportionate share of the net pension liability (asset)	$ 20,150,811	$ 19,827,130	$ 19,613,942
College's covered payroll - measurement period	$ 6,407,146	$ 6,783,607	$ 7,852,744
College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	314.51%	292.28%	249.77%
Plan fiduciary net position as a percentage of the total pension liability	57.81%	58.90%	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.

HARRISBURG AREA COMMUNITY COLLEGE
Schedule of College Contributions – Pension Plans
Last 10 Fiscal Years

Public School Employees' Retirement System (PSERS)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 883,862	$ 705,816	$ 502,831	$ 361,260	$ 245,381	$ 204,713	$ 116,871	$ 81,264	$ 83,361	$ 101,677
Contributions in relation to the contractually required contribution	883,862	705,816	502,831	361,260	245,381	204,713	116,871	81,264	83,361	101,677
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll - fiscal year	$ 3,007,043	$ 2,773,818	$ 2,398,899	$ 2,220,165	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	29.39%	25.45%	20.96%	16.27%	N/A	N/A	N/A	N/A	N/A	N/A

State Employees' Retirement System (SERS)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 1,793,907	$ 1,585,540	$ 1,345,915	$ 978,634	$ 672,241	$ 565,062	$ 310,224	$ 221,951	$ 201,926	$ 205,039
Contributions in relation to the contractually required contribution	1,793,907	1,585,540	1,345,915	978,634	672,241	565,062	310,224	221,951	201,926	205,039
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll - fiscal year	$ 6,373,459	$ 6,710,811	$ 6,867,547	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	28.15%	23.63%	19.60%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

HARRISBURG AREA COMMUNITY COLLEGE
OPEB (Other Post Employment Benefit Plan)
Unaudited Required Schedule of Funding 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%
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%

OTHER SUPPLEMENTARY INFORMATION

HARRISBURG AREA COMMUNITY COLLEGE
Schedule of Expenses by Functional Classification - Primary Institution
Years Ended June 30, 2017 and 2016

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	-	-	-	-	-	-	-	-
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	5,824,195	7,154,239	2,351,280	-	2,025,145	-	25,220,123
Operation and Maintenance of Plant	2,907,599	1,551,257	3,696,875	646,432	3,155,070	8,829,017	-	20,786,250
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	$ 26,725,467	$ 24,378,801	$ 5,485,373	$ 3,379,942	$ 10,854,162	$ 17,879,030	162,971,636
Interest expense								4,646,277
Total expenses								$ 167,617,913

2016

Functional Classification	Natural Classification							
	Salaries and Wages	Fringe Benefits	Supplies & Other Expense	Professional & Purchased Services	Utilities	Depreciation	Scholarships	Total
Instruction	$ 46,530,928	$ 12,313,721	$ 3,526,029	$ 1,228,467	$ 185,814	$ -	$ -	$ 63,784,959
Research	29,307	2,242	-	-	-	-	-	31,549
Public Support	282,570	23,770	15,930	-	-	-	-	322,270
Academic Support	6,487,080	2,250,476	1,353,791	154,185	-	-	-	10,245,532
Student Services	8,822,575	3,561,502	578,396	675,336	-	-	-	13,637,809
Institutional Support	8,091,177	5,524,917	5,032,086	1,931,285	-	2,045,918	-	22,625,383
Operation and Maintenance of Plant	3,093,190	1,545,003	4,390,192	787,856	3,221,589	9,462,674	-	22,500,504
Student Aid	530,843	202	50,998	1,521	-	-	19,258,183	19,841,747
Auxiliary Enterprises	1,149,608	395,023	8,415,220	11,267	12,672	-	-	9,983,790
Total operating expenses	$ 75,017,278	$ 25,616,856	$ 23,362,642	$ 4,789,917	$ 3,420,075	$ 11,508,592	$ 19,258,183	$ 162,973,543
Interest expense								4,792,010
Total expenses								$ 167,765,553

HARRISBURG AREA COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Total Passed-Through to Subrecipients	Cash Receipts	Accrual Basis Expenditures
DEPARTMENT OF EDUCATION				
Student Financial Aid Cluster				
FSEOG Program	84.007	$ -	$ 534,900	$ 558,240
FWS Program	84.033	-	558,093	516,690
PELL Program	84.063	-	26,786,794	26,479,503
Direct Student Loan Program	84.268	-	58,363,577	58,066,463
Total student financial aid cluster		-	86,243,364	85,620,896
Passed through Pennsylvania Department of Education				
Vocational Educational Grants Perkins III	84.048	-	1,003,894	1,067,927
Passed through Berks County Intermediate Unit				
Race to the Top - Early Learning Challenge	84.412A	-	9,865	-
Passed through Tri-County Opportunities Industrialization Center, Inc.				
Adult Basic Education	84.002	-	84,821	101,823
Total Department of Education		-	87,341,944	86,790,646
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Americorp	94.006	-	38,298	30,902
DEPARTMENT OF LABOR				
Passed through PA Department of Labor and Industry				
Trade Adjustment Assistance	17.245	-	475,518	475,518
Passed through Tri-County Opporutnities Industrialization Center, Inc.				
Adult Basic Education Technology Grant	17.267	-	4,267	-
Passed through Educational Data Systems				
WIOA On the Job Training	17.258	-	-	4,129
Total Department of Labor		-	479,785	479,647
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Keystone Education Yields Success (KEYS)	93.558	-	357,402	351,988
Passed through Child Care Consultants, Inc.				
PA Keys ECE Credential Program	93.575	-	248,300	183,050
Passed through Pennsylvania Development Disabilities Council				
Development Disabilities Basic Support and Advocacy Grants	93.630	-	62,623	76,864
Total Department of Health and Human Services		-	668,325	611,902
DEPARTMENT OF HOMELAND SECURITY				
Passed through the City of Philadelphia				
PA Urban Search and Rescue Task Force	97.025	-	342,511	402,344
Passed through PA Emergency Management Agency				
Disaster Grants Public Assistance	97.036	-	77,217	77,217
Total Department of Homeland Security		-	419,728	479,561
NATIONAL SCIENCE FOUNDATION				
Passed through American Association of Community Colleges				
Advancing Technological Education	47.076	-	5,606	-
Computer and Information Science and Engineering	47.070	-	163,857	163,857
Total National Science Foundation		-	169,463	163,857
ENVIRONMENTAL PROTECTION AGENCY				
Passed through Redevelopment Authority of Cumberland County				
Environmental Training	66.815	-	48,938	48,938
NATIONAL ENDOWMENT FOR THE ARTS				
Passed through Mid Atlantic Arts Foundation				
Promotion of the Arts	45.025	-	1,500	1,500
Total federal financial assistance		$ -	$ 89,167,981	$ 88,606,953

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.

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

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, 2017, 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 18, 2017. 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 18, 2017

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, 2017. 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, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002. Our opinion on each major federal program is not modified with respect to these matters.

Harrisburg Area Community College's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Harrisburg Area Community College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002, that we consider to be material weaknesses.

Harrisburg Area Community College's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Harrisburg Area Community College's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

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 18, 2017

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

See Findings 2017-001 and 2017-002.

B. Compliance Findings

CFDA Number and Title:	Student Financial Aid Cluster
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal PELL Grant Program
84.268	Federal Direct Student Loans

Federal Grantor Name:	Department of Education
Federal Award / Contract Number:	OPE ID Number 00327300
Grant Period:	July 1, 2016 to June 30, 2017
Pass-through Entity Name:	N/A

2017-001 **Payment to Ineligible Student**

Material Noncompliance

Material Weakness in Internal Control Over Compliance

Compliance Requirement: Eligibility for Individuals

Criteria: In accordance with 34 CFR section 668.32(a)(1)(i), a student is required to be enrolled in the College in order to be eligible to receive Title IV aid.

Condition: During our testing, we identified one student who was not enrolled for the Spring 2017 term that was awarded a PELL grant for this term.

Cause: Error in coordinating Veteran's Benefits with Title IV aid. Information was entered into the student's file related to his Veteran's Benefits that incorrectly also generated a PELL grant for the student.

Effect: One student was awarded a grant for which he was not eligible.

Questioned Costs: The amount of the PELL grant incorrectly awarded to this student was $ 567.

Section III – Federal Findings and Questioned Costs (Continued)

Context: Of the 13,454 students who were awarded Title IV Student Financial Aid, we examined 26 student files and determined that one student was awarded a PELL grant for which he was not eligible.

Repeat Finding: Not applicable

Recommendation: We recommend that processes and procedures be reviewed to assure that student information required to generate one type of student benefit is not related to other benefits for which the student may not be eligible.

Auditee's Response: The College will reevaluate its administration of Veterans Benefits programs, as well as review the ERP system components supporting it. We will look at various solutions such as uncoupling Veterans Benefits component from the financial aid process and tying it directly to Student Accounts, examining manual and system checks and balances, and best practices at other peer institutions. The goal would be to develop a procedure where information related to one benefit does not release another benefit payment for which the student may not be eligible.

2017-002 **Returns of Title IV Funds Not Completed Timely**

Material Noncompliance

Material Weakness in Internal Control Over Compliance

Compliance Requirement: Special Tests and Provisions – Returns of Title IV Funds

Criteria: In accordance with 34 CFR section 668.173(b), returns of Federal Title IV Funds awarded to students who withdrew from the College are required to be calculated and returned to the Department of Education (ED) not later than 45 days after the date the College determined that the student withdrew.

Condition: In 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.

Cause: Error in completing the College's procedures related to the calculation of amounts due to be returned to ED and the related process to return the funds to ED. Also, the College does not have a procedure in place to match the amount of funds calculated to be returned with the actual amount of funds returned to ED.

Effect: Returns to ED were not completed within the required timeframe for two students.

Questioned Costs: The total amount of funds there were not returned timely for these two students was $ 1,177.

Section III – Federal Findings and Questioned Costs (Continued)

Context: Of the 733 students who withdrew from the College and for which funds were returned to ED, we examined the returns for 53 students, and identified two instances for which the return was not completed within the required 45 day time period.

Repeat Finding: Not applicable.

Recommendation: Procedures should be in place to assure that all amounts calculated to be returned to ED are in fact returned within the required 45 day timeframe.

Auditee's Response: The College will conduct a study of its Return of Title IV Funds process and procedures to ensure that calculated amounts are returned within the specified 45 day time period. The College will review staff work and duties distribution, personnel and systems checks and balances, as well as internal controls. The College will also reevaluate and formalize its Return of Title IV Funds quality assurance program to ensure that a representative sample of return files is examined each semester.

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

There were no compliance or internal control findings related to the financial statements or compliance or internal control findings related to federal awards for the year ended June 30, 2016.