Audited Financial Statements

June 30, 2019

HACC

Founded in 1964

CENTRAL PENNSYLVANIA'S COMMUNITY COLLEGE

CONTENTS

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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, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harrisburg Area Community College as of June 30, 2019 and 2018, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 14, and the schedules related to pension and OPEB on pages 60 - 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2019 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
October 21, 2019

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, 2019, with selected comparative information for the years ended June 30, 2018 and June 30, 2017. The purpose of the MD&A is to assist readers with understanding the accompanying financial statements by providing objective and understandable analysis of HACC's financial activities based on current known facts, decisions, and conditions. HACC management has prepared this analysis and is responsible for the completeness and fairness of the information contained within. This MD&A should be read in conjunction with the financial statements and notes.

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

Additionally, the College has implemented Government Accounting Standards Board Statement No. 14, "The Financial Reporting Entity". Pursuant to the criteria set forth in GASB 14, it was determined that the HACC Foundation, whose sole purpose is to serve the institution by providing resources for scholarships and other college projects, should be treated as a blended unit of the College due in part to the governance structure of the Foundation. The Foundation's financial statements for June 30, 2019 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

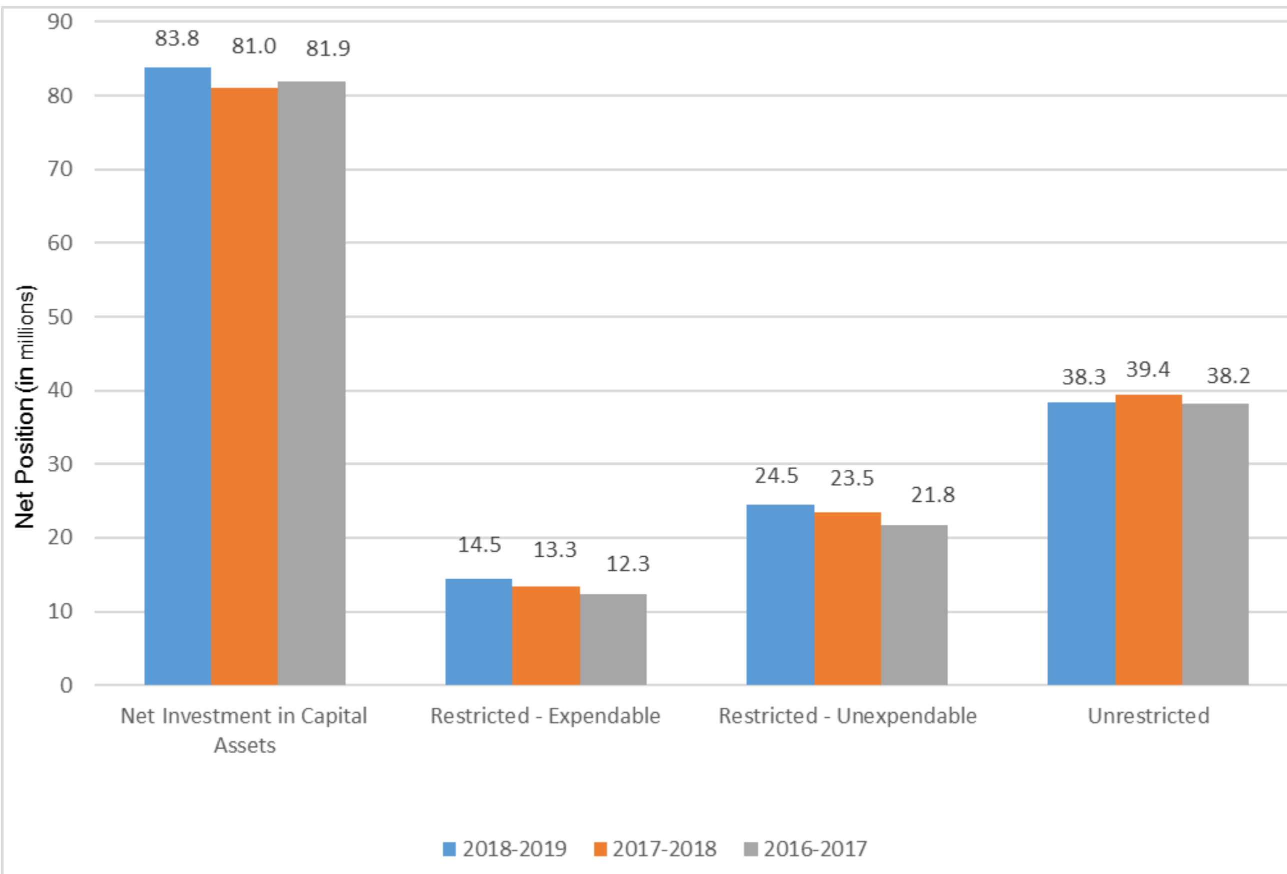
HACC's financial position continues to remain strong as of June 30, 2019. At June 30, 2019, HACC's assets and deferred outflows of resources of $ 339.6 million exceeded its liabilities and deferred inflows of resources of $ 178.5 million by $ 161.1 million, an increase compared to the prior year of $ 3.9 million. At June 30, 2018, assets and deferred outflows of resources of $ 341.9 million exceeded liabilities and deferred inflows of resources of $ 184.7 million by $ 157.2 million, an increase over the prior year of $ 3.0 million.

The "Net Position", which represents the difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources. The net position is divided into two major categories consisting of restricted and unrestricted. The restricted net position is further divided into three subcategories. An example of a subcategory in restricted net position is Net Investment in Capital Assets, which shows the College's equity in property, plant, and equipment that it owns. The unrestricted net position, is available to use for any lawful purpose of the College. The following table and graph summarizes the College's statement of net position by category for the fiscal years ended June 30, 2019, 2018 and 2017.

Net Position as of June 30
(In millions)

	2019	2018	Increase (Decrease) 2018-2019	2017	Increase (Decrease) 2017-2018
Net Investment in Capital Assets	$ 83.8	$ 81.0	$ 2.8	$ 81.9	$ (0.9)
Restricted - Expendable	14.5	13.3	1.2	12.3	1.0
Restricted - Unexpendable	24.5	23.5	1.0	21.8	1.7
Unrestricted	38.3	39.4	(1.1)	38.2	1.2
Total Net Position	$ 161.1	$ 157.2	$ 3.9	$ 154.2	$ 3.0

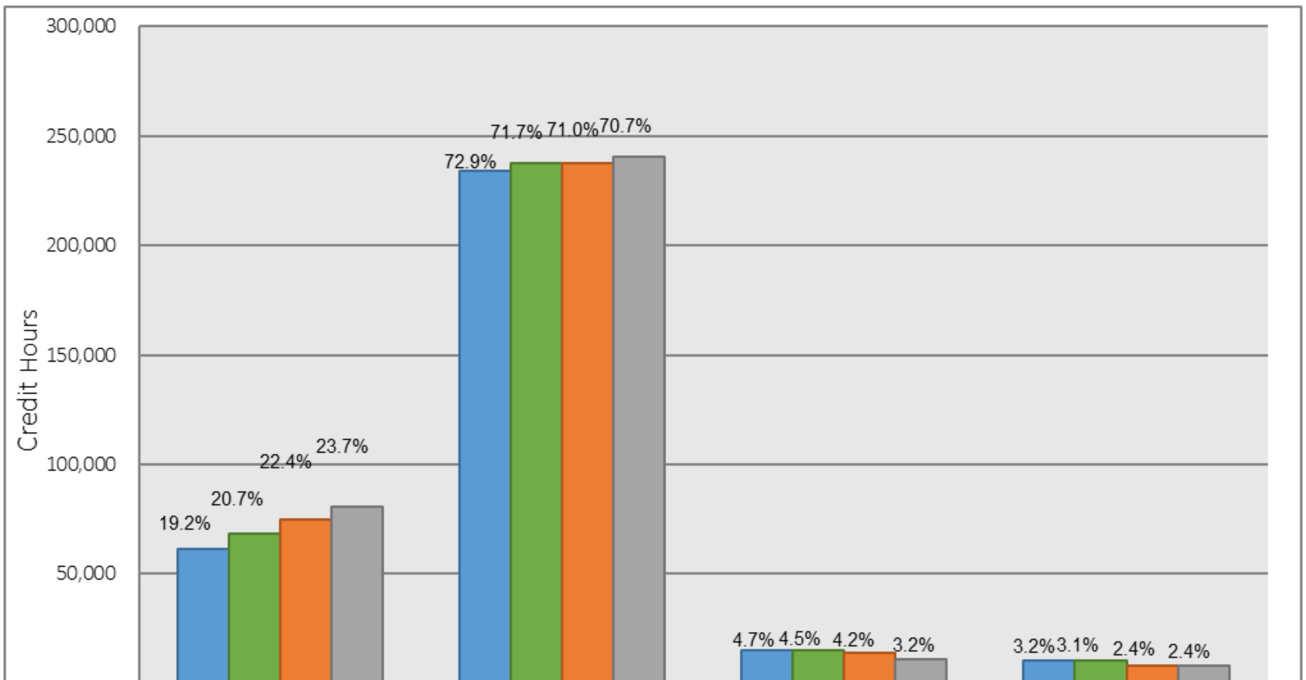
Comparison of Net Position Fiscal Years 2019, 2018 and 2017



CREDIT HOUR PRODUCTION

The College experienced a decrease in enrollments of 3.2% (10,743 credit hours) in 2019, 0.9% (2,966 credit hours) in 2018 and 1.7% (5,838 credit hours) in 2017 due to the continuing effects of the economy and college going demographic. Total credit hours have gone from 334,760 in 2017, 331,795 in 2018 to 321,052 in 2019. In 2019, the proportion of non-sponsored student credit hours compared to total credit hours increased to 72.9% from 71.7% in 2017 and 71.0% in 2016. Correspondingly, the proportion of sponsoring student credit hours fell to 19.2% in 2019, down from 20.7% in 2018 and 22.4% in 2017. Each non-sponsored student paid tuition of $ 217.00 per credit hour in 2019, while a sponsored student paid $ 180.25 per credit hour and received local sponsoring school district support.

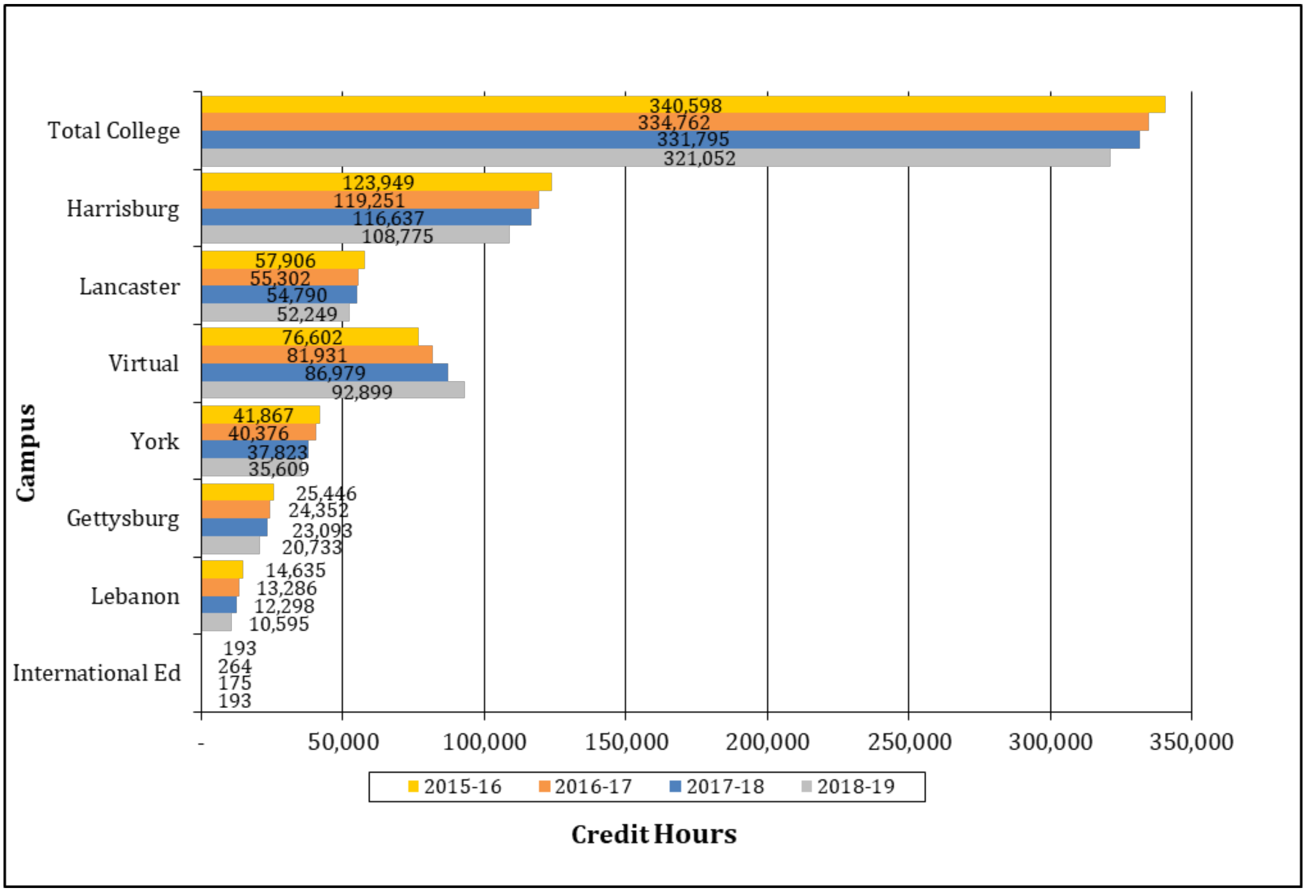
Credit Hour Production by Student Type



	Sponsored	Nonsponsored	Out of State	College in HS
2018-19	61,411	234,025	15,200	10,416
2017-18	68,708	237,761	14,935	10,391
2016-17	74,894	237,542	14,129	8,196
2015-16	80,858	240,711	10,892	8,137

Student Type

Credit Hour Production by Campus 2019, 2018, 2017 and 2016



Statement of Net Position

The statement of net position presents the assets, deferred outflows/inflows of resources, liabilities, and net position of the College as of the end of the June 30, 2019 fiscal year. This statement provides a snapshot of the financial condition of the College with unrestricted net position representing funds available to continue the operations of the institution. It presents the end-of-the-year data for current and noncurrent assets, deferred outflows/inflows of resources, current and noncurrent liabilities, and net position (assets plus deferred outflows/inflows minus liabilities). Over a period, 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)

	2019	2018	Increase (Decrease) 2019-2018	2017	Increase (Decrease) 2018-2017
Assets					
Current Assets	$ 89.0	$ 83.1	$ 5.9	$ 87.2	$ (4.1)
Noncurrent Assets	240.2	249.6	(9.4)	252.1	(2.5)
Total Assets	329.2	332.7	(3.5)	339.3	(6.6)
Deferred Outflows of Resources	10.4	9.2	1.2	10.3	(1.1)
Total Assets and Deferred Outflows of Resources	339.6	341.9	(2.3)	349.6	(7.7)
			-		
Liabilities			-		
Current Liabilities	29.1	28.5	0.6	29.7	(1.2)
Noncurrent Liabilities	147.4	152.6	(5.2)	162.5	(9.9)
Total Liabilities	176.5	181.1	(4.6)	192.2	(11.1)
Deferred Inflows of Resources	2.0	3.6	(1.6)	3.2	0.4
Total Liabilities and Deferred Inflows of Resources	178.5	184.7	(6.2)	195.4	(10.7)
			-		
Net Position			-		
Net Investment in Capital Assets	83.8	81.0	2.8	81.9	(0.9)
Restricted - expendable	14.5	13.3	1.2	12.3	1.0
Restricted - nonexpendable	24.5	23.5	1.0	21.8	1.7
Unrestricted	38.3	39.4	(1.1)	38.2	1.2
Total Net Position	$ 161.1	$ 157.2	$ 3.9	$ 154.2	$ 3.0

In 2019, current assets increased by $ 5.9 million over 2018. During the year, cash and cash equivalents, both operating and restricted, increased by a combined $ 4.9 million and short-term investments increased by $ 3.1 million. Cash and cash equivalents increased by $ 1.3 million over 2018 due to increased state funding. In 2019, the College spent down the last remaining funds from General Obligation Bonds – Series 2016 for $ 18 million, decreasing the restricted cash and cash equivalents at June 30, 2019 by $ 200,000. $ 3.3 million of long-term investments changed designation to either cash and cash equivalents or short-term investments as of June 30, 2019. In 2019, the College incurred a modest decrease in accounts receivable of $ 1.7 million due to continuing collection efforts. The bookstore inventory decreased by $ 100,000 due to decreased sales volume. Other assets decreased by $ 300,000 due to a reduction in prepaid expenses.

The noncurrent assets decreased by $ 9.4 million in 2019 from the previous year. This decrease is mainly attributable to the outpacing of depreciation expense to investment in new assets by $ 6.4 million. Long-term investments decreased by $ 3.3 million due to changes in maturity dates, moving investments to short-term investments or cash and equivalents. Accounts receivable – long term portion increased by $ 300,000 due to an increase in pledges receivable in the foundation.

Deferred Outflows of Resources increased by $1.2 million due to an increase in deferred outflows related to pension liability of $ 1.5 million and a $300,000 decrease in deferred charges in bond refinancing. The deferred outflow related to Other Post Employment Benefit (OPEB) [GASB 75] liability remained constant at $ 100,000.

The College adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* as of July 1, 2017. This statement requires entities that provide other postemployment benefits other than pension plans (OPEB) to report a liability for its net liability as well as deferred inflows and outflows of resources related to those other postemployment liabilities. The College's OPEB liability is $ 1.6 million as of June 30, 2019, $ 1.5 million as of June 30, 2018 and $ 1.5 million as of June 30, 2017.

Current liabilities for 2019 increased by $ 700,000 due to an increase in accounts payable, deposits held in custody for others and current portion of long-term liabilities of $ 800,000 and a decrease of $ 100,000 in unearned revenue.

The noncurrent liabilities decreased by $ 5.3 million. This was a result of a $ 10.2 million principal pay-down on the College's long-term debt, an $ 4.8 million increase 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 and an $100,000 increase in Other Post Employment Benefit (OPEB) [GASB 75] liability.

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 was $ 34.7 million as of June 30, 2019, $ 29.9 million as of June 30, 2018, and $ 30.7 million as of June 30, 2017. The College's proportionate share of net pension liability from the SERS plan was $ 22.9 million as of June 30, 2019. The PSERS retirement code mandates the Commonwealth of Pennsylvania (Commonwealth) fund 50 percent of the College's retirement expense directly to the plan. This arrangement meets the criteria of a special funding situation in accordance with GASB standards, which mandates the College record 50 percent of the net pension liability of the PSERS plan. The College's total PSERS net pension liability is $ 23.6 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 a decrease to total liabilities of $ 1.6 million. See Notes to Financial Statements, note 11, for additional information.

Net position as of June 30, 2019 increased to $ 161.1 million, from $ 157.2 million as of June 30, 2018. The largest portion of the net position, $ 83.8 million, reflects the College's net investment in capital assets, which showed a $ 2.8 million increase over 2018. The College uses these capital assets to provide services to learners, 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 $ 2.2 million over 2018 due to an increase in contributions to and an increase in the market value of the Foundation endowment. The unrestricted net position balance of $ 38.3 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, 2019, 2018 and 2017, as well as graphical representations of revenues and expenses by category.

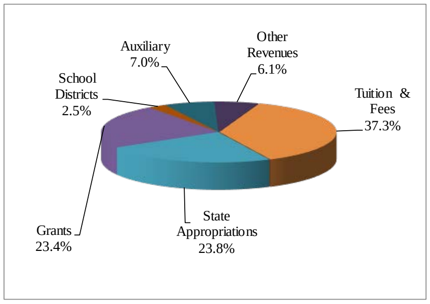
Revenues, Expenses and Changes in Net Position

(In millions)

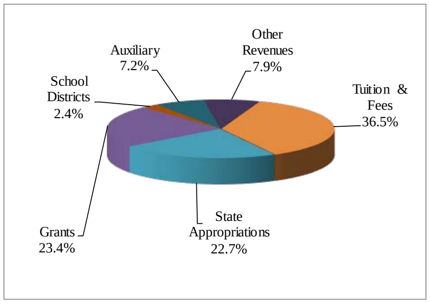
	2019	2018	Increase (Decrease) 2019-2018	2017	Increase (Decrease) 2018-2017
Operating Revenues	$ 126.0	$ 126.3	$ (0.3)	$ 127.5	$ (1.2)
Operating Expenses	172.3	170.8	1.5	165.6	5.2
Operating Income (Loss)	(46.3)	(44.5)	(1.8)	(38.1)	(6.4)
Nonoperating Revenues (Net)	40.7	38.0	2.7	36.9	1.1
Net Income (Loss) Before Capital Contributions	(5.6)	(6.5)	0.9	(1.2)	(5.3)
Capital Contributions	9.5	9.8	(0.3)	9.7	0.1
Increase (Decrease) in Net Position	$ 3.9	$ 3.3	$ 0.6	$ 8.5	$ (5.2)

Total Operating and Non-Operating Revenues

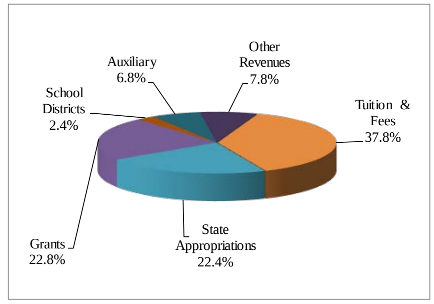
2019



2018



2017



2019 operating revenues of $ 126.0 million were $300,000 lower than $ 126.3 million in 2018. In 2019, tuition and fees increased by $500,000 driven by an overall increase in tuition per credit hour charged to learners, and a decrease in enrollment of 3.2%. Scholarship allowances and discounts decreased by $ 100,000 resulting in a total tuition and fee increase of $ 400,000. In addition, the College experienced an overall decrease of $ 300,000 in grants and contracts mainly due to the decrease of $700,000 in PELL Grants, partially offset by an increase in PEMA Grants of $200,000 and an increase in Private Scholarships of $200,000. Auxiliary enterprise revenue decreased by $400,000, largely driven by a $500,000 decrease in bookstore revenue and an increase in food service revenue in Harrisburg campus of $100,000. Other operating revenues, which includes income from institutional fees decreased by $200,000. For the Foundation, Contributions increased by $900,000 over 2018 due to an increase in contributions pledged and an increase in special event contributions. Foundation investment income increased by $300,000 due to rising interest rates and a larger return on investment, while realized and unrealized gains decreased by $800,000 due to market conditions.

Tuition Per Credit Hour Comparison

	2019	2018	2017
Sponsored	$ 180.25	$ 174.25	$ 176.00
Non Sponsored	217.00	211.00	213.00
Out of State	262.00	256.00	256.00
Dual Enrolled	125.00	100.00	100.00
Veteran	174.25	174.25	176.00
College in the High School	75.00	50.00	50.00

2019 Operating expenses increased by $ 1.5 million for a total of $ 172.3 million. Salary and fringe benefits increased $ 2.8 million. Annual pay raises, offset by open positions and eliminations, drove $ 700,000 of this increase. Fringe benefits cost increased $ 2.1 million due to higher PSERS rates and in increase to PSERS, SERS and OPEB Liabilities. Professional and Purchased Services increased by $ 200,000. Scholarships decreased by $ 1.0 million due to a decrease of $ 700,000 in PELL awards and a decrease Post 911 Chapter 33 awards of $ 300,000. Supplies and other expenses decreased by $ 600,000 mainly because of cost savings initiatives. Depreciation and Amortization increased by $ 500,000 due to depreciation of newly commissioned building improvements and purchase of non-instructional equipment.

Non-operating revenues (expenses) increased by $ 2.7 million, which includes increases of $ 1.3 in state appropriations. Local appropriations (school district allocations) remained flat at $ 4.0 million due to the sponsoring school districts contractual agreement. Gifts increased $ 300,000 due to an increase in private scholarships and investment income increased $ 700,000 driven by rising interest rates, while interest expense decreased $ 400,000.

The total capital contributions for fiscal year 2019 amounted to $ 9.5 million. This was a decrease of $ 300,000 compared to 2018, which was attributable to a decrease of $ 500,000 in local appropriations and a $ 200,000 increase in Capital Grants and Gifts.

The Increase (Decrease) in net position as reported in the Statement of Revenues, Expenses, and Changes in Net Position reflects an overall increase of $ 600,000 when compared to the Increase (Decrease) in net position reported as of June 30, 2018.

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, 2019 increased $ 4.8 million compared to the prior year’s decrease of $ 6.0 million. The following is a summary of the statement of cash flows for the years ending June 30, 2019, 2018 and 2017.

Cash Flows
(In millions)

	2019	2018	Increase (Decrease) 2019-2018	2017	Increase (Decrease) 2018-2017
Cash Provided (Used) By:					
Operating Activities	$ (69.3)	$ (69.0)	$ (0.3)	$ (64.6)	$ (4.4)
Noncapital Financing Activities	80.7	77.7	3.0	77.9	(0.2)
Capital Financing Activities	(10.2)	(15.0)	4.8	1.6	(16.6)
Investing Activities	3.6	0.3	3.3	(1.2)	1.5
Net Increase (decrease) in Cash and Cash Equivalents	4.8	(6.0)	10.8	13.7	(19.7)
Cash and Cash Equivalents - Beginning of Year	50.1	56.1	(6.0)	42.4	13.7
Cash and Cash Equivalents - End of Year	$ 54.9	$ 50.1	$ 4.8	$ 56.1	$ (6.0)

CAPITAL ASSET AND DEBT ADMINISTRATION

During the year ending June 30, 2019 the College had capital additions of $ 4.6 million. This included the Harrisburg campus McCormick Library air handler replacement ($ 438k), computers ($ 402k), a new 10-gig fiber ring ($ 392k), and phase II of Gettysburg campus Mechatronics lab project ($ 223k). Other assets include equipment purchases, classroom upgrades, and smaller renovation projects.

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

CAPITAL PLAN

For FY20, the College has several capital projects planned. Roof replacements begun in FY19 for North Hall, Hall Technology Building, and Overholt Bookstore on Harrisburg campus will be completed. Roof repair and coating is planned for Evans Physical Ed Center on Harrisburg campus. Other significant ongoing projects include the Lancaster campus deceleration lane, renovations to Harrisburg campus dental clinic, a refresh for Harrisburg campus McCormick Library, and a chiller replacement for Harrisburg campus Whitaker Hall. A bond-funded project to address HVAC issues in Ted Lick Admin Building on the Harrisburg campus is underway. College-wide technology related projects include classroom upgrades, a switch replacement, new HR software, and support center expansion.

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, competition and retention efforts have all affected enrollments.

State and local funding through annual appropriations continues to be challenging, during 2019 the college received an increase in state funding of $ 1 million and a net decrease of $ 400 thousand in local funding. During 2017, the College amended the sponsorship agreement with the local sponsors (school districts) increasing their operating support each year based on the PA Act 1 index, from $ 4.0 million in fiscal year 2017-18 to an estimated $ 4.4 million in fiscal year 2021-22. In fiscal year 2018-19, local sponsors contributed nearly $ 4.1 million in operating support. At the same time, the local sponsors agreed to decrease the annual capital contributions by $ 500 thousand per year and eventually eliminate the capital contributions in fiscal year 2020-21.

Even with these challenges, the College remains focused on learner 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. The College continues to be innovative by offering new programs and methods of instruction to our learners and expanding its virtual course offerings. The college is also investing in our non-credit offerings through our workforce development group, helping business and industry fill the employee-training gap.

The college has taken a fresh look at how we deliver our services through our campus locations. We are in the process of exploring options at all locations including the potential sale or lease of real estate. In the past year we have sold an underutilized property, notified our landlord of our intention to not renew our lease of a large building and are in negotiations with other potential partners.

As the higher education landscape continues to rapidly change, HACC implemented an enterprise risk management program, a tool to identify and manage potential risks, and seize opportunities related to the achievement of its strategic commitments. As part of that process, HACC has identified market risks and began a reorganization of its operations to focus on learner needs and to better manage labor costs. The goal of the reorganization is to structure the operations in a manner that focuses on meeting the needs of our learners. This includes a realignment of departments to be structured in a way that will support learners in achieving their educational goals regardless of location, on-campus, or online. The reorganization will be completed by the end of fiscal year 2019-20.

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

Overall, the College's current financial position remains strong as is evident by the 2018-19 financial statements. However, the College realizes that it needs to make organizational changes to better serve the current market and ensure a positive impact on the College's future financial position. The College structure will be aligned to streamline operations, create efficiencies, leverage technology, and eliminate redundancies to advance fiscal stability and provide a high quality, low cost education where learners come first.

Statements of Net Position
June 30, 2019 and 2018

	Primary Institution		Component Unit Foundation		Total	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current Assets						
Cash and cash equivalents	$ 53,028,398	$ 47,069,736	$ 1,638,726	$ 2,562,034	$ 54,667,124	$ 49,631,770
Restricted cash and cash equivalents	228,369	434,344	-	-	228,369	434,344
Short-term investments	24,243,054	21,079,392	-	-	24,243,054	21,079,392
Accounts receivable, net	6,784,640	8,661,022	367,930	218,598	7,152,570	8,879,620
Loans receivable - current portion	358	484	-	-	358	484
Other assets	661,542	885,714	4,789	3,480	666,331	889,194
Inventories	2,083,504	2,149,764	-	-	2,083,504	2,149,764
Internal balances	20,580	90,042	(20,580)	(90,042)	-	-
Total current assets	87,050,445	80,370,498	1,990,865	2,694,070	89,041,310	83,064,568
Noncurrent Assets						
Long-term investments	2,473,795	8,843,352	40,383,315	37,346,594	42,857,110	46,189,946
Accounts receivable - long term portion	-	-	539,386	222,267	539,386	222,267
Loans receivable - long term portion	8,188	8,187	-	-	8,188	8,187
Capital assets not being depreciated	13,071,889	12,325,665	-	-	13,071,889	12,325,665
Capital assets, net of accumulated depreciation	183,731,760	190,930,820	-	-	183,731,760	190,930,820
Total noncurrent assets	199,285,632	212,108,024	40,922,701	37,568,861	240,208,333	249,676,885
Total assets	286,336,077	292,478,522	42,913,566	40,262,931	329,249,643	332,741,453
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pension liability	8,574,747	7,095,831	-	-	8,574,747	7,095,831
Deferred outflows related to OPEB liability	178,620	118,332	-	-	178,620	118,332
Deferred charge on bond refunding	1,676,728	1,989,064	-	-	1,676,728	1,989,064
Total deferred outflows of resources	10,430,095	9,203,227	-	-	10,430,095	9,203,227
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 296,766,172	$ 301,681,749	$ 42,913,566	$ 40,262,931	$ 339,679,738	$ 341,944,680
LIABILITIES						
Current Liabilities						
Accounts payable and accrued expenses	$ 12,651,130	$ 12,301,246	$ -	$ -	$ 12,651,130	$ 12,301,246
Deposits held in custody for others	2,499,386	2,323,602	-	-	2,499,386	2,323,602
Unearned revenue	3,422,674	3,479,385	-	-	3,422,674	3,479,385
Current portion of long-term liabilities	10,577,081	10,375,600	-	-	10,577,081	10,375,600
Total current liabilities	29,150,271	28,479,833	-	-	29,150,271	28,479,833
Noncurrent Liabilities						
Long-term liabilities	111,001,528	121,249,004	-	-	111,001,528	121,249,004
Net pension liability	34,754,579	29,923,485	-	-	34,754,579	29,923,485
OPEB liability	1,599,326	1,462,465	-	-	1,599,326	1,462,465
Total noncurrent liabilities	147,355,433	152,634,954	-	-	147,355,433	152,634,954
Total liabilities	176,505,704	181,114,787	-	-	176,505,704	181,114,787
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pension liability	1,505,481	3,052,666	-	-	1,505,481	3,052,666
Deferred inflows related to OPEB liability	494,077	519,900	-	-	494,077	519,900
Total deferred inflows of resources	1,999,558	3,572,566	-	-	1,999,558	3,572,566
NET POSITION						
Net investment in capital assets	83,809,117	81,000,094	-	-	83,809,117	81,000,094
Restricted - expendable	-	-	14,514,170	13,286,016	14,514,170	13,286,016
Restricted - nonexpendable	-	-	24,508,559	23,502,665	24,508,559	23,502,665
Unrestricted	34,451,793	35,994,302	3,890,837	3,474,250	38,342,630	39,468,552
Total net position	118,260,910	116,994,396	42,913,566	40,262,931	161,174,476	157,257,327
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 296,766,172	$ 301,681,749	$ 42,913,566	$ 40,262,931	$ 339,679,738	$ 341,944,680

HARRISBURG AREA COMMUNITY COLLEGE
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2019 and 2018

	Primary Institution		Component Unit Foundation		Total	
	2019	2018	2019	2018	2019	2018
REVENUES						
Operating Revenues						
Student tuition and fees	$ 78,663,177	$ 78,205,325	$ -	$ -	$ 78,663,177	$ 78,205,325
Scholarship allowance and discounts	(18,246,842)	(18,101,177)	-	-	(18,246,842)	(18,101,177)
Federal grants	30,783,132	31,147,141	-	-	30,783,132	31,147,141
State and local grants	7,046,880	7,174,650	-	-	7,046,880	7,174,650
Nongovernmental grants	15,436	36,909	-	-	15,436	36,909
Sales and services of auxiliary enterprises	11,383,321	11,754,401	-	-	11,383,321	11,754,401
Other operating revenues	11,671,119	11,760,065	-	-	11,671,119	11,760,065
Contributions	-	-	2,782,465	1,851,403	2,782,465	1,851,403
Investment income, net of investment expenses	-	-	1,189,749	942,360	1,189,749	942,360
Realized and unrealized gains (losses) on investments	-	-	745,625	1,520,903	745,625	1,520,903
Total operating revenues	121,316,223	121,977,314	4,717,839	4,314,666	126,034,062	126,291,980
EXPENSES						
Operating Expenses						
Salaries and wages	79,192,097	78,382,466	1,244,283	1,296,600	80,436,380	79,679,066
Benefits and payroll taxes	30,562,086	28,481,366	505,254	514,446	31,067,340	28,995,812
Supplies and other expense	24,219,716	24,727,878	107,303	142,342	24,327,019	24,870,220
Professional and purchased services	4,185,975	4,067,353	125,328	85,007	4,311,303	4,152,360
Utilities	2,977,626	3,403,529	-	-	2,977,626	3,403,529
Depreciation and amortization	11,824,782	11,333,361	-	-	11,824,782	11,333,361
Scholarships	17,435,985	18,402,612	-	-	17,435,985	18,402,612
Total operating expenses	170,398,267	168,798,565	1,982,168	2,038,395	172,380,435	170,836,960
Operating income (loss)	(49,082,044)	(46,821,251)	2,735,671	2,276,271	(46,346,373)	(44,544,980)
NON-OPERATING REVENUES (EXPENSES)						
State appropriations	38,429,022	37,127,106	-	-	38,429,022	37,127,106
Local appropriations	4,084,855	3,986,382	-	-	4,084,855	3,986,382
Gifts	910,046	571,219	-	-	910,046	571,219
Gain (loss) on sale of assets	(72)	27,148	-	-	(72)	27,148
Investment income, net of investment expenses	1,587,665	861,367	-	-	1,587,665	861,367
Interest expense	(4,249,782)	(4,592,923)	-	-	(4,249,782)	(4,592,923)
Total non-operating revenues, net	40,761,734	37,980,299	-	-	40,761,734	37,980,299
Net gain (loss) before capital contributions, additions to permanent endowments and transfers	(8,320,310)	(8,840,952)	2,735,671	2,276,271	(5,584,639)	(6,564,681)
CAPITAL CONTRIBUTIONS, ADDITIONS TO PERMANENT ENDOWMENTS AND TRANSFERS						
Capital appropriations - local sources	1,000,000	1,500,000	-	-	1,000,000	1,500,000
Capital appropriations - state sources	7,341,618	7,354,322	-	-	7,341,618	7,354,322
Capital grants and gifts	378,612	196,741	-	-	378,612	196,741
Contributions to permanent endowments	-	-	781,558	833,831	781,558	833,831
Transfers in	2,641,244	1,660,894	1,774,650	1,847,719	4,415,894	3,508,613
Transfers out	(1,774,650)	(1,847,719)	(2,641,244)	(1,660,894)	(4,415,894)	(3,508,613)
Total Capital Contributions, Additions to Permanent Endowments and Transfers	9,586,824	8,864,238	(85,036)	1,020,656	9,501,788	9,884,894
Change in net position	1,266,514	23,286	2,650,635	3,296,927	3,917,149	3,320,213
Net position - beginning of year	116,994,396	116,971,110	40,262,931	36,966,004	157,257,327	153,937,114
Net position - end of year	$ 118,260,910	$ 116,994,396	$ 42,913,566	$ 40,262,931	$ 161,174,476	$ 157,257,327

HARRISBURG AREA COMMUNITY COLLEGE
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	Primary Institution		Component Unit Foundation		Total	
	2019	2018	2019	2018	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments received for tuition and fees	$ 60,977,757	$ 60,676,365	$ -	$ -	$ 60,977,757	$ 60,676,365
Payments received from auxiliary enterprise charges	11,392,030	11,894,150	-	-	11,392,030	11,894,150
Payments received from other revenues	11,664,174	11,837,708	3,002,293	2,577,679	14,666,467	14,415,387
Payments to and on behalf of employees	(106,190,318)	(103,887,461)	-	-	(106,190,318)	(103,887,461)
Payments to suppliers for goods and services	(32,525,353)	(33,380,270)	(196,936)	(357,487)	(32,722,289)	(33,737,757)
Payments for financial aid and scholarships	(17,395,389)	(18,402,044)	-	-	(17,395,389)	(18,402,044)
Net cash provided (used) by operating activities	(72,077,098)	(71,261,552)	2,805,357	2,220,192	(69,271,741)	(69,041,360)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Grants and contracts	38,920,730	37,934,005	-	-	38,920,730	37,934,005
State appropriations	36,703,627	35,296,743	-	-	36,703,627	35,296,743
Local appropriations	4,070,924	3,888,187	-	-	4,070,924	3,888,187
Gifts received	1,013,506	550,287	-	-	1,013,506	550,287
Transfer to/(from) other funds	2,629,497	1,608,167	(2,629,497)	(1,608,167)	-	-
Net cash provided (used) by noncapital financing activities	83,338,284	79,277,389	(2,629,497)	(1,608,167)	80,708,787	77,669,222
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES						
State and local appropriations	8,341,618	8,854,322	-	-	8,341,618	8,854,322
Capital grants and gifts received	378,612	172,239	-	-	378,612	172,239
Purchases of capital assets	(5,176,106)	(10,405,548)	-	-	(5,176,106)	(10,405,548)
Proceeds from sale of capital assets	-	27,148	-	-	-	27,148
Proceeds from capital debt	-	124,179	-	-	-	124,179
Capital debt refinancing payment	61,013	-	-	-	61,013	-
Principal paid on debt and capital leases	(9,528,848)	(8,896,209)	-	-	(9,528,848)	(8,896,209)
Interest paid on debt and capital leases	(4,310,696)	(4,917,954)	-	-	(4,310,696)	(4,917,954)
Net cash provided (used) by capital financing activities	(10,234,407)	(15,041,823)	-	-	(10,234,407)	(15,041,823)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	(31,177,784)	(29,928,913)	(3,036,721)	(2,849,359)	(34,214,505)	(32,778,272)
Proceeds from sale/maturities of investments	34,383,680	29,871,850	-	-	34,383,680	29,871,850
Investment income	1,520,012	816,911	1,937,553	2,447,951	3,457,565	3,264,862
Net cash provided (used) by investing activities	4,725,908	759,848	(1,099,168)	(401,408)	3,626,740	358,440
Increase(Decrease) in cash and cash equivalents	5,752,687	(6,266,138)	(923,308)	210,617	4,829,379	(6,055,521)
Cash and cash equivalents - beginning of year	47,504,080	53,770,218	2,562,034	2,351,417	50,066,114	56,121,635
Cash and cash equivalents - end of year	$ 53,256,767	$ 47,504,080	$ 1,638,726	$ 2,562,034	$ 54,895,493	$ 50,066,114
AS REPORTED ON STATEMENT OF NET POSITION						
Cash and cash equivalents	$ 53,028,398	47,069,736	$ 1,638,726	$ 2,562,034	$ 54,667,124	$ 49,631,770
Restricted cash and cash equivalents	228,369	434,344	-	-	228,369	434,344
Total cash and cash equivalents	$ 53,256,767	$ 47,504,080	$ 1,638,726	$ 2,562,034	$ 54,895,493	$ 50,066,114

HARRISBURG AREA COMMUNITY COLLEGE
Statements of Cash Flows (Continued)
Years Ended June 30, 2019 and 2018

	Primary Insitution		Component Unit Foundation		Total	
	2019	2018	2019	2018	2019	2018
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES						
Operating (loss)	$ (49,082,044)	$ (46,821,251)	$ 2,735,671	$ 2,276,271	$ (46,346,373)	$ (44,544,980)
Adjustments to reconcile net operating loss to net cash used in operating activities:						
Depreciation and amortization	11,824,782	11,333,361	-	-	11,824,782	11,333,361
Grants classified as operating revenues	(37,845,448)	(38,358,700)	-	-	(37,845,448)	(38,358,700)
Miscellaneous nonoperating revenues	2,007,909	1,683,997	-		2,007,909	1,683,997
Investment income	-	-	(1,189,749)	(942,360)	(1,189,749)	(942,360)
Realized and unrealized (gains) losses on investments	-	-	(745,625)	(1,520,903)	(745,625)	(1,520,903)
Contributions to permanent endowments	-	-	781,558	833,831	781,558	833,831
Transfers to/(from) other funds	(1,762,903)	(1,794,992)	1,762,903	1,794,992	-	-
(Increase) Decrease in:		-				
Accounts receivable	328,621	892,640	(468,630)	30,611	(140,009)	923,251
Inventory	66,260	217,017	-	-	66,260	217,017
Other assets	223,652	80,444	(1,309)	(3,480)	222,343	76,964
Increase (Decrease) in:						
Unearned revenue	189,023	364,655	-	-	189,023	364,655
Accounts payable and accrued expenses	207,338	1,008,602	(69,462)	(248,770)	137,876	759,832
Compensated absences	(265,820)	466,999	-	-	(265,820)	466,999
Other postemployment benefits	50,752	(486,223)	-	-	50,752	(486,223)
Net pension liability and related items	1,804,996	(69,835)	-	-	1,804,996	(69,835)
Deposits held in custody for others	175,784	221,734	-	-	175,784	221,734
Net cash provided (used) by operating activities	$ (72,077,098)	$ (71,261,552)	$ 2,805,357	$ 2,220,192	$ (69,271,741)	$ (69,041,360)
NONCASH INVESTING, CAPITAL AND NONCAPITAL FINANCING TRANSACTIONS						
Capital gifts of equipment and buildings	$ 37,000	$ 24,000	$ -	$ -	$ 37,000	$ 24,000
Transfers of salaries, benefits, professional services, and other in-kind contributions	$ (1,851,150)	$ (1,924,219)	$ 1,851,150	$ 1,924,219	$ -	$ -
Unrealized gains (losses) on investments	$ 136,760	$ (70,747)	$ 931,761	$ (3,687,144)	$ 1,068,521	$ (3,757,891)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Basis of Presentation

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

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

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

Reporting Entity

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (continued)

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

Measurement Focus and Basis of Accounting

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

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

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

Net Position

Net position is classified in the following categories:

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

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

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

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

Management's Use of Estimates

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

Cash and Cash Equivalents

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

Restricted Cash and Cash Equivalents

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

Investments

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Total Return Policy - HACC Foundation

The Foundation follows PA Act 141, "Investment of Trust Funds," and has adopted a total return policy for its permanently restricted endowment funds. Based on the PA Act 141 guidelines, the policy has been set into place where income for permanently restricted (nonexpendable) funds has been redefined to mean a percentage of the value of the trust. This percentage is determined annually by the Foundation Board and applied to the previous three years' average of the market value of the trust as a whole. The percentage must legally fall within the range of 2% to 7% and was approved to be 4% for the years ended June 30, 2019 and 2018. Actual investment return, net of the 4% spending policy, is added back to the restricted (nonexpendable) corpus. The purpose of this policy is to smooth out the spending of the funds while maintaining the long-term preservation of the fund as a whole under the assumption that in the long run, the actual income and growth of the fund will be greater than the spending of the fund.

Inventories

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

Capital Assets

Buildings and improvements are stated at cost less accumulated depreciation. Equipment is stated at estimated historical cost (based on an appraisal done July 1, 1999, plus actual costs for subsequent purchases) less accumulated depreciation. The College provides for depreciation on the straight-line method over the estimated useful lives of the related assets as shown below. All assets with a purchased cost, or acquisition value if acquired by gift, in excess of $ 5,000 with an estimated useful life in excess of one year is capitalized. With the adoption of GASB 89, interest costs related to construction are expensed as incurred, effective July 1, 2018. This statement is prospective, and interest capitalized prior to July 1, 2018 will remain capitalized. Normal repair and maintenance expenses are not capitalized because they neither add to the value of the property nor materially prolong its useful life.

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

Deferred Outflows and Inflows of Resources

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources (Continued)

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

Long-Term Obligations

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

Income Taxes

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

Compensated Absences

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Revenues

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

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

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

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

Accounts Receivable

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

Allowance for Doubtful Accounts

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

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

Scholarship Allowances

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Scholarship Allowances (Continued)

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties and the Federal Direct Loan Program (FDLP) 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 standards for the measurement, recognition, and display of the net pension liability, deferred outflows and inflows of resources, pension expense, and note disclosures associated with their proportionate share of the pension plan.

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

Other Postemployment Benefits Other Than Pension

GASB establishes standards for the measurement, recognition, and display of other postemployment benefit expenditures and related liabilities, note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The College's other postemployment benefits are accounted for in accordance with these standards.

College Health Care Plan

The College provides postemployment benefits by permitting retired employees the ability to participate in the single employer defined benefit other postemployment benefit (OPEB) plan at the same premium rate, albeit 100% paid for by the retirees. Consequently, the College is providing an implicit rate subsidy to its retirees. These benefits are financed on a pay-as-you-go basis.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Postemployment Benefits Other Than Pension (Continued)

PSERS Health Insurance Premium Assistance Program

The College also participates in governmental cost sharing multiple-employer OPEB plan with PSERS for all eligible retirees who qualify and elect to participate. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the PSERS and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Reclassifications

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

NOTE 2 DEPOSITS AND INVESTMENTS

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

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

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

- Shares of a portfolio of a local government investment pool, either state-administered or developed through State Law, also known as the Intergovernmental Cooperation Act, provided that the following are met: (a) the only investments of that portfolio are in the authorized investments listed above, (b) the portfolio is managed so as to maintain its shares at a constant net asset value in accordance with 17 CFR 270 2a-7 (relating to money market funds); and (c) the portfolio is rated in the highest category by a nationally recognized rating agency.

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

Custodial Credit Risk – Deposits and Investments

Custodial credit risk is the risk that in the event of a bank failure, the College's or the Foundation's deposits may not be returned. The College and the Foundation have separate deposits and therefore have separate credit risk. Neither the College nor the Foundation has a written policy for custodial credit risk. As of June 30, 2019, $ 18,130,957 of the College's bank balance of $ 54,359,255 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, 2019, $ 1,443,219 of the Foundation's bank balance of $ 1,637,829 was exposed to custodial credit risk, all of which was uninsured and uncollateralized. In addition, the Foundation has investments of $ 40,383,315 which are exposed to custodial credit risk because the investments are held on behalf of the Foundation by an investment manager, not in the name of the Foundation.

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 $ 529,141 (classified as cash equivalents) at June 30, 2019. 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, 2019, the College's investment in PSDLAF was rated AAAm by Standard and Poor's.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk – Investments (Continued)

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. There is no regulatory oversight for the pool which is governed by the PSDLAF Board of Trustees. The College's investment in PSDLAF is valued at amortized cost, which approximates fair value and is determined by the pools' share price.

The College has no limitations or restrictions on withdrawals on accounts held at PSDLAF.

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

As of June 30, 2019, the Foundation's investments were rated as follows:

Investment Type	Fair Value	S+P Credit Quality Rating
Stocks, options, and ETF's	$ 18,691,225	N/A
Fixed income securities	2,642,790	AAA - BBB-
Mutual funds	19,049,300	N/A
	$ 40,383,315	

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, 2019, 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	$ 14,553,483	$ 12,079,689	$ 2,473,794
Commercial paper	10,620,891	10,620,891	-

As of June 30, 2019, the Foundation had the following investments subject to interest rate risk:

		Investment Maturities (in Years)		
	Fair Value	Less than 1	1-5	6-10
Fixed income securities	$ 2,642,790	$ -	$ 482,542	$ 2,160,248

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

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments – Fair Value Measurements

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

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.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2019 and 2018:

	2019			
	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	$ 14,553,483	$ -	$ 14,553,483	$ -
Commercial paper	10,620,891	-	10,620,891	-
Foundation:				
Mutual funds	19,049,300	19,049,300	-	-
Equities	18,691,225	18,691,225	-	-
US Government obligations	952,940	-	952,940	-
US Treasury bonds	309,600	-	309,600	
Municipal bonds	212,106	-	212,106	-
Corporate bonds	1,168,144	-	1,168,144	-
Total investments by fair value category	$ 65,557,689	$ 37,740,525	$ 17,196,273	$ -

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

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

	College		HACC Foundation		Total	
	2019	2018	2019	2018	2019	2018
Student Tuition and fees	$ 6,531,633	$ 7,283,854	$ -	$ -	$ 6,531,633	$ 7,283,854
Allowance for doubtful accounts	(1,822,000)	(1,409,000)	-	-	(1,822,000)	(1,409,000)
Grants and contracts receivable	757,621	1,560,026	-	-	757,621	1,560,026
State appropriations receivable	816,306	765,478	-	-	816,306	765,478
Other receivables	501,080	460,664	71,929	74,108	573,009	534,772
Contributions receivable (net of discount)	-	-	889,618	461,293	889,618	461,293
Allowance for doubtful accounts	-	-	(54,231)	(94,536)	(54,231)	(94,536)
Total	$ 6,784,640	$ 8,661,022	$ 907,316	$ 440,865	$ 7,691,956	$ 9,101,887

Contributions receivable of the Foundation, representing donor promises to give, have been discounted to their present value assuming their respective terms and a discount rate of 1.01% - 2.73% at June 30, 2019 and 2018. In addition to the contributions receivable noted above, the Foundation also has pledges outstanding for permanently restricted (nonexpendable) 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 (nonexpendable) pledges, net of allowance, that are being maintained and tracked internally are $ 68,864 as of June 30, 2019 and $ 68,352 as of June 30, 2018.

NOTE 4 ENDOWMENTS

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

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

NOTE 4 ENDOWMENTS (CONTINUED)

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

The endowments are invested consistent with an investment policy statement that is monitored by the Board of Directors. To satisfy the long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and income (interest and dividends). Funds in the endowment are primarily invested in equities, fixed income securities and mutual funds. The investment policy sets investment ranges at 55% to 75% for equities, 15% to 35% for fixed income securities, 0% - 20% for alternative investments, and 0% - 10% for cash and cash equivalents.

Total Return Policy

Based on the Total Return Policy described in Note 1, $ 871,829 and $ 813,646 was designated as spendable income within the restricted nonexpendable funds during the years ended June 30, 2019 and 2018, respectively. The remaining amount of accumulated spendable income which is included in restricted expendable net position is $ 2,196,890 and $ 1,799,969 at June 30, 2019 and 2018, respectively.

NOTE 5 CAPITAL ASSETS

The following is a summary of capital asset transactions of the College for the years ended June 30, 2019 and 2018:

2019

	Beginning Balance	Additions	Retirements	Ending Balance
Cost:				
Capital assets not being depreciated				
Land	$ 11,368,181	$ -	$ -	$ 11,368,181
Construction in progress	957,484	1,657,727	(911,503)	1,703,708
Total capital assets not being depreciated	12,325,665	1,657,727	(911,503)	13,071,889
Capital assets being depreciated				
Building	156,153,430	222,623		156,376,053
Improvements - land	14,280,378	397,722		14,678,100
Improvements - building	90,282,975	1,173,575		91,456,550
Improvements - leasehold	17,427,316			17,427,316
Instructional equipment	38,662,039	1,363,433	(16,067)	40,009,405
Non-instructional equipment	33,695,687	1,436,021	(37,003)	35,094,705
Total capital assets being depreciated	350,501,825	4,593,374	(53,070)	355,042,129
Less accumulated depreciation:				
Building	(53,696,916)	(3,535,776)		(57,232,692)
Improvements - land	(3,183,951)	(684,855)		(3,868,806)
Improvements - building	(35,505,488)	(4,045,529)		(39,551,017)
Improvements - leasehold	(9,900,774)	(869,837)		(10,770,611)
Instructional equipment	(27,441,219)	(861,886)	8,704	(28,294,401)
Non-instructional equipment	(29,842,657)	(1,784,829)	34,644	(31,592,842)
Total accumulated depreciation	(159,571,005)	(11,782,712)	43,348	(171,310,369)
Total capital assets being depreciated, net	190,930,820	(7,189,338)	(9,722)	183,731,760
Total capital assets, net	$ 203,256,485	$ (5,531,611)	$ (921,225)	$ 196,803,649

2018

	Beginning Balance	Additions	Retirements	Ending Balance
Cost:				
Capital assets not being depreciated				
Land	$ 11,368,181	$ -	$ -	$ 11,368,181
Construction in progress	14,386,177	957,485	(14,386,178)	957,484
Total capital assets not being depreciated	25,754,358	957,485	(14,386,178)	12,325,665
Capital assets being depreciated				
Building	156,153,430	-	-	156,153,430
Improvements - land	9,490,967	4,789,411	-	14,280,378
Improvements - building	76,385,055	13,897,920	-	90,282,975
Improvements - leasehold	17,427,316	-	-	17,427,316
Instructional equipment	38,156,973	526,627	(21,561)	38,662,039
Non-instructional equipment	30,991,652	2,739,105	(35,070)	33,695,687
Total capital assets being depreciated	328,605,393	21,953,063	(56,631)	350,501,825
Less accumulated depreciation:				
Building	(50,161,616)	(3,535,300)	-	(53,696,916)
Improvements - land	(2,700,624)	(483,327)	-	(3,183,951)
Improvements - building	(31,678,309)	(3,827,179)	-	(35,505,488)
Improvements - leasehold	(8,931,789)	(968,985)	-	(9,900,774)
Instructional equipment	(26,654,845)	(807,935)	21,561	(27,441,219)
Non-instructional equipment	(28,212,873)	(1,663,369)	33,585	(29,842,657)
Total accumulated depreciation	(148,340,056)	(11,286,095)	55,146	(159,571,005)
Total capital assets being depreciated, net	180,265,337	10,666,968	(1,485)	190,930,820
Total capital assets, net	$ 206,019,695	$ 11,624,453	$ (14,387,663)	$ 203,256,485

NOTE 6 OTHER ASSETS

Other assets of the College at June 30 consist of:

	2019	2018
Prepaid expenses	$ 288,486	$ 470,591
Prepaid bond insurance	617,030	617,030
Accumulated amortization - prepaid bond insurance	(243,974)	(201,907)
	$ 661,542	$ 885,714

NOTE 7 BORROWINGS AND COMPENSATED ABSENCES

Long-term liabilities had the following activity during the year ended June 30, 2019 and 2018:

2019

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Long-term Portion
Leases and bonds payable:						
Capital lease obligations	$ 310,905	$ 61,013	$ (106,071)	$ 265,847	$ 103,249	$ 162,598
SPSBA and LHEA College Revenue Bonds payable:						
Series of 2008	1,640,000	-	(1,640,000)	-		-
Series of 2011	39,020,000	-	(2,065,000)	36,955,000	2,150,000	34,805,000
Series of 2012	11,955,000	-	(630,000)	11,325,000	650,000	10,675,000
Series of 2013	3,245,000	-	(1,035,000)	2,210,000	1,060,000	1,150,000
Series of 2014	16,955,000	-	(1,755,000)	15,200,000	1,820,000	13,380,000
Series of 2015	3,640,000	-	(505,000)	3,135,000	530,000	2,605,000
Series of 2015A	13,315,000	-	(785,000)	12,530,000	830,000	11,700,000
Series of 2016	16,610,000	-	(665,000)	15,945,000	685,000	15,260,000
Series of 2016A	13,555,000	-	(70,000)	13,485,000	1,795,000	11,690,000
Bond premium	4,578,378	-	(601,660)	3,976,718	575,841	3,400,877
Bond discount	(144,482)	-	16,539	(127,943)	(13,836)	(114,107)
Total leases and bonds payable	124,679,801	61,013	(9,841,192)	114,899,622	10,185,254	104,714,368
Other liabilities:						
Compensated absences:						
Vacation leave	3,431,106	626,763	(280,613)	3,777,256	267,459	3,509,797
Sick leave	3,513,697	76,845	(688,811)	2,901,731	124,368	2,777,363
Total other liabilities	6,944,803	703,608	(969,424)	6,678,987	391,827	6,287,160
Total long-term liabilities	$ 131,624,604	$ 764,621	$ (10,810,616)	$ 121,578,609	$ 10,577,081	$ 111,001,528

2018

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

NOTE 7 BORROWINGS AND COMPENSATED ABSENCES (CONTINUED)

If the College defaults in its payments on the bonds in any fiscal year because its revenues in such fiscal year are insufficient to pay its obligations as they become due and payable, the State Public School Building Authority or the Lancaster Higher Education Authority, respectively, shall notify the Secretary of the Department of such default and request that the Secretary of the Department withhold out of any appropriation due to the College under the Community College Act an amount equal to the sum or sums owing by the College and to pay over to the trustee, the amount so withheld.

College Revenue Bonds Payable

College revenue bonds payable at June 30, 2019 and 2018 consist of the following:

	2019	2018
2008, issued $ 26,275,000 in December 2008; at a fixed rate of 4.00% - 5.75%; interest and principal payable semi-annually through October 2029.	$ -	$ 1,640,000
2011, issued $51,010,000 in December 2011; at a fixed rate of 2.00%-5.00%; interest and principal payable semi-annually through October 2031.	36,955,000	39,020,000
2012, issued $14,860,000 in October 2012; at a fixed rate of 0.90%-3.75%; interest and principal payable semi-annually through October 2032.	11,325,000	11,955,000
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.	2,210,000	3,245,000
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.	15,200,000	16,955,000
2015, issued $5,720,000 in February 2015; at a fixed rate of 0.30%-2.46%; interest and principal payable semi-annually through October 2024.	3,135,000	3,640,000
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.	12,530,000	13,315,000
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.	15,945,000	16,610,000
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.	13,485,000	13,555,000
Total College revenue bonds payable	$ 110,785,000	$ 119,935,000

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

Line of Credit

In addition to the above bonds payable, the College also has a line of credit, which was authorized on December 16, 2015, available in the amount of $ 10,000,000, 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, 2019 and 2018 is $ 0.

NOTE 7 BORROWINGS AND COMPENSATED ABSENCES (CONTINUED)

Future Maturities

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

Year Ending	State Share		College Share		Total	Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Total
2020	$ 4,295,207	$ 1,807,193	$ 5,224,793	$ 2,398,003	$ 9,520,000	$ 4,205,195	$ 13,725,195
2021	4,096,500	1,626,266	5,078,500	2,174,979	9,175,000	3,801,245	12,976,245
2022	3,750,500	1,459,884	4,784,500	1,954,956	8,535,000	3,414,840	11,949,840
2023	3,871,500	1,303,666	4,948,500	1,756,154	8,820,000	3,059,820	11,879,820
2024	4,031,250	1,143,511	5,153,750	1,556,913	9,185,000	2,700,424	11,885,424
2025 - 2029	17,591,000	3,585,027	22,454,000	5,115,121	40,045,000	8,700,148	48,745,148
2030 - 2034	8,940,000	594,173	14,230,000	1,427,254	23,170,000	2,021,427	25,191,427
2035 - 2037	-	-	2,335,000	105,600	2,335,000	105,600	2,440,600
Total	$ 46,575,957	$ 11,519,718	$ 64,209,043	$ 16,488,980	$ 110,785,000	$ 28,008,698	$ 138,793,698

NOTE 8 LEASES

Capital Leases

The College has entered into capital leases for certain vehicles. At June 30, 2019 and 2018, the leased assets are as follows:

	2019	2018
Capitalized equipment	$ 557,647	$ 515,210
Accumulated amortization	(299,132)	(201,484)
Net book value	$ 258,515	$ 313,726

The amortization expense for the years ended June 30, 2019 and 2018 was $ 97,648 and $ 86,209 and is included with depreciation expense for the respective years.

The future minimum lease payments under capital leases as of June 30, 2019 are as follows:

2020	$ 119,998
2021	87,524
2022	58,325
2023	34,741
2024	10,128
	310,716
Less interest	(44,869)
	$ 265,847

NOTE 8 LEASES (CONTINUED)

Operating Leases

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

2020	$ 3,882,891
2021	3,707,745
2022	3,221,186
2023	120,606
2024	93,181
Total minimum lease payments	$ 11,025,609

The total rent expenses under operating leases for the years ended June 30, 2019 and 2018 was $ 3,438,336 and $ 3,956,361, respectively.

NOTE 9 RISK MANAGEMENT

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

The College has purchased commercial insurance to cover general and professional liability, cyber 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, 2019 and 2018 represents three months of claims paid. Changes in the College's claims liability amount for the years ended June 30 were:

	2019	2018
Beginning balance	$ 150,353	$ 136,481
Claims made/Changes in estimates	583,372	615,285
Claims paid	(595,510)	(601,413)
Ending balance	$ 138,215	$ 150,353

NOTE 10 PENSION BENEFITS

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

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

General Information about the Pension Plans

Plan Descriptions

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

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

Benefits Provided

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

NOTE 10 PENSION BENEFITS (CONTINUED)

General Information about the Pension Plans (Continued)

Benefits Provided (Continued)

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

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

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

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

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

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

NOTE 10 PENSION BENEFITS (CONTINUED)

General Information about the Pension Plans (Continued)

Contributions

Public School Employees' Retirement System (PSERS)

Member Contributions:

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

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

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

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

Employer Contributions:

The College's contractually required contribution rate for fiscal years ended June 30, 2019 and 2018 was 32.60% and 31.74%, respectively, of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the employer were $ 1,104,870 and $ 1,434,602 for the years ended June 30, 2019 and 2018, respectively.

State Funding:

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

NOTE 10 PENSION BENEFITS (CONTINUED)

General Information about the Pension Plan (Continued)

Contributions (Continued)

Pennsylvania State Employees' Retirement System (SERS)

Section 5507 of the SERC (71 Pa. C.S. §5507) requires the Commonwealth and other employers whose employees are SERS members to make contributions to the fund on behalf of all active members and annuitants necessary to fund the liabilities and provide the annuity reserves required to pay benefits. SERS funding policy, as set by the board, provides for periodic active member contributions at statutory rates. The SERS funding policy also provides for periodic employer contributions at actuarially determined rates based on SERS funding valuation, expressed as a percentage of annual retirement covered payroll, such that they, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due. In the Commonwealth's 2017-2018 fiscal year, the Commonwealth paid the full actuarially required rate after being collared in previous years due to Act 2010-120.

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, 2018 and 2017, the actuarially determined rate including the Benefits Completion Plan (BCP) was 32.93% and 33.24%, 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, 2018 and 2017, the blended contribution rates, which include the BCP, were 33.09% and 31.38%, respectively. Contributions to the pension plan from the employer were $ 2,182,733 and $ 2,501,280 for the years ended June 30, 2019 and 2018.

NOTE 10 PENSION BENEFITS (CONTINUED)

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

Public School Employees' Retirement System (PSERS)

At June 30, 2019 and 2018, 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:

	2019	2018
College's proportionate share of the net pension liability	$ 11,857,225	$ 11,112,390
Commonwealth's proportionate share of the net pension liability associated with the College	11,857,225	11,112,390
Total	$ 23,714,450	$ 22,224,780

The net pension liability was measured as of June 30, 2018 and 2017, 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, 2017 to June 30, 2018 and June 30, 2016 to June 30, 2017. 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, 2018, the College's proportion was 0.0247, which was an increase of 0.0022 percent from its proportion measured as of June 30, 2017. At June 30, 2017, the College's proportion was 0.0225 percent, which was an increase of 0.0011 percent from its proportion measured as of June 30, 2016.

Pennsylvania State Employees' Retirement System (SERS)

At June 30, 2019 and 2018, the College reported a liability of $ 22,897,354 and $ 18,811,095, 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, 2018, and December 31, 2017. 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, 2018, the College's proportion was 0.1099 percent, which was an increase of 0.0011 percent from its proportion measured as of December 31, 2017. At December 31, 2017, the College's proportion was 0.1088 percent, which was a increase of 0.0042 percent from its proportion measured as of December 31, 2016.

For the year ended June 30, 2019, the College recognized pension expense and related revenue for defined benefit plans as follows:

	PSERS	SERS	Total
Pension expense	$ 4,061,218	$ 2,823,850	$ 6,885,068
Revenue for support provided by the Commonwealth	1,974,571	-	1,974,571

NOTE 10 PENSION BENEFITS (CONTINUED)

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

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

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

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

At June 30, 2019, 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	$ 95,000	$ 183,531	$ 343,609	$ 248,116	$ 438,609	$ 431,647
Changes in assumptions	221,000	-	610,041	-	831,041	-
Net difference between projected and actual investment earnings	58,000	-	2,227,780	-	2,285,780	-
Changes in proportions	1,673,089	-	684,984	1,048,788	2,358,073	1,048,788
Difference between employer contributions and proportionate share of total contributions	318,762	-	34,550	25,046	353,312	25,046
Contributions subsequent to the measurement date	1,104,870	-	1,203,062	-	2,307,932	-
	$ 3,470,721	$ 183,531	$ 5,104,026	$ 1,321,950	$ 8,574,747	$ 1,505,481

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

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

NOTE 10 PENSION BENEFITS (CONTINUED)

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

Amounts of $ 1,104,870 and $ 1,203,062 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, 2019 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
2019	$ 1,067,212	$ 661,090	$ 1,728,302
2020	833,274	482,840	1,316,114
2021	327,276	527,006	854,282
2022	(45,442)	885,550	840,108
2023	-	22,528	22,528
	$ 2,182,320	$ 2,579,014	$ 4,761,334

Actuarial Assumptions

Public School Employees' Retirement System (PSERS)

The total pension liability as of June 30, 2018 was determined by rolling forward the System's total pension liability as of the June 30, 2017 actuarial valuation to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level of % pay.
- Investment return – 7.25% includes inflation at 2.75%.
- Salary growth – 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 based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

NOTE 10 PENSION BENEFITS (CONTINUED)

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

Actuarial Assumptions (Continued)

The 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, 2018 are as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	20.0%	5.2%
Fixed income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	(20.0%)	0.9%
	100.0%	

NOTE 10 PENSION BENEFITS (CONTINUED)

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

Actuarial Assumptions (Continued)

Pennsylvania State Employees' Retirement System (SERS)

The actuarial assumptions used in the December 31, 2018 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. In addition, SERS actuary recommended, and SERS Board adopted, a reduction in the inflation rate to 2.6% for the 2016 valuation. The change in inflation rate also impacted the general salary growth rate, which was lowered to 2.9% for the 2016 valuation.

The total pension liability as of December 31, 2018 was determined using the following actuarial assumptions incorporating the changes noted above:

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

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

NOTE 10 PENSION BENEFITS (CONTINUED)

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

Actuarial Assumptions (Continued)

The target allocation and best estimates of geometric real rates of return for each major asset class as of December 31, 2018 are as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Private equity	16%	7.3%
Global public entity	48%	5.2%
Real estate	12%	5.3%
Multi-strategy	10%	4.4%
Fixed income	11%	1.3%
Cash	3%	0.0%
	100%	

Discount Rate

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

NOTE 10 PENSION BENEFITS (CONTINUED)

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

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

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

Public School Employees' Retirement System (PSERS) – June 30, 2019

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
College's proportionate share of the net pension liability	$ 14,697,905	$ 11,857,225	$ 9,455,350

Pennsylvania State Employees' Retirement System (SERS) – June 30, 2019

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
College's proportionate share of the net pension liability	$ 28,116,082	$ 22,897,354	$ 18,425,191

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.pa.gov.

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, 2019 and 2018, the College has $ 283,802 and $ 292,844 included in accounts payable and accrued wages for the contractually required contribution for the second quarter of 2019 and 2018, respectively, related to the PSERS plan.

NOTE 10 PENSION BENEFITS (CONTINUED)

Defined Contribution Pension Plan

The Teachers Insurance and Annuity Association-College Retirement and Equity Fund (TIAA-CREF) is a cost-sharing, multiple-employer defined contribution plan in which employees are eligible to participate. In a defined contribution plan, benefits depend on amounts contributed to the plan plus investment earnings. Employer and employee contribution rates are established by statute. The contribution policy, as established by statute, requires contributions by active members and employers. Active members contribute at a rate of 5 percent of their qualifying compensation; the College's contribution rates for the year ended June 30, 2019 were 8 and 10 percent and for the years ending June 30, 2018, and 2017 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:

	2019	2018
College	$ 4,647,654	$ 4,524,749

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN

Plan Descriptions and Benefits Provided

College Plan

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

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

PSERS

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

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Plan Descriptions and Benefits Provided (Continued)

PSERS (Continued)

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

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

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

Plan Membership

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

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

Contributions

College Plan

The contribution requirements of plan members and the College are established and may be amended by the College. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the College. For fiscal year 2019, the estimated contribution was $ 60,997 in the form of additional premiums for active employees based on implicit rates for retired employees to the plan.

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Contributions (Continued)

PSERS

The College's contractually required contribution rate for the fiscal years ended June 30, 2019 and 2018 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year with an additional amount to finance the unfunded accrued liability. Contributions to the OPEB plan from the employer were $ 28,130 and $ 37,515 for the years ended June 30, 2019 and 2108, respectively.

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

College Plan

The College's total OPEB liability for June 30, 2019 was measured as of July 1, 2017, and the total OPEB liability was determined by rolling forward the total liability from July 1, 2017 to July 1, 2018 based on an actuarial valuation as of July 1, 2017, which was based on census information as of July 2017. The plan has no assets that are accumulated in a trust that meets the criteria established in GASB Statement No. 75. At June 30, 2019, the College reported a total OPEB liability of $ 1,084,447.

For the year ended June 30, 2018, the College recognized OPEB expense of $ 101,180.

PSERS

At June 30, 2019 and 2018, the College reported a liability of $ 514,879 and $ 458,418, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2017 to June 30, 2018 and June 30, 2016 to June 30, 2017. The College's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the College's proportion was 0.0247 percent, which was an increase of 0.0022 percent from its proportion measured as of June 30, 2017. At June 30, 2017, the College's proportion was 0.0225 percent, which was an increase of 0.0011 percent from its proportion measured as of June 30, 2016.

For the years ended June 30, 2019 and 2018, the College recognized OPEB expense of $ 72,038 and $ 45,887, respectively, and revenue from support from the Commonwealth of $ 33,338 and $ 22,974, respectively, due to the special funding situation.

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

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

The table below summarizes the combined OPEB liability for the years ended June 30, 2019 and 2018:

Total OPEB/ Net OPEB Liability	2019	2018
College plan	$ 1,084,447	$ 1,004,047
PSERS	514,879	458,418
Total	$ 1,599,326	$ 1,462,465

Changes in the Total OPEB Liability

College Plan

Total OPEB Liability	2019	2018
Beginning Balance	$ 1,004,047	$ 1,436,134
Changes for the year:		
Service cost	105,756	146,848
Interest	33,723	38,332
Differences between expected and actual experience	-	(231,304)
Changes in assumptions	733	(305,615)
Benefit payments	(59,812)	(80,348)
Net changes	80,400	(432,087)
Ending Balance	$ 1,084,447	$ 1,004,047

At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	College Plan		PSERS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 198,261	$ -	$ -	$ -	$ 198,261
Changes in assumptions	-	261,956	-	33,860	-	295,816
Net difference between projected and actual investment earnings	-	-	26,536	-	26,536	-
Changes in proportions - plan	-	-	53,597	-	53,597	-
Difference between employer contributions and proportionate share of total contributions	-	-	8,679	-	8,679	-
Contributions subsequent to the measurement date	60,997	-	28,811	-	89,808	-
	$ 60,997	$ 460,217	$ 117,623	$ 33,860	$ 178,620	$ 494,077

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Changes in the Total OPEB Liability (Continued)

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

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

Amounts of $ 60,997 and $ 28,811 are reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date and will be recognized as a reduction in the total/net OPEB liability in the year ended June 30, 2020 related to the College and PSERS plans, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

	College	PSERS	Total
Year ended June 30:			
2020	$ (38,299)	$ 9,184	$ (29,115)
2021	(38,299)	9,184	(29,115)
2022	(38,299)	9,050	(29,249)
2023	(38,299)	8,933	(29,366)
2024	(38,299)	17,182	(21,117)
Thereafter	(268,722)	1,419	(267,303)
Total	$ (460,217)	$ 54,952	$ (405,265)

Actuarial Methods and Assumptions

College Plan

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

PSERS

The total OPEB liability for the College as of June 30, 2019, was determined by rolling forward the System's Total OPEB liability as of June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement.

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

	College Plan	PSERS
Actuarial Cost Method	Entry age normal	Entry age normal – level % of pay.
Investment Rate of Return	2.98%	2.98% - S&P 20-year municipal bond rate.
Salary	An assumption for salary increases is used for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.	Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
Mortality	Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.	Based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
Percentage of Eligible Employees Electing Coverage in Plan	40% of employees are assumed to elect coverage at retirement.	Eligible retirees will elect to participate pre-age 65 at 50% and eligible retirees will elect to participate post-age 65 at 70%.
Health Care Cost Trend Rate	6.00% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.	Applied to retirees with less than $ 1,200 in premium assistance per year. Benefit is capped at $ 1,200 per year.
Per Capita Claims Cost	Making use of weighted averages for various plan designs, the per capita claims cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. Dental and vision costs are assumed to not vary with age or gender. The resulting costs are as follows: age 45-49, $ 5,231 for males and $ 7,555 for females; 50-54, $ 6,928 for males and $ 8,539 for females; 55-59, $ 8,439 for males and $ 8,935 for females; and 60-64, $ 11,012 for males and $ 10,264 for females.	N/A

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

PSERS

Investment Return

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

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

OPEB – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.9%	0.03%
US Core Fixed Income	92.8%	1.2%
Non-US Developed Fixed	1.3%	0.4%
	100.0%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018.

Discount Rate

The discount rate used to measure the OPEB liability was 2.98% for both the College's Plan and PSERS. The College Plan is not funded, therefore, the S&P 20-year municipal bond rate of 2.98% as of June 30, 2018 is the applicable discount rate. Under the PSERS plan's funding policy, contributions are structured for short term funding of premium assistance. The funding policy sets contribution rates necessary to assure solvency of premium assistance through the third fiscal year after the actuarial valuation date. The premium assistance account is funded to establish reserves that are sufficient or the payment of premium assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB's plan fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.98% which represents the S&P 20-year municipal bond rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

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

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

	1% Decrease 1.98%	Current Discount Rate 2.98%	1% Increase 3.98%
College Plan - Total OPEB liability	$ 1,146,542	$ 1,084,447	$ 1,024,311
PSERS -College's proportionate share of the net OPEB liability	$ 586,000	$ 514,879	$ 456,000

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

College Plan

	1% Decrease (5.0% decreasing to 2.8%)	Healthcare Cost Trend Rate (6.0% decreasing to 3.8%)	1% Increase (7.0% decreasing to 4.8%)
College Plan - Total OPEB Liability	$ 963,650	$ 1,084,447	$ 1,225,995

PSERS

	1% Decrease (Between 4% to 7%)	Healthcare Cost Trend Rate (Between 5% to 8%)	1% Increase (Between 6% to 9%)
PSERS - School District's proportionate share of the net OPEB liability	$ 515,000	$ 514,879	$ 516,000

OPEB Plan Fiduciary Net Position

PSERS

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

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Payables to the OPEB Plan

College Plan

As of June 30, 2019 and 2018, the College had no amounts payable to the College OPEB Plan.

PSERS

As of June 30, 2019 and 2018, the College has $ 7,226 and $ 7,658 included in accounts payable and accrued wages for the contractually required contribution for the second quarter of 2019 and 2018, respectively, related to the PSERS plan.

NOTE 12 CONTINGENCIES AND COMMITMENTS

Contingencies

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

Commitments

The College has signed contracts for various projects with commitments in the amount of $ 2,839,036, of which $ 1,266,073 has been incurred as of June 30, 2019.

NOTE 13 STATE APPROPRIATIONS

The following shows the detail of state appropriations earned for the years ended June 30, 2019 and 2018:

	2019	2018
Included in non-operating revenue:		
Retirement contribution	$ 1,994,162	$ 1,703,587
Social security reimbursement	2,905,462	2,898,399
Tuition reimbursement	33,529,398	32,525,120
Subtotal	38,429,022	37,127,106
Included in capital contributions:		
Debt reimbursement	6,095,675	6,098,945
Lease reimbursement	1,245,943	1,255,377
Subtotal	7,341,618	7,354,322
Total	$ 45,770,640	$ 44,481,428

NOTE 14 NET POSITION

College

The following shows the details of net investment in capital assets at June 30, 2019 and 2018:

	2019	2018
Capital assets, net	$ 196,803,649	$ 203,256,485
Bonds and notes payable (net of premium, discount and deferred charge on bond refunding) and capital leases	(113,222,901)	(122,690,735)
Unspent bond proceeds	228,369	434,344
Total	$ 83,809,117	$ 81,000,094

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:

	2019	2018
Designated for endowment purposes	$ 1,974,661	$ 1,715,417
Undesignated	1,916,176	1,758,833
	$ 3,890,837	$ 3,474,250

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

	2019	2018
Scholarships and awards	$ 5,427,306	$ 5,074,126
Academic support	2,417,416	2,417,755
Capital improvements	3,588,470	3,918,144
Other	3,080,978	1,875,991
	$ 14,514,170	$ 13,286,016

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

	2019	2018
Scholarships and awards	$ 22,179,216	$ 21,099,420
Academic support	937,400	1,023,511
Other	1,391,943	1,379,734
	$ 24,508,559	$ 23,502,665

NOTE 15 INTERFUND ACTIVITY

At June 30, 2019 and 2018, the Foundation owes the College $ 20,580 and $ 90,042 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 2019 and 2018 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 $ 1,774,650 and $ 1,847,719 for the years ended June 30, 2019 and 2018, respectively. During the years ended June 30, 2019 and 2018, the Foundation provided the College with the following funding:

	2019	2018
Scholarship and awards	$ 966,683	$ 976,861
Capital related support	402,158	195,014
Debt service	773,950	167,950
Other endowments	498,453	321,069
	$ 2,641,244	$ 1,660,894

REQUIRED SUPPLEMENTARY INFORMATION

HARRISBURG AREA COMMUNITY COLLEGE
Schedule of College's Proportionate Share of the Net Pension Liability

Public School Employees' Retirement System (PSERS)

For the Fiscal Year Ended June 30	College's proportion of the net pension liability (asset)	College's proportionate share of the net pension liability (asset)	Commonwealth's proportionate share of the net pension liability (asset) associated with the College	Total share of the net pension liability (asset)	College's covered payroll - measurement period	College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.0247%	$ 11,857,225	$ 11,857,225	$ 23,714,450	$ 6,659,678	178.05%	54.00%
2018	0.0225%	11,112,390	11,112,390	22,224,780	6,002,302	185.14%	51.84%
2017	0.0214%	10,605,161	10,605,161	21,210,322	5,547,636	191.17%	50.14%
2016	0.0186%	8,056,648	8,056,648	16,113,296	4,797,798	167.92%	54.36%
2015	0.0174%	6,887,045	6,887,045	13,774,090	4,440,330	155.10%	57.24%

State Employees' Retirement System (SERS)

For the Fiscal Year Ended June 30	College's proportion of the net pension liability (asset)	College's proportionate share of the net pension liability (asset)	College's covered payroll - measurement period	College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.1099%	$ 22,897,354	$ 7,047,937	324.88%	56.39%
2018	0.1088%	18,811,095	6,812,472	276.13%	62.97%
2017	0.1046%	20,150,811	6,407,146	314.51%	57.81%
2016	0.1090%	19,827,130	6,783,607	292.28%	58.90%
2015	0.1320%	19,613,942	7,852,744	249.77%	64.79%

NOTES

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

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

CHANGES IN ACTUARIAL ASSUMPTIONS

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

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

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

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

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

Public School Employees' Retirement System (PSERS)

For the Fiscal Year Ended June 30	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	College's covered payroll - fiscal year	Contributions as a percentage of covered payroll
2019	$ 1,104,870	$ 1,104,870	$ -	$ 8,648,550	12.78%
2018	1,434,602	1,434,602	-	8,809,346	16.29%
2017	883,862	883,862	-	6,002,302	14.73%
2016	705,816	705,816	-	5,547,636	12.72%
2015	502,831	502,831	-	4,797,798	10.48%
2014	361,260	361,260	-	4,440,330	8.14%
2013	245,381	245,381	-	N/A	N/A
2012	204,713	204,713	-	N/A	N/A
2011	116,871	116,871	-	N/A	N/A
2010	81,264	81,264	-	N/A	N/A

State Employees' Retirement System (SERS)

For the Fiscal Year Ended June 30	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	College's covered payroll - fiscal year	Contributions as a percentage of covered payroll
2019	$ 2,182,733	$ 2,182,733	$ -	$ 6,895,104	31.66%
2018	2,501,280	2,501,280	-	6,881,612	36.35%
2017	1,793,907	1,793,907	-	6,373,459	28.15%
2016	1,585,540	1,585,540	-	6,710,811	23.63%
2015	1,345,915	1,345,915	-	6,867,547	19.60%
2014	978,634	978,634	-	N/A	N/A
2013	672,241	672,241	-	N/A	N/A
2012	565,062	565,062	-	N/A	N/A
2011	310,224	310,224	-	N/A	N/A
2010	221,951	221,951	-	N/A	N/A

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

COLLEGE PLAN

	2019	2019
Total OPEB liability		
Service cost	$ 105,756	$ 146,848
Interest	33,723	38,332
Differences between Expected and Actual Experience	-	(231,304)
Changes in assumptions	733	(305,615)
Benefit payments	(59,812)	(80,348)
Net change in total OPEB liability	80,400	(432,087)
Total OPEB liability - beginning	1,004,047	1,436,134
Total OPEB liability - ending	$ 1,084,447	$ 1,004,047
Covered employee payroll	$ 48,960,678	$ 48,960,678
Total OPEB liability as a percentage of covered employee payroll	2.21%	2.05%

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

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

Schedule of College's Proportionate Share of Net OPEB Liability - PSERS

For the Fiscal Year Ended June 30	College's Proportion of the Net OPEB Liability (Asset)	College's Proportionate Share of the Net OPEB Liability (Asset)	Commonwealth's Proportionate Share of the Net OPEB Liability (Asset) associated with the College	Total Share of the Net OPEB Liability (Asset)	College's Covered Payroll - measurement period	College's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2019	0.0247%	$ 514,879	$ 514,879	$ 1,029,758	$ 8,809,346	5.84%	5.56%
2018	0.0225%	458,418	$ 458,418	$ 916,836	6,002,302	7.64%	5.73%

Notes

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

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

Schedule of College's OPEB Contributions - PSERS

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll - Fiscal Year	Contributions as a Percentage of Covered Employee Payroll
2019	$ 28,811	$ 28,811	$ -	$ 8,648,550	0.33%
2018	37,515	37,515	-	8,809,346	0.43%

Notes

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

OTHER SUPPLEMENTARY INFORMATION

HARRISBURG AREA COMMUNITY COLLEGE
Schedule of Expenses by Functional Classification - Primary Institution
Years Ended June 30, 2019 and 2018

2019

Functional Classification	Natural Classification							
	Salaries and Wages	Fringe Benefits	Supplies & Other Expense	Professional & Purchased Services	Utilities	Depreciation	Scholarships	Total
Instruction	$ 48,647,796	$ 14,387,245	$ 2,868,615	$ 1,153,513	$ 31,390	$ -	$ 2,800	$ 67,091,359
Research	-	-	-	-	-	-	-	-
Public Support	644,860	85,877	44,181	-	-	-	-	774,918
Academic Support	6,868,555	2,661,511	1,176,507	117,619	-	-	-	10,824,192
Student Services	9,300,411	4,314,400	393,852	630,665	-	-	-	14,639,328
Institutional Support	8,723,007	6,891,517	6,684,142	1,716,833	-	1,736,421	-	25,751,920
Operation and Maintenance of Plant	3,014,580	1,759,097	4,258,902	565,160	2,946,236	10,088,361	-	22,632,336
Student Aid	745,465	29	55,986	-	-	-	17,433,185	18,234,665
Auxiliary Enterprises	1,247,423	462,410	8,737,531	2,185	-	-	-	10,449,549
Total operating expenses	$ 79,192,097	$ 30,562,086	$ 24,219,716	$ 4,185,975	$ 2,977,626	$ 11,824,782	$ 17,435,985	170,398,267
Interest expense								4,249,782
Total expenses								$ 174,648,049

2018

Functional Classification	Natural Classification							
	Wages	Fringe Benefits	Supplies & Other Expense	Professional & Purchased Services	Utilities	Depreciation	Scholarships	Total
Instruction	$ 48,712,973	$ 13,406,001	$ 2,765,827	$ 1,050,618	$ 182,260	$ -	$ -	$ 66,117,679
Research	-	-	-	-	-	-	-	-
Public Support	558,521	76,201	44,419	-	-	-	-	679,141
Academic Support	6,849,204	2,505,605	1,348,742	235,291	-	-	-	10,938,842
Student Services	9,002,313	3,987,803	375,014	570,403	-	-	-	13,935,533
Institutional Support	8,399,953	6,428,834	6,607,487	1,700,768	-	1,893,326	-	25,030,368
Operation and Maintenance of Plant	2,919,202	1,642,934	4,180,011	507,214	3,206,231	9,440,035	-	21,895,627
Student Aid	670,866		47,460	-	-	-	18,402,612	19,120,938
Auxiliary Enterprises	1,269,434	433,988	9,358,918	3,059	15,038	-	-	11,080,437
Total operating expenses	$ 78,382,466	$ 28,481,366	$ 24,727,878	$ 4,067,353	$ 3,403,529	$ 11,333,361	$ 18,402,612	$ 168,798,565
Interest expense								4,592,923
Total expenses								$ 173,391,488

HARRISBURG AREA COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Total Passed-Through to Subrecipients	Cash Receipts	Accrual Basis Expenditures
DEPARTMENT OF EDUCATION					
Student Financial Aid Cluster					
FSEOG Program	84.007	N/A	$ -	$ 625,744	$ 611,504
FWS Program	84.033	N/A	-	602,711	588,050
PELL Program	84.063	N/A	-	27,601,771	27,091,572
Direct Student Loan Program	84.268	N/A	-	50,578,707	50,289,311
Total student financial aid cluster			-	79,408,933	78,580,437
Passed through Pennsylvania Department of Education					
Vocational Educational Grants Perkins III	84.048	FA 381-18-012	-	1,169,565	1,134,786
Passed through Shippensburg University					
Race to the Top - Early Learning Challenge	84.412A	4500559297	-	13,542	6,346
Passed through Tri-County Opportunities Industrialization Center, Inc.					
Adult Basic Education	84.002	064-18-FEDERAL	-	70,446	60,134
Total Department of Education			-	80,662,486	79,781,703
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE					
AmeriCorps	94.006	N/A	-	23,227	22,920
DEPARTMENT OF LABOR					
Passed through PA Department of Labor and Industry					
Trade Adjustment Assistance	17.245	TC-22519-11-60-A-42	-	229,626	229,806
DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed through Pennsylvania Department of Welfare					
Keystone Education Yields Success (KEYS)	93.558	4100063543	-	393,538	398,949
Passed through Child Care Consultants, Inc.					
PA Keys ECE Credential Program	93.575	HACC1819	-	211,500	211,500
Total Department of Health and Human Services			-	605,038	610,449
DEPARTMENT OF HOMELAND SECURITY					
Passed through the City of Philadelphia					
PA Urban Search and Rescue Task Force	97.025	PA-TF-1	-	665,680	752,877
NATIONAL SCIENCE FOUNDATION					
Passed through Jefferson Community College and Technical College					
Geospatial Tech Center of Excellence: Growing the Workforce	47.076	DUE-1700496-HACC	-	21,708	15,614
NATIONAL ENDOWMENT FOR THE ARTS					
Passed through Redevelopment Authority of Cumberland County					
Environmental Training	66.815	TR-96348001	-	71,906	30,363
ENVIRONMENTAL PROTECTION AGENCY					
Promotion of the Arts Partnership Agreements	45.024	1853177-78	-	10,000	10,000
Total federal financial assistance			$ -	$ 82,289,671	$ 81,453,732

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.

Guidance You Can Count On.

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, 2019, 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 21, 2019. 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 opinion 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 21, 2019

SEK CPAs & ADVISORS
Guidance You Can Count On.

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, 2019. 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, 2019.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

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

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
October 21, 2019

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
84.048	Voc Ed Grant Perkins
97.025	National Urban Search and Rescue (US&R) Response

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. Significant Deficiencies or Material Weaknesses in Internal Control

None noted.

B. Compliance Findings

There were no compliance findings related to the federal awards required to be reported in accordance with the Uniform Guidance by 2 CFR Section 200.516.

Schedule of Prior Audit Findings
Year Ended June 30, 2018

Findings related to Financial Statements:

None

Findings related to Federal awards:

None