Luzerne County Community College

Financial Statements and Required Supplementary and Supplementary Information

Years Ended June 30, 2015 and 2014 with Independent Auditor's Report

MaherDuessel
Certified Public Accountants

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LUZERNE COUNTY COMMUNITY COLLEGE

YEARS ENDED JUNE 30, 2015 AND 2014

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YEARS ENDED JUNE 30, 2015 AND 2014

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Independent Auditor's Report

Board of Trustees
Luzerne County Community College

Report on the Financial Statements

We have audited the accompanying financial statements of Luzerne County Community College (College), a component unit of Luzerne County, Pennsylvania, and its discretely presented component unit, as of and for the years ended June 30, 2015 and 2014 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 did not audit the financial statements of the Luzerne County Community College Foundation (Foundation), which represent 7.51 percent, 12.42 percent, and 2.1 percent, respectively, of the assets, net position, and revenues of the College for the year ended June 30, 2015 and 7.49 percent, 10.14 percent, and 1.47 percent respectively, of the assets, net position, and revenues of the College for the year ended June 30, 2014. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. 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 the Foundation were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and the discretely presented component unit of the College, as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, for the year ended June 30, 2015, the College adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *"Accounting and Financial Reporting for Pensions,"* and Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date,"* which requires the College to record its proportionate share of the Public School Employees' Retirement System (PSERS) and State Employee Retirement System (SERS) net pension liability and related items on the government-wide financial statements. It was not practicable to restate the financial statements for the year ended June 30, 2014. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents on page i and required supplementary information listed in the table of contents on pages 52-54 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 and other auditors 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 the 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 audits were conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the College's basic financial statements. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and related 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 supplemental schedules 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 December 18, 2015, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Maher Duessel

Harrisburg, Pennsylvania
December 18, 2015

LUZERNE
County Community College

LUZERNE COUNTY COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis Introduction

This section of Luzerne County Community College's Annual Financial Statements presents management's discussion and analysis (MD&A) of the College's financial activity during the fiscal years ended June 30, 2015 and June 30, 2014. This analysis reflects on current activities, resulting change and currently known facts, and should be read in conjunction with the College's Financial Statements, including the notes. The purpose of this discussion and analysis is to assist readers in understanding the College's operations, financial results and financial condition. Responsibility for the completeness and fairness of this information rests with the College.

Using This Annual Report

The College Financial Statements are designed to emulate corporate presentation models, whereby all College activities are consolidated. This approach is intended to summarize and simplify the user's analysis of the cost of various College services to students and the public.

There are three financial statements presented: the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows. The Statement of Net Position is designed to be similar to bottom line results for the College. This statement combines and consolidates current financial resources (short-term spendable resources) with capital assets. The Statement of Revenues, Expenses, and Changes in Net Position focus on both the gross costs and the net costs of College activities which are supported mainly by state appropriations, local appropriations and tuition and fees. The primary purpose of the Statement of Cash Flows is to provide relevant information about the cash receipts and cash payments of an entity during a period. When used in conjunction with the other statements, notes and disclosures, the statement of cash flows provides information about an entity's ability to generate future net cash flows and its ability to meet its obligations as they become due.

Financial Highlights

Net Position

As of June 30, 2015, the College's net position decreased ($11.26) million to $49.51 million from $60.77 million at June 30, 2014. Net position is the residual of all other elements presented in a statement of financial position. The net position represents the difference between total assets and deferred inflows plus liabilities and deferred outflows. The College reports three components of net position: investment in capital assets, restricted and unrestricted.

Net Position (Continued)

The College implemented GASB statements No. 68 & 71, *Accounting and Financial Reporting for Pensions* in the current fiscal year. This pronouncement revises and establishes new financial reporting requirements for state and local governments that provide their employees with defined pension benefits.

The Statement requires the liability of employers and non-employer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position.

As a result of this implementation, an adjustment to beginning net position of ($12.6) million was made. This adjustment allowed the College to recognize the long-term obligation for pension benefits as a liability. The change in accounting will result in a more comprehensive and comparable measure of the annual costs of pension benefits. Additionally, net position for the current year was impacted by the College's net result of $1.34 million.

The College has a negative unrestricted net position of ($2.76) million for the current year.

Long Term Net Assets

Long Term Net Assets (in millions)
As of June 30,

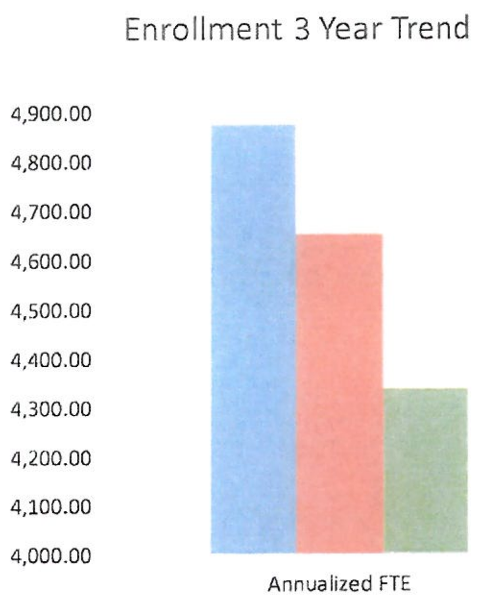
	2015	2014	Increase (Decrease)	Percent Change
Net Position				
Investment in Capital Assets	$38.94	$39.59	($0.65)	-2%
Restricted	$13.32	$10.72	$2.60	24%
Unrestricted	($2.76)	$10.46	($13.22)	-126%
Total Net Position	**$49.51**	**$60.77**	($11.26)	-19%

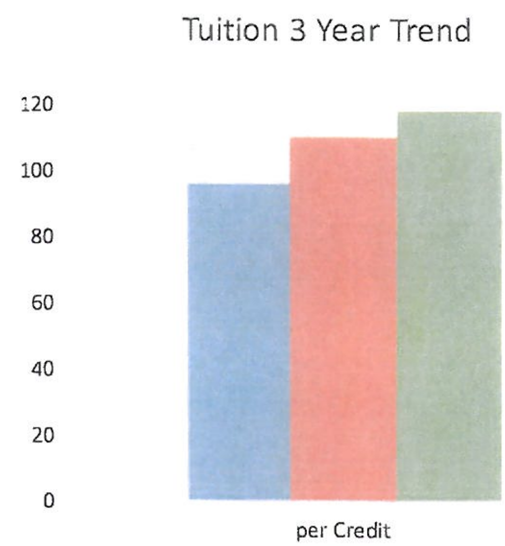
LUZERNE COUNTY COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Tuition & Enrollment

ENROLLMENT	FY13-12	FY13-14	FY14-15
Annualized FTE	4,875.47	4,652.96	4,338.71
Change over PY	-3%	-5%	-7%

TUITION	FY12-13	FY13-14	FY14-15
per Credit	96	110	118
Full Time	1,440	1,650	1,770





The College experienced a decrease in enrollment of 7% in the current year as compared to the prior year due to the continuing effects of the economy and the decline in college ready populations in area's served by the College.

Tuition (sponsored) for FY14-15 increased $8 credit to $118 per credit or $1,770 for full time as compared to FY13-14 $110 per credit or $1,650 for full time.

The College has recently implemented specific strategies to address decreasing enrollment. The College plans to expand into Lackawanna County to serve residents of this adjoining county and therefore increase enrollment by increasing the population served. The College has also implemented a winter intersession which is expected to provide the opportunity for visiting and current students to take more classes.

Consolidated Statement of Net Position

This schedule is prepared from the College's statement of net position which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Total net position as of June 30, 2015 decreased to $49.51 million from $60.77 million at June 30, 2014. Current assets increased by $3.78 million or 14% which can be primarily attributed to $2.75 increase in cash and a $.944 million increase in accounts receivable. Non-current assets decreased ($2.94) million from fiscal year 2014 which is attributable to a ($2.99) million decrease in capital assets. Deferred outflows increased $.972 million in light of the new pension reporting requirement. Current liabilities decreased 5% or $.316 million which were impacted by a $.342 million decrease in accounts payable, a $.236 million decrease in liability for compensated absences, and a $.239 million increase in other accrued liabilities. Long term liabilities increased $12.35 million due to the new pension reporting, long term debt decreased by $1.86 million and the liability for post-retirement benefits increased $1.47million. Deferred inflows increased $1.06 million due to the new pension reporting.

Consolidated Statement of Net Position

Net Assets (in millions)
As of June 30,

	2015	2014	Increase (Decrease)	Percent Change
Current Assets	$30.93	$27.15	$3.78	14%
Non-Current Assets				
Long Term Investments	$10.10	$10.05	$0.05	0%
Capital Assets, Net of Depreciation	$44.51	$47.50	($2.99)	-6%
Other	$0.05	$0.05	$0.00	0%
Total Non-Current Assets	$54.66	$57.60	($2.94)	-5%
Total Assets	**$85.59**	**$84.75**	**$0.84**	**1%**

LUZERNE COUNTY COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Results

Operating Revenue decreased 3% or ($1) million as compared to prior year.
$.610 million of this decrease can be attributed to a decrease in book sales. $.250 million of this decrease can be attributed to decrease revenue from Contract Training, Continuing Education and PSTI. $.090 million of this decrease can be attributed to Tuition. The College had an increase in tuition and a decrease in enrollment. These decreases were offset by an increase in fee revenue (general service, course fee and technology fee) of $.693 million.

Operating Expense decreased 6% or ($4.77) million as compared to prior year. This was primarily due to a decrease in grant expense of ($4.62) million which corresponded to a decrease in grant revenue.

Non-Operating Revenue/Expense decreased 10% or ($4.31) million as compared to prior year. State and Local appropriations remained relatively flat as compared to prior year. The reduction in expense was primarily due to a decrease of ($4.62) million in Grant and Special program revenue. This decrease in revenue corresponds and is offset by a decrease in Grant and Special program operating expense.

Total Capital Contributions decreased 4% or ($.200) million as compared to prior year. Commonwealth of PA capital appropriations were down $.320 million over prior year. This was offset by an increase in Capital Contributions and Grants from the Commonwealth of PA of $.030 million. Federal grants increased $.090 million compared to prior year. Luzerne County capital appropriations remained flat in comparison to prior year.

The following is a Condensed Statement of Revenues, Expenses and Changes in Net Position as of June 30, 2015 and June 2014.

Results (in millions)
For the Year Ended June 30,

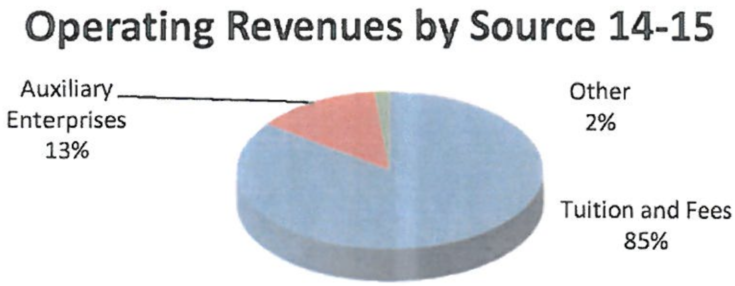
	2015	2014	Increase (Decrease)	Percent Change
Operating Revenue				
Tuition and Fees	$24.26	$24.41	($0.15)	-1%
Auxiliary Enterprises	$3.81	$4.50	($0.69)	-15%
Other	$0.46	$0.62	($0.16)	-26%
Total	$28.53	$29.53	($1.00)	-3%
Less Operating Expenses	$72.05	$76.82	($4.77)	-6%
Operating Loss	($43.52)	($47.29)	$3.77	8%

Results (continued)

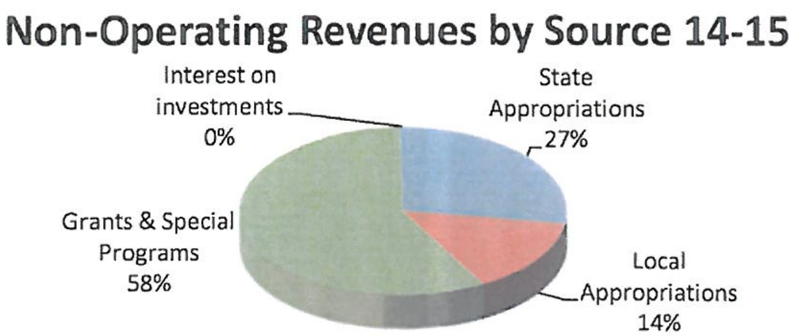
Non-Operating Revenues (Expenses)				
State Appropriations	$11.24	$11.06	$0.18	2%
Local Appropriations	$5.90	$5.90	$0.00	0%
Grants & Special Programs	$23.77	$28.38	($4.62)	-16%
Sale of Assets	$0.03	$0.00	$0.03	-
Investment Income	$0.10	$0.09	$0.01	12%
Interest Expense on Capital Debt	($0.32)	($0.40)	$0.08	21%
Total Non-Operating Revenues	$40.72	$45.03	($4.31)	-10%
Capital Contributions:				
Commonwealth of PA Appropriations	$2.31	$2.63	($0.32)	-12%
Luzerne County Appropriations	$1.25	$1.25	($0.00)	0%
Federal Grants & Special Programs	$0.11	$0.02	$0.09	461%
Capital Contributions/Grants	$0.46	$0.43	$0.03	7%
Total Capital Contributions	$4.14	$4.33	($0.20)	-4%
Change in Net Position	$1.34	$2.07	($0.73)	-35%
Net Position, Beginning of Year	$48.16	$58.70	($10.54)	-18%
Net Position, End of Year	$49.51	$60.77	($11.27)	-19%
Total Revenues (not including interest exp.)	**$69.57**	**$74.96**	**($5.39)**	**-7%**

The current year change in net position was $1.34 million. A decrease of ($.730) million or 35% as compared to prior year.

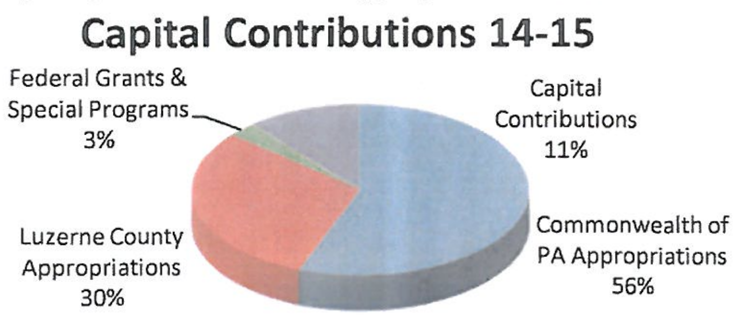
Revenues by Sources in Millions



The College received 85% of operating revenue from Tuition and Fees as compared to 83% in the prior year. The College received 13% of revenue from the Auxilliary enterprices (specifically the Bookstore) as compared to 15% in the prior year.



The College received 58% of non-operating revenues from Grants & Special Programs as compared to 63% in prior year. State and local appropriations were 27% and 14% respectively.



The College received 56% of capital contributions from the Commonwealth as compared to 61% in the prior year. The College received 30% of capital contributions from Luzerne County as compared to 39% in the prior year. Federal Grants and Other capital contributions accounted for 3% and 11% of capital contributions respectively.

Expenditures

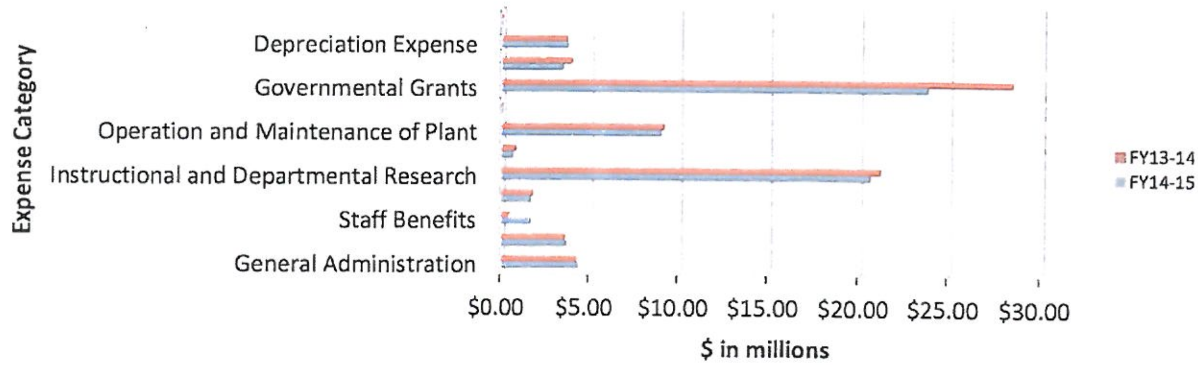
Operating expenses for the fiscal year 2015 decreased ($4.77) million, or approximately 6% over Fiscal Year 2014. Governmental grant expense decreased ($4.62) million or 16%. The governmental grant expense decrease was offset by a decrease in governmental grant revenue. General Administration expense increased $.06 million or 1%. Student Services expense increased $.060 million or 2%, Non-Allocated Benefits expense increased $1.24 million or 343% due to an increase in self-funded health care expense. General Institutional expense decreased ($.120) million or 7%. Instructional and Departmental Research expense decreased ($.580) million or 3%. Library expense decreased ($.18) million or 24%. Operation and Maintenance of Plant expense decreased ($.143) million or 2%. Auxiliary enterprise expense decreased ($.520) million or (13%).

Total Expenses (in millions)
For the Year Ended June 30,

Operating Expense	2015	2014	Increase (Decrease)	Percent Change
Educational and general:				
General administration	$4.26	$4.20	$0.06	1%
Student services	$3.62	$3.56	$0.06	2%
Staff benefits	$1.60	$0.36	$1.24	343%
General institutional	$1.62	$1.73	($0.12)	-7%
Instructional and departmental research	$20.53	$21.11	($0.58)	-3%
Library	$0.60	$0.78	($0.18)	-24%
Operation and maintenance of plant	$8.98	$9.12	($0.14)	-2%
Governmental grants	$23.76	$28.37	($4.62)	-16%
Auxiliary enterprises	$3.40	$3.92	($0.52)	-13%
Depreciation expense	$3.70	$3.67	$0.03	1%
Total Operating Expense	$72.05	$76.82	($4.77)	-6%
Non-Operating Expense				
Interest Expense	$0.32	$0.40	($0.08)	-21%
Total Non-Operating Expense	$0.32	$0.40	($0.08)	-21%
Total Expense	$72.37	$77.22	($4.85)	-6%

Expenditures

Operating Expense Comparison FY 14-15 to FY 13-14



Net Fixed Capital Assets (in millions) As of June 30,

	2015	2014	Increase (Decrease)	Percent Change
Fixed Capital Assets				
Land	$1.38	$1.38	$0.00	0%
Furniture & Fixtures	$3.38	$3.25	$0.13	4%
Equipment	$26.16	$26.15	$0.01	0%
Library Books	$2.05	$2.00	$0.05	3%
Audio-Visual Equipment	$0.71	$0.70	$0.01	2%
Motor Vehicles	$0.72	$0.72	($0.00)	-1%
Permanent Campus	$77.94	$77.62	$0.32	0%
Total	$112.33	$111.82	$0.51	0%
Less Accumulated Depreciation	($67.91)	($64.64)	($3.27)	-5%
Construction in Progress	$0.09	$0.32	($0.23)	-72%
Net Fixed Capital Assets	$44.51	$47.49	($2.98)	-6%

Net Fixed Assets (continued)

As of June 30, 2015 the College had recorded $112.36 million invested in capital assets, $67.94 million in accumulated depreciation and $44.51 million in net fixed assets. The College continues to make annual investments in technology through the established computer replacement plan. Most of the additions this fiscal year are for capital equipment or for the renovation of buildings on campus.

Capital Assets – Renovation and Planning

On February 17, 2015 Luzerne County Community College awarded contracts in response to Request for Proposals (RFP) for three (3) initiatives. The three initiatives are Architect and Engineer services for miscellaneous projects, Facilities Master Plan and Energy Performance Contract.

Five (5) miscellaneous projects started within FY 2014-2015 and three (3) were completed within the fiscal year. The completed projects include assistance with a PA one-call request, cost estimates for a grant opportunity related to the auditorium in the Educational Conference Center and cost estimates for a grant opportunity related to the science labs.

A Deferred Maintenance Project, a fourth project, was awarded in FY 2014-2015 with $150,000 in funding from the Pennsylvania Department of Education. Carpet replacement, painting in various areas of building 5, 6 and 14 was completed as well as the purchase of furniture took place and was completed by October 30, 2015.

Renovations to the Technology Center with TAACCCT grant funding also began in FY 2014-2015. The renovation of lab areas for diesel, advanced manufacturing and welding programs is currently substantially complete.

The Facilities Master Plan process began and is currently in the programming and design stage where MKSD representatives have met and/or are meeting with various departments on campus. The additional services of the topographical and utility survey as well as the legal property boundary survey are in progress. It is anticipated that the Facilities Master Plan will be designed and made available to the College in the Spring of 2016.

The energy performance consultants have reviewed the current campus situations and have presented (10/27/15) Energy Conservation Measures (ECM) from which the College can select projects to move forward. Those ECM's are currently being reviewed. A decision on moving forward will tie into the Facilities Master Plan design to be provided by MKSD in the Spring of 2016.

LUZERNE COUNTY COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year 2015 Other Highlights

Debt

The College had two debt instruments outstanding at June 30, 2015 for a total of $5.3 million. A general note obligation with a principal of $2.58 million and a general note obligation with a principal of $2.71 million.

Labor Contracts

The negotiated labor agreement between Luzerne County Community College and Luzerne County Community College Association of Higher Education – PSEA/NEA expired on August 31, 2014. Negotiations continue toward a finalized labor agreement.

The negotiated labor agreement with the Luzerne County Community College Classified Council Education Support Personnel Association expired June 30, 2015. Negotiations continue toward a finalized labor agreement.

Conclusion

This financial report is designed to provide a general overview of the College's financial position. Luzerne County Community College is financially strong and we are very committed to continuing financial strength. We are proud of the educational opportunities and services that we provide to the communities that we serve. Our mission is to provide excellence in education, foster student success in achievement of goals, and positively impact Luzerne County and the surrounding North East Pennsylvania region. We look forward to providing area residents with affordable, quality education and training in the years to come.

Joseph R. Gasper

Joseph R. Gasper, Luzerne County Community College, Dean of Finance

LUZERNE COUNTY COMMUNITY COLLEGE

STATEMENTS OF NET POSITION

JUNE 30, 2015 AND 2014

	2015	2014
Assets		
Current assets:		
Cash	$ 22,904,600	$ 20,147,878
Accounts receivable	7,278,570	6,334,418
Inventory	670,607	629,115
Prepaid expenses	73,051	40,243
Due from Foundation	6,536	-
Total current assets	30,933,364	27,151,654
Non-current assets:		
Long-term investments	10,102,237	10,051,195
Capital assets, net	44,510,466	47,492,699
Other assets	44,408	47,228
Total non-current assets	54,657,111	57,591,122
Total Assets	85,590,475	84,742,776
Deferred Outflows of Resources		
Deferred outflows of resources for pension	972,133	-

(Continued)

	2015	2014
Liabilities		
Current liabilities:		
Accounts payable	904,382	1,246,473
Accrued salaries	1,155,950	1,108,936
Other accrued liabilities	349,754	378,033
Unearned tuition, fees, and other revenue	495,629	437,783
Liability for compensated absences and fringe benefits	354,651	590,411
Other accrued liabilities	239,435	-
Current portion long-term debt	1,860,559	1,770,222
Current portion capital lease obligation	144,927	289,858
Total current liabilities	5,505,287	5,821,716
Non-current liabilities:		
Liability for compensated absences and fringe benefits	1,418,603	1,227,572
Other accrued liabilities	-	235,660
Net pension liability	12,923,066	-
Long-term debt, net of current portion	3,435,541	5,296,102
Capital lease obligation, net of current portion	-	144,928
Liability for post-retirement benefits	12,721,263	11,248,089
Total non-current liabilities	30,498,473	18,152,351
Total Liabilities	36,003,760	23,974,067
Deferred Inflows of Resources		
Deferred inflows of resources for pension	1,056,514	-
Net Position		
Net position:		
Net investment in capital assets	38,943,793	39,591,824
Restricted for:		
Capital projects	2,151,227	2,691,030
Other	11,164,361	8,023,517
Total restricted	13,315,588	10,714,547
Unrestricted	(2,757,047)	10,462,338
Total net position	$ 49,502,334	$ 60,768,709

The accompanying notes are an integral part of these financial statements. (Concluded)

LUZERNE COUNTY COMMUNITY COLLEGE

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Revenues:		
Tuition and fees	$ 24,262,179	$ 24,411,313
Auxiliary enterprises	3,812,041	4,491,237
Other revenues	461,897	617,081
Total revenues	28,536,117	29,519,631
Expenses:		
Educational and general:		
General administration	4,257,353	4,191,328
Student services	3,616,713	3,561,576
Non-allocated benefits	1,595,904	360,743
General institutional	1,615,292	1,731,496
Instructional and department research	20,529,809	21,110,126
Library	596,160	780,889
Operation and maintenance of plant	8,980,974	9,123,484
Governmental grants	23,755,399	28,373,578
Auxiliary enterprises	3,404,254	3,918,413
Depreciation expense	3,699,918	3,667,216
Total expenses	72,051,776	76,818,849
Operating loss	(43,515,659)	(47,299,218)

(Continued)

	2015	2014
Non-operating revenues (expenses):		
Commonwealth of Pennsylvania appropriation	$ 11,243,715	$ 11,061,244
Luzerne County appropriation	5,897,500	5,897,500
Federal grants and special programs	23,772,393	28,382,092
Interest on investments	100,855	95,193
Gain on sale of assets	28,332	-
Interest expense	(316,436)	(403,012)
Net non-operating revenues	40,726,359	45,033,017
Net loss before capital contributions	(2,789,300)	(2,266,201)
Capital contributions:		
Commonwealth of Pennsylvania appropriation	2,309,311	2,626,444
Luzerne County appropriation	1,249,890	1,251,948
Federal grants and special programs	112,294	17,993
Capital contributions	464,518	439,935
Total capital contributions	4,136,013	4,336,320
Change in Net Position	1,346,713	2,070,119
Net Position:		
Beginning of year	60,768,709	58,698,590
Adoption of accounting principle	(12,613,088)	-
Restated beginning net assets	48,155,621	58,698,590
End of year	$ 49,502,334	$ 60,768,709

(Concluded)

The accompanying notes are an integral part of these financial statements.

LUZERNE COUNTY COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Cash Flows From Operating Activities:		
Tuition and fees	$ 23,759,581	$ 23,700,258
Auxiliary enterprises	3,308,903	4,476,261
Payments to:		
Employees	(22,478,884)	(24,213,957)
Suppliers	(22,944,563)	(21,283,602)
Students	(21,362,897)	(25,923,444)
Other receipts	521,166	338,914
Net cash used in operating activities	(39,196,694)	(42,905,570)
Cash Flows From Non-Capital Financing Activities:		
State appropriations	11,232,621	10,397,102
Local appropriations	6,411,667	5,897,500
Grants and contracts	24,080,248	27,995,146
Net cash provided by non-capital financing activities	41,724,536	44,289,748
Cash Flows From Capital Financing Activities:		
State capital appropriations	2,306,112	2,617,947
Local capital appropriations	259,042	1,787,068
Grant income	214,976	(73,837)
Capital contributions	464,518	627,996
Purchase of capital assets	(599,617)	(1,540,191)
Payments on construction in progress	(89,445)	(673,676)
Principal paid on capital debt	(1,770,224)	(1,687,079)
Interest paid on capital debt	(316,436)	(403,012)
Payments on capital lease	(289,859)	(289,860)
Net cash provided by (used in) capital financing activities	179,067	365,356
Cash Flows From Investing Activities:		
Purchase of long-term investments	(51,042)	(51,195)
Interest on investments	100,855	95,193
Net cash provided by investing activities	49,813	43,998
Net Increase in Cash	2,756,722	1,793,532
Cash:		
Beginning of year	20,147,878	18,354,346
End of year	$ 22,904,600	$ 20,147,878

(Continued)

The accompanying notes are an integral part of these financial statements.

LUZERNE COUNTY COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014
(Continued)

	2015	2014
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (43,515,659)	$ (47,299,218)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	3,699,918	3,667,216
Pension expense	394,359	-
Pension payments made subsequent to measurement date	(578,624)	-
Gain on disposal of capital assets	28,332	-
Changes in net assets and liabilities:		
Accounts receivables (net)	(792,426)	(897,390)
Inventory (net)	(41,492)	42,127
Prepaid expenses	(32,808)	26,159
Accounts payable	(21,498)	5,716
Accrued payroll liabilities	77,650	131,309
Unearned revenue	(42,066)	(73,436)
Liability for compensated absences	1,959,941	1,379,382
Other liabilities	(332,321)	112,565
Net cash used in operating activities	$ (39,196,694)	$ (42,905,570)

(Concluded)

The accompanying notes are an integral part of these financial statements.

LUZERNE COUNTY COMMUNITY COLLEGE COMPONENT UNIT - LUZERNE COUNTY COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF NET POSITION

JUNE 30, 2015 AND 2014

Assets	2015	2014
Current assets:		
Cash and temporary investments:		
Foundation	$ 681,089	$ 643,832
Alumni	91,152	47,856
Total cash and temporary investments	772,241	691,688
Pledges receivable	147,000	147,000
Total current assets	919,241	838,688
Non-current assets:		
Investments:		
Foundation	3,981,663	3,831,151
Alumni	589,377	554,330
Total investments	4,571,040	4,385,481
Investments - other, alumni	-	25,037
Pledges receivable, net	314,482	424,846
Beneficial interest in perpetual trust	1,192,680	1,190,284
Total non-current assets	6,078,202	6,025,648
Total Assets	$ 6,997,443	$ 6,864,336

(Continued)

The accompanying notes are an integral part of these financial statements.

LUZERNE COUNTY COMMUNITY COLLEGE COMPONENT UNIT - LUZERNE COUNTY COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF NET POSITION

JUNE 30, 2015 AND 2014
(Continued)

Liabilities and Net Assets	2015	2014
Current liabilities:		
Accounts payable	$ 26,045	$ 5,466
Net assets:		
Unrestricted:		
Foundation	886	2,232
Alumni	76,103	78,198
Total unrestricted	76,989	80,430
Temporarily restricted:		
For specific purposes:		
Foundation	2,549,251	2,364,644
Alumni	531,702	496,835
Time and purpose restrictions, Foundation	461,482	571,846
Total temporarily restricted	3,542,435	3,433,325
Permanently restricted:		
Assets held in perpetuity, Foundation	3,351,974	3,345,115
Total net assets	6,971,398	6,858,870
Total Liabilities and Net Assets	$ 6,997,443	$ 6,864,336

(Concluded)

The accompanying notes are an integral part of these financial statements.

LUZERNE COUNTY COMMUNITY COLLEGE COMPONENT UNIT - LUZERNE COUNTY COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Change in unrestricted net assets:		
Revenues and other additions:		
Contributions	$ 10,665	$ 25,000
Contribution, personnel expense	561,847	-
Special event revenue	44,525	30,975
Investment income	335	22,885
Net assets released from restrictions, satisfaction of program restrictions	478,016	459,415
Total revenues and other additions	1,095,388	538,275
Program expenses:		
Transfer to Luzerne County Community College	151,086	158,411
Scholarships	213,525	143,215
Personnel expense	561,847	-
Program costs	172,370	228,349
Total program expenses	1,098,828	529,975
(Decrease) increase in unrestricted assets	(3,440)	8,300
Change in temporarily restricted net assets:		
Contributions	455,196	464,681
Investment income	131,930	475,915
Net assets released from restrictions, satisfaction of program restrictions	(478,016)	(459,415)
Increase in temporarily restricted net assets	109,110	481,181
Change in permanently restricted net assets:		
Contributions	4,463	31,976
Changes in beneficial interest in perpetual trust	2,396	132,865
Increase in permanently restricted net assets	6,859	164,841
Increase in net assets	112,529	654,322
Net assets, beginning	6,858,870	6,204,548
Net assets, ending	$ 6,971,398	$ 6,858,870

The accompanying notes are an integral part of these financial statements.

LUZERNE COUNTY COMMUNITY COLLEGE COMPONENT UNIT - LUZERNE COUNTY COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ 112,529	$ 654,322
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized and realized gains on investments, net	(110,410)	(444,067)
Restricted contributions	(4,463)	(31,976)
Change in beneficial interest in perpetual trust	(2,396)	(132,865)
Changes in assets and liabilities:		
Pledges receivable	110,364	168,207
Accounts payable	20,580	(79,810)
Net cash provided by operating activities	126,204	133,811
Cash flows from investing activities:		
Purchase of investments	(215,964)	(259,919)
Proceeds from sale of investments	165,850	46,061
Net cash used in investing activities	(50,114)	(213,858)
Cash flows provided by financing activities:		
Collection of restricted contributions	4,463	31,976
Net increase (decrease) in cash and temporary investments	80,553	(48,071)
Cash and temporary investments, beginning	691,688	739,759
Cash and temporary investments, ending	$ 772,241	$ 691,688

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Luzerne County Community College (College) is a public two-year, comprehensive community college for residents of the County of Luzerne (County) and Northeastern Pennsylvania. A variety of educational programs and support services are offered to provide opportunity for persons to pursue an education consistent with their interests and capabilities and educational and employment demands.

The College was established under the Provisions of the Community College Act of 1963, Commonwealth of Pennsylvania, and sponsored by the County. The College itself was founded in 1966. The Board of Trustees (Board) is the College's ruling body, which establishes the policies and procedures by which the College is governed.

Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on application of the criteria, the College's component unit, Luzerne County Community College Foundation (Foundation), is included in the College's reporting entity.

The Foundation is discretely reported in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61 as a separate component unit of the College's reporting entity (although it is legally separate and governed by its own Board of Trustees), because its sole purpose is to provide support for the College. Separate financial statements of the Foundation may be obtained from the administrative office at 1333 South Prospect Street, Nanticoke, PA 18634.

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a private not-for-profit 501(c)3 organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the

Foundation's operations and reporting model are ASC Topic 958, *Accounting for Contributions Received and Contributions Made, and Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. During the years ended June 30, 2015 and 2014, the Foundation distributed $151,086 and $158,411, respectively, to the College for both restricted and unrestricted purposes.

The College's financial statements are reflected in the financial statements of the County. The notes to the statements indicate that the College qualifies as a component unit of the County and the County has elected to present applicable financial information in a discrete fashion rather than blended as part of the primary government's (County's) financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency and intra-fund transactions have been eliminated.

Non-exchange transactions, in which the College receives value without directly giving equal value in return includes federal, state and local grants; state appropriations, and other contributions. Revenues from grants, state appropriations, and other contributions are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the College must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the College on a reimbursement basis.

The accounting policies of the College conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities. The College reports are based on all applicable GASB pronouncements as well as accounting and financial reporting guidance of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which incorporate into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The following is a summary of the more significant policies.

Adopted Pronouncements

The College has adopted GASB Statement No. 68, *"Accounting and Financial Reporting for Pension Plans,"* and GASB Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date*" for the year ended June 30, 2015. These statements revise and establish reporting requirements for most governments that provide their employees with pensions.

As a result of adopting GASB Statement No. 68 and GASB Statement No. 71, the College's net position as of July 1, 2014 was restated by $12,613,088. The College did not deem it practical to restate the year ended June 30, 2014 as the State Employee and Public School Employee Retirement Systems have difference fiscal years, therefore the College restated beginning net position to reflect the adoption of the accounting principal.

Deferred Inflows and Outflows of Resources

Deferred inflows or resources represent 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. Deferred outflows of resources represent 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.

Deferred Inflows and Outflows of Resources Related to Pensions

In conjunction with the adoption of GASB Statement Nos. 68 and 71, the effect of the change in the College's proportion, the difference between expected and actual investment earnings, and payments made to the State Employee Retirement System (SERS) and Public School Employee Retirement System (PSERS) subsequent to the measurement date are recorded as a deferred inflow or outflow of resources related to pensions on the financial statements. These amounts are determined based on the actuarial valuation performed for the SERS and PSERS plans. The effect of the change in the College's proportion is recognized over the average expected remaining service lives of active and inactive members, which was 5.15 years as of June 30, 2013 for PSERS and 5.6 years closed period as of December 31, 2014 for SERS. The difference between expected and actual investment earnings is recognized over five years. Payments subsequent to the measurement date will be recorded as a reduction to the pension liability in the next fiscal year. Note 9 presents additional information about the PSERS and SERS plans.

Pending Pronouncements

GASB has issued the following statements that will become effective in future years as shown below. Management has not yet determined the impact of these statements on the College's financial statements.

In February of 2015, the GASB issued Statement No. 72, "Fair Value Measurement and Application," effective for fiscal years beginning after June 15, 2015 (the College's financial statements for the year ending June 30, 2016). This statement addresses accounting and financial reporting issues related to fair value measurements.

In June of 2015, the GASB issued Statement No. 73, *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68."* This statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by GASB Statements No. 67 and 68). The provisions of GASB Statement No. 73 are effective for the College's June 30, 2016 financial statements – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for the College's June 30, 2017 financial statements.

In June of 2015, the GASB issued Statement No. 74, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans."* This statement addresses reporting by other post-employment benefit (OPEB) plans that administer benefits on behalf of governments. The provisions of GASB Statement No. 74 are effective for the College's June 30, 2017 financial statements.

In June of 2015, the GASB issued Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."* This statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions of GASB Statement No. 75 are effective for the College's June 30, 2018 financial statements.

In June of 2015, the GASB issued Statement No. 76, *"Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,"* effective for fiscal years beginning after June 30, 2015. This statement identifies the hierarchy of generally accepted accounting principles (GAAP), reduces the hierarchy to two categories of authoritative GAAP, and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes GASB Statement No. 55. The provisions of GASB Statement 76 are effective for the College's June 30, 2016 financial statements.

Because the College is a component unit of the County, GASB standards are implemented by the College in the fiscal period that relates to the calendar year of implementation by the County.

Cash and Cash Equivalents

Cash includes deposits held at banks plus small amounts maintained for change funds. Cash equivalents are defined as short-term highly liquid investments readily converted to cash with original maturities of three months or less.

Accounts Receivable

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.

Allowance for Doubtful Accounts

It is the College's policy to provide for future losses on uncollectible accounts, contracts, and grants receivable based on an evaluation of the underlying account, contract, and grant, 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 allowance for doubtful accounts was $2,009,174 and $1,557,857 as of June 30, 2015 and 2014, respectively.

Inventories

Inventories consist primarily of items held for sale by the bookstore and food service, and operating supplies on hand. Inventories are stated at the lower of cost or market.

Other Assets

Other assets include loan costs. These costs are capitalized and amortized on the straight-line basis over the life of the loan. Loan costs of $56,393 are included in other assets net of accumulated amortization of $11,985 and $9,165 at June 30, 2015 and 2014, respectively. Amortization expense amounted to $2,820 in 2015 and 2014.

Unearned Revenues

Unearned revenues include amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and amounts received from grant and contract sponsors that have not been earned.

Non-current Liabilities

Non-current liabilities include estimated amounts of accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Net Position

The College's net position is classified as follows:

> Net investment in capital assets - This represents the College's total investment in capital assets, net accumulated depreciation and outstanding debt incurred to acquire, construct, or improve those assets.
>
> Restricted net position - This includes resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources when they are needed.
>
> Unrestricted net position - This includes resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet current expenses for any purpose.

Capital Assets

Capital assets include property, plant equipment, and infrastructure assets, such as roads and sidewalks. Capital assets are defined by the College as assets with an initial unit cost of $4,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the College are depreciated using the straight-line method over the following useful lives (see Note 7 for further detail).

Building	30 years
Furniture and fixtures	10 years
Library books	10 years
Equipment	10 years
Other	5 years

Classification of Revenues and Expenses

The College has classified its revenues and expenses as either Operating or Non-Operating. Operating revenue and expenses include activities that have the characteristics of exchange transactions, such as (a) student tuition and fees, (b) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (c) salaries and benefits, and (d) materials and supplies. Non-operating revenue and expenses include activities that have the characteristics of non-exchange transactions, such as (a) state and local appropriations and (b) most federal, state, and local grants and contracts and federal appropriations.

Federal Financial Assistance Programs

The College participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Perkins Loans programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133 *Audit of States, Local Governments and Non-Profit Organizations*, and the Compliance Supplement.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Subsequent Events

The College has evaluated subsequent events through December 18, 2015 and the date the financial statements were issued.

2. BUDGETS AND BUDGETARY ACCOUNTING

The College follows these procedures in adopting its annual operating budget:

On or about March 31, the various departments within the College submit tentative department budgets to Division Heads for the fiscal year commencing the following July 1.

On or about March 31, Department Heads, in conjunction with Division Leadership, develop a division budget.

On or about April 30, the Dean of Finance coordinates various aspects of the budget and prepares the final version to be submitted to the Board.

The Board at their June meeting adopts and approves the budget that will be in effect for the fiscal year commencing the following July 1.

Included within the General Fund budget are program budgets as prescribed by state and federal agencies funding the specific programs. These budgets are approved on a program-by-program basis by the state or federal funding agency.

3. CASH AND INVESTMENTS

The Pennsylvania Community College Act and the Pennsylvania General Assembly Act 72 allow funds belonging to the College to be invested. College policy delegates this authority to the Finance and Planning Division of the College.

In accordance with the College's investment policy, funds may be invested in the following: certificates of deposit ranging from 30 days to one year, treasury bills invested on a daily basis from one to 30 days, interest-bearing checking accounts, INVEST program offered through the Commonwealth of Pennsylvania, and other investment markets as determined by the Board in accordance with PA Act 72. It is the policy of the College to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the College and conforming to all state and local statutes governing the investment of public funds. The primary objectives of the policy are legality, safety (preservation of capital and protection of investment principal), liquidity, and yield.

Custodial Credit Risk

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the College's deposits may not be returned to it. The College's investment policy requires pledging of collateral for all bank balances in excess of federal depository insurance, with the collateral held by an agent of the College in the agent's name.

The Foundation maintains its cash accounts in various commercial banks. Accounts are insured by the Federal Deposit Insurance Corporation to $250,000.

Interest Rate Risk

The College's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The College does, however, manage its exposure to interest rate risk by generally limiting investment maturities to less than three years.

Cash and Cash Equivalents

The carrying amount of the College's deposits at June 30, 2015 and 2014 was $22,895,528 and $20,138,878, respectively, which excludes amounts maintained for cashier's change funds and petty cash totaling $9,072 and $9,000, respectively. Actual bank statement balances at June 30, 2015 and 2014 were $24,329,817 and $21,234,317, respectively. The difference between carrying amounts and bank balances represents primarily checks which have not cleared the bank. The College's bank balance is exposed to credit risk as follows:

	2015	2014
Uninsured and collateral held by the pledging bank's trust department but not in the College's name	$ 34,169,477	$ 31,022,587

Long-term Investments

As of June 30, 2015 and 2014, the College had the following investments and maturities:

	Fair Market Value	Less Than 1 Year	1 - 3 Years	More Than 3 Years
June 30, 2015				
Certificates of deposit	$ 10,102,237	$ -	$ 10,102,237	$ -
June 30, 2014				
Certificates of deposit	$ 10,051,195	$ -	$ 10,051,195	$ -

Foundation

The Foundation's investments are comprised of the following at June 30:

	2015	2014
Cash and cash equivalents	$ 194,289	$ 158,433
Mutual funds	1,325,907	1,195,800
Equities	1,530,671	1,675,672
ETF, equity	194,022	-
Fixed income:		
Agency bonds	24,726	24,556
Corporate bonds	401,143	404,107
Exchange traded funds	430,730	411,217
Mutual funds	469,552	515,696
Total investments	$ 4,571,040	$ 4,385,481

Investment return is comprised of the following in 2015 and 2014:

	2015	2014
Interest and dividend income	$ 88,299	$ 85,180
Unrealized gains on investments, net	(57,336)	336,106
Realized gains on investments, net	135,824	107,961
Investment fees	(34,522)	(30,447)
Total	$ 132,265	$ 498,800

Investment return is reported as:

	2015	2014
Unrestricted	$ 335	$ 22,885
Temporarily restricted	131,930	475,915
Total	$ 132,265	$ 498,800

4. FAIR VALUE DISCLOSURES

Foundation

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to dispose of a liability in an orderly transaction between market participants at the measurement date. The framework for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determine based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 – Fair value is based on unadjusted quoted prices in active markets that are accessible to the Foundation for identical assets or liabilities. These generally provide the most reliable evidence and are used to measure the fair value whenever available.

Level 2 – Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 – Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

The following table presents the Foundation's financial instruments measured at fair value on a recurring basis by level within the fair value hierarchy:

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents (1)	$ 194,289	$ -	$ -	$ 194,289
Mutual funds:				
Short-term treasury (2)	81,854	-	-	81,854
Inflation protected bonds (2)	26,031	-	-	26,031
Short-term bonds (2)	69,651	-	-	69,651
Large value (2)	156,686	-	-	156,686
Large growth (2)	30,102			30,102
Small cap value	94,242	-	-	94,242
Small cap growth fund	89,570	-	-	89,570
International fund (2)	198,448	-	-	198,448
Emerging markets funds	71,128	-	-	71,128
Mid cap growth (2)	138,291	-	-	138,291
Mid cap value (2)	123,463	-	-	123,463
Real estate fund (2)	128,162	-	-	128,162
Other	118,278	-	-	118,278
Equities:				
Consumer discretionary	212,322	-	-	212,322
Consumer staples	158,810	-	-	158,810
Energy	108,856	-	-	108,856
Financial	262,003	-	-	262,003
Healthcare	249,296	-	-	249,296
Industrial	118,071	-	-	118,071
Information technology	244,987	-	-	244,987
Materials	29,715	-	-	29,715
Telecommunication services	58,120	-	-	58,120
Utilities	49,656	-	-	49,656
Other	38,836	-	-	38,836
ETF- fixed income (3)	194,022	-	-	194,022
Fixed income:				
Agency bonds	-	24,726	-	24,726
Corporate bonds	-	401,143	-	401,143
Exchange traded funds	430,730	-	-	430,730
Mutual funds: (4)				
Intermediate term bond	341,505	-	-	341,505
Bank loan	11,360	-	-	11,360
World loan	105,396	-	-	105,396
Nontraditional bond	11,291	-	-	11,291
Total investments	4,145,171	425,869	-	4,571,040
Beneficial interest in perpetual trust	-	-	1,192,680	1,192,680
Total	$ 4,145,171	$ 425,869	$ 1,192,680	$ 5,763,720

(1) Includes $32,546 for Alumni

(2) Includes $395,989 for Alumni

(3) Includes $54,495 for Alumni

(4) Includes $81,281 for Alumni

	June 30, 2014			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents (1)	$ 158,433	$ -	$ -	$ 158,433
Mutual funds:				
Short-term treasury (2)	81,147	-	-	81,147
Inflation protected bonds (2)	26,535	-	-	26,535
Short-term bonds (2)	68,879	-	-	68,879
Large value (2)	119,178	-	-	119,178
Small cap value	102,856	-	-	102,856
Small cap growth fund	88,250	-	-	88,250
International fund	187,202	-	-	187,202
Emerging markets funds	77,252	-	-	77,252
Mid cap growth	127,041	-	-	127,041
Mid cap value	131,895	-	-	131,895
Real estate fund	113,376	-	-	113,376
Other	78,081	-	-	78,081
Equities:				
Consumer discretionary	178,457	-	-	178,457
Consumer staples	129,328	-	-	129,328
Energy	161,888	-	-	161,888
Financial	226,305	-	-	226,305
Healthcare	238,425	-	-	238,425
Industrial	128,074	-	-	128,074
Information technology	213,200	-	-	213,200
Materials	35,823	-	-	35,823
Telecommunication services	45,832	-	-	45,832
Utilities	72,197	-	-	72,197
Other (3)	240,251	-	-	240,251
Fixed income:				
Agency bonds	-	24,556	-	24,556
Corporate bonds	-	404,107	-	404,107
Exchange traded funds	411,217	-	-	411,217
Mutual funds: (4)				
Intermediate term bond	380,100	-	-	380,100
Bank loan	14,425	-	-	14,425
World loan	115,066	-	-	115,066
Nontraditional bond	6,105	-	-	6,105
Total investments	3,956,818	428,663	-	4,385,481
Beneficial interest in perpetual trust	-	-	1,190,284	1,190,284
Total	$ 3,956,818	$ 428,663	$ 1,190,284	$ 5,575,765

(1) Includes $19,244 for Alumni
(2) Alumni investments
(3) Includes $124,074 for Alumni
(4) Includes $114,978 for Alumni

The following table summarizes Level 3 instruments measured at fair value on a recurring basis for the years ended June 30, 2015 and 2014:

	Beneficial Interest in Perpetual Trust	
	2015	2014
Balance, beginning	$ 1,190,284	$ 1,057,419
Distributions	(33,242)	(14,468)
Gains included in changes in permanently restricted net assets	35,638	147,333
Balance, ending	$ 1,192,680	$ 1,190,284

Level 1 instruments are valued at fair value based on quoted market prices in active markets.

Level 2 instruments are valued based on an estimate using recently executed transactions or market price quotations (where observable).

Level 3 instruments are valued based on an estimate of the future cash flows to be received from the trust, which is based on the fair value of the trust's underlying investments. There were no changes to the valuation methods used during 2015 and 2014.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

5. Endowment Funds

Foundation

The Foundation's endowment consists of approximately 40 individual donor-restricted funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Foundation has interpreted Pennsylvania law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as either temporarily restricted or unrestricted net assets based on the existence of donor restrictions or by law.

The Foundation has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to emphasize long-term growth of principal while avoiding excessive risk.

To satisfy its 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 current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based and fixed-income investments to achieve its long-term return objectives within prudent risk constraints. No formal spending policy for the endowment funds have been established as of this date.

In 2015, the Foundation adopted a policy for appropriating for distribution each year 4.5% of its endowment fund’s average fair value over the prior 3 years in which the distribution is planned. In 2015, the Foundation distributed 4.5%. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the Foundation’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets for the fiscal year ended June 30:

	2015		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 769,344	$ 2,154,831	$ 2,924,175
Investment income	61,258	-	61,258
Investment fees	(23,652)	-	(23,652)
Realized and unrealized gains	75,702	-	75,702
(Withdrawals) contributions	(100,679)	325	(100,354)
Endowment net assets, end of year	$ 781,973	$ 2,155,156	$ 2,937,129

	2014		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 411,750	$ 2,122,855	$ 2,534,605
Investment income	55,795	-	55,795
Investment fees	(22,028)	-	(22,028)
Realized and unrealized gains	322,027	-	322,027
Transfers	48,861	-	48,861
(Withdrawals) contributions	(47,361)	31,976	(15,385)
Endowment net assets, end of year	$ 769,044	$ 2,154,831	$ 2,923,875

6. Beneficial Interest in Perpetual Trust

Foundation

The College receives income from a perpetual trust held by a third party. Under the terms of the trust, the Foundation has the irrevocable right to receive a portion of the income earned on the trust assets in perpetuity, but never receives the assets held in the trust. The assets are recorded at their fair value of approximately $1,192,680 and $1,190,284 as of June 30, 2015 and 2014, respectively.

	Foundation	Alumni	Total
Change in Unrestricted Net Assets:			
Revenues and Other Additions:			
Contributions	$ 10,665	$ -	$ 10,665
Contribution, personnel expense	456,636	105,211	561,847
Special events revenue	44,525	-	44,525
Investment income	-	335	335
Net assets released from restrictions, satisfaction of program restrictions	364,611	113,405	478,016
Total revenues and other additions	876,437	218,951	1,095,388
Expenses:			
Transfer to Luzerne County Community College	(151,086)	-	(151,086)
Scholarships	(213,525)	-	(213,525)
Personnel expense	(456,636)	(105,211)	(561,847)
Program costs	(56,536)	(115,834)	(172,370)
Total expenses	(877,783)	(221,045)	(1,098,828)
Decrease in unrestricted net assets	(1,346)	(2,094)	(3,440)
Change in Temporarily Restricted Net Assets:			
Contributions	287,703	167,493	455,196
Investment income	151,151	(19,221)	131,930
Net assets released from restrictions, satisfaction of program restrictions	(364,611)	(113,405)	(478,016)
Increase in temporarily restricted net assets	74,243	34,867	109,110
Increase in Permanently Restricted Net Assets:			
Contributions	4,463	-	4,463
Change in beneficial interest in perpetual trust	2,396	-	2,396
Increase in permanently restricted net assets	6,859	-	6,859
Increase in net assets	79,756	32,773	112,529
Net Assets, Beginning	6,283,837	575,032	6,858,869
Net Assets, Ending	$ 6,363,593	$ 607,805	$ 6,971,398

7. Capital Assets

The following is summary of capital assets activity at June 30, 2015 and 2014:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets - fiscal year 2015:				
Capital assets not being depreciated:				
Land	$ 1,382,185	$ -	$ -	$ 1,382,185
Construction in progress	318,173	89,445	318,173	89,445
Capital assets being depreciated:				
Permanent campus	77,619,137	318,173	-	77,937,310
Furniture and fixtures	3,248,038	141,948	12,230	3,377,756
Equipment	26,148,776	421,842	411,479	26,159,139
Library books	2,001,334	50,663	-	2,051,997
Microfilm and AV equipment	699,738	10,967	-	710,705
Motor vehicles	715,554	-	-	715,554
	112,132,935	1,033,038	741,882	112,424,091
Less: accumulated depreciation	(64,640,236)	(3,699,918)	426,529	(67,913,625)
Net Capital Assets				$ 44,510,466

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets - fiscal year 2014:				
Capital assets not being depreciated:				
Land	$ 1,382,185	$ -	$ -	$ 1,382,185
Construction in progress	1,483,153	673,676	1,838,656	318,173
Capital assets being depreciated:				
Permanent campus	76,031,371	1,587,766	-	77,619,137
Furniture and fixtures	3,248,038	-	-	3,248,038
Equipment	24,776,435	2,122,685	750,344	26,148,776
Library books	1,943,530	57,804	-	2,001,334
Microfilm and AV equipment	687,789	11,949	-	699,738
Motor vehicles	715,554	-	-	715,554
	110,268,055	4,453,880	2,589,000	112,132,935
Less: accumulated depreciation	(61,309,654)	(3,667,216)	336,634	(64,640,236)
Net Capital Assets				$ 47,492,699

Depreciation expense was $3,699,918 and $3,667,216 for the years ended June 30, 2015 and 2014, respectively.

8. PLEDGES RECEIVABLE

Foundation

The Foundation had pledges receivable representing the following at June 30:

	2015	2014
Receivables in less than one year	$ 147,000	$ 147,000
Receivables in one to four years	363,000	425,000
Receivables in greater than four years	15,000	70,000
Total pledges receivable	525,000	642,000
Less: Unamortized discount	63,518	70,154
Net present value of pledges receivable	$ 461,482	$ 571,846

Pledges receivable are discounted using rates between 1% and 5%. Pledges are restricted to use for transfers to the College for capital improvements.

Management has not established an allowance for doubtful collections at June 30, 2015 and 2014 based upon information currently known. Accounts are written off when they are determine to be uncollectible based upon management's assessment of individual accounts. However, events impacting donors can occur in subsequent years that may cause a material change.

9. Retirement Plans

The College has three contributory pension plans covering substantially all academic and non-academic personnel. The three plans offered by the College are listed as follows:

- The Pennsylvania Public School Employee's Retirement System (PSERS)
- State Employees' Retirement System (SERS)
- Teachers' Insurance and Annuity Association- Credit Retirement Equities Fund (TIAA-CREF)

The annual contribution to the various plans is shared mainly by the College and its employees. An additional state match from the Commonwealth of Pennsylvania (Commonwealth) is made for those participating in the Pennsylvania Public School Employees' Retirement System. The College's contribution for the three plans for the years ended June 30, 2015, 2014, and 2013 is as follows:

	June 30, 2015	June 30, 2014	June 30, 2013
The Pennsylvania Public School Employees' Retirement System (PSERS)	$ 221,248	$ 173,759	$ 91,802
State Employees' Retirement System	650,545	508,956	366,784
Teachers' Insurance and Annuity Association - Credit Retirement Equities Fund (TIAA-CREF)	1,493,821	1,522,152	1,563,036
Total	$ 2,365,614	$ 2,204,867	$ 2,021,622

The following is intended to provide a brief description for each of the three plans available at the College:

Pennsylvania Public School Employees' Retirement System

Summary of Significant Accounting Policies

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 PSERS and additions to/deductions from PSERS' fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability is expected to be paid from the Operating Fund.

Plan Description

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one 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 three 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 T-F members, the right to benefits is vested after ten years of service.

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

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 is the member had retired on the day before death.

Health Insurance Premium Assistance Program

In addition, PSERS provides a Health Insurance Premium Assistance Program (Premium Assistance) for all eligible annuitants who qualify and elect to participate. Under this program, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible annuitants 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 annuitants must obtain their health insurance through either their school employer or the PSERS' Health Options Program. Premium Assistance is not included in the calculation of the net pension liability as it does not qualify under the provisions of GASB Statement No. 68.

Member Contributions:

The following illustrates the member's contribution as a percent of the member's qualifying compensation:

Active members who joined PSERS prior to July 22, 1983:

Membership Class T-C	5.25%
Membership Class T-D	6.50%

Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001:

Membership Class T-C	6.25%
Membership Class T-D	7.50%

Members who joined PSERS after June 30, 2001, and before July 1, 2011:

Membership Class T-D	7.50%

Members who joined PSERS after June 30, 2011:

Membership Class T-E*	7.50%
Membership Class T-F**	10.30%

* Shared risk program could cause future contribution rates to fluctuate between 7.50% and 9.50%.

** Shared risk program could cause future contribution rates to fluctuate between 10.30% and 12.30%.

<u>Employer Contributions:</u>

The College's contractually required pension contribution rate for the fiscal year ended June 30, 2015 was 20.50% 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. In addition, the College was required to contribute 0.90% of covered payroll to Premium Assistance Program.

The contribution rate will increase to 25.84% in fiscal year 2016 and is projected to grow to 32.3% by fiscal year 2025.

The College contributed $221,248, $173,759, and $91,802 to PSERS for the years ended June 30, 2015, 2014, and 2013, respectively, which represents its contribution towards pension benefits and Premium Assistance. Contributions are remitted quarterly.

<u>Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions</u>

At June 30, 2015, the College reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated to the College were as follows:

The College's proportionate share of the net pension liability	$	3,206,000
State's proportionate share of the net pension liability for the College		3,217,696
Total	$	6,423,696

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2013 to June 30, 2014. The College's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to PSERS' total one-year reported covered payroll. At June 30, 2014, the College's proportion was 0.0081%, which was an increase of 0.0002% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the College recognized pension expense of $514,682, and revenue of $207,186. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on pension plan investments	$ -	$ 229,000
Changes in proportion	66,000	-
The College's contributions subsequent to the measurement date	221,248	-
Total	$ 287,248	$ 229,000

$221,248 reported as deferred outflows of resources resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Date Year Ended June 30:	Reporting Date Year Ended June 30:	Amortization Amount
2015	2016	$ (41,600)
2016	2017	(41,600)
2017	2018	(41,600)
2018	2019	(41,600)
2019	2020	3,400
	Total	$ (163,000)

Actuarial Assumptions

The total pension liability as of June 30, 2014 was determined by rolling forward PSERS' total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.50%, includes inflation at 3.00%
- Salary increases – Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1.0%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three years for both males and females. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the PSERS Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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 PSERS 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	-9%	1.1%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that the contributions from plan members will be made at the current contribution rate and that the contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was 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.

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

The following presents the College's proportionate share of the net pension liability calculated using the discount rates described above, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
The College's proportionate share of the net pension liability	$ 3,999,000	$ 3,206,000	$ 2,529,000

Pension Plan Fiduciary Net Position

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

State Employees' Retirement System

Plan Description

All full-time employees of the College contribute to the Commonwealth of Pennsylvania State Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan (Plan). Article II of the Commonwealth's constitution assigns the authority to establish and amend the benefit provision of the Plan to the General Assembly. SERS issues a publically available financial report that can be obtained at www.SERS.pa.gov.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, and pension expense, information about the fiduciary net position of SERS, as well as additions to and deductions from SERS fiduciary net position have been determined on the same basis as they are reported in the financial statements of SERS. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Investments are reported at fair value.

Benefits Provided

Membership in SERS is mandatory for all full-time College employees. SERS provides retirement, death, and disability benefits according to statute. Retirement benefits vest after five years of credited service.

Employees who retire at age 60, or with 35 years of service if under age 60, are entitled to an unreduced annual retirement benefit. For employees hired prior to January 1, 2011, the general annual benefit provided by statute is 2.5% of the member's highest three-year average salary times years of service. Effective January 1, 2011, the general annual benefit required by statute was reduced to 2.0%.

Contributions

Covered employees are required by statute to contribute to SERS at a rate of 6.25% of their gross pay. The employees' contributions are recorded in an individually identified account, which is also credited with interest, calculated quarterly to yield 4% per annum, as mandated by statute. Accumulated employee contributions and credited interest vest immediately and are returned to the employee upon termination of service if the employee is not eligible for other benefits. College employee contributions to SERS for the year ended June 30, 2015 approximated $650,000.

The College's contractually required contribution rate for the year ended June 30, 2015 was 20.50% of annual payroll. The SERS funding policy 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 employer contributions, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due. However, Act 2010-120 imposed rate increase collars (limits on annual rate increases) on employer contributions. The collar for Commonwealth fiscal year 13/14 was 4.5% and will remain at that rate until no longer needed. The College's contributions to SERS for the years ended June 30, 2015, 2014, and 2013 were $650,548, $508,986, and $366,784, respectively, equal to the required contributions for each year.

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

At June 30, 2015, the College reported a liability of $9,717,066 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarially valuation as of that date. The College's portion of the net pension liability was allocated by SERS to each employer based on a projected-contribution method. At December 31, 2014, the College's proportion of the net pension liability was approximately 0.0654 percent, which is a decrease of 0.0067 percent from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the College recognized pension expense of $957,222 At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on pension plan investments	$ 280,758	$ -
Difference between employer contributions and proportionate share of contributions	-	77,259
Difference between expected and actual experience	52,751	-
Changes in proportion	-	750,255
The College's contributions subsequent to the measurement date	351,376	-
Total	$ 684,885	$ 827,514

$351,376 reported as deferred outflows of resources resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Date Year Ended December 30:	Reporting Date Year Ended December 30:	Amortization Amount
2015	2016	$ (98,237)
2016	2017	(98,237)
2017	2018	(98,237)
2018	2019	(98,237)
2019	2020	(101,057)
	Total	$ (494,005)

Actuarial Methods and Assumptions

The following methods and assumptions were used in the December 31, 2014 actuarial valuation. These methods and assumptions were applied to all periods included in the measurement period:

Actuarial cost method	Entry age
Amortization method	Straight-line amortization of difference between projected and actual earnings on pension plan investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits
Investment rate of return	7.50% net of expenses including inflation
Projected salary increases	Average of 6.10% with range of 4.30%-11.05% including inflation
Assest valuation method	Fair (market) value
Inflation	2.75%
Mortality rate	Projected RP-2000 Mortality Tables adjusted for actual plan experience and future improvement
Cost-of-living adjustments (COLAs)	Ad hoc

Some of the methods and assumptions mentioned above are based on the 17th Investigation of Actuarial Experience, which was published in January of 2011, and analyzed experience from 2006 through 2010.

The long-term expected real rate of return on pension plan investments is 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 target allocation and best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2014 are summarized in the following table*:*

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Alternative Investments	15.00%	8.50%
Global Public Equity	40.00%	5.40%
Real Assets	17.00%	4.95%
Diversifying Assets	10.00%	5.00%
Fixed Income	15.00%	1.50%
Liquidity Reserve	3.00%	0.00%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable for each member and that employer contributions will be made based on rates determined by the actuary. Based on those assumptions, SERS fiduciary net position was projected to be available to make all projected future benefit payments of current active and non-active SERS members. Therefore, the long-term expected rate of return on SERS investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	**Current Discount Rate**	**1% Increase (8.50%)**
College's proportionate share of the net pension liability	$ 12,437,610	$ 9,717,066	$ 7,377,838

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued SERS financial report.

Teachers' Insurance and Annuity Association - Credit Retirement Equities Fund (TIAA-CREF)

A faculty, classified, or administration member's contribution to TIAA-CREF shall be a mandatory five (5%) percent to a maximum based on IRS limits of his total salary, including summer term and extra-load compensation.

The employee may choose the specific percentage contribution within the required guidelines. Relative to classified employees, the College's contribution shall be seven and one-half percent (7 1/2%) of compensation earned up to $7,800 and ten percent (10%) of the amount earned in excess of the $7,800. Relative to administration, the College's contribution will be calculated at a rate of thirteen percent (13%) of total applicable salaries. Relative to the faculty, the College's contribution will be calculated at a rate of (10%) ten percent of total applicable salaries. Twelve former administrators were union clarified to faculty bargaining positions. For those union clarified employees only, the College shall provide thirteen percent (13%) employer retirement contribution through August 31, 2011 and then effective September 1, 2011, they shall receive the same as current faculty at 10%.

The plan is a defined contribution, with various investment options available to the employees.

10. LONG-TERM DEBT

Northeastern Pennsylvania Hospital and Education Authority

Original Loan Agreement

The original loan agreement provided proceeds of $20,340,000 received as per promissory note dated December 15, 1994 between the College and the Northeastern Pennsylvania Hospital and Education Authority (Authority). Above proceeds directly relate to the issuance of the Northeastern Pennsylvania Hospital and Education Authority Guaranteed College Revenue Bonds (Luzerne County Community College Project) Series of 1994 by the Authority. A note was then executed by the College made payable to the Authority, which was subsequently endorsed and assigned by the Authority without recourse to First Valley Bank, the Trustee.

Supplemental Loan Agreement

The supplemental loan agreement provided proceeds of $16,370,000 received as per promissory note dated August 15, 1997 between the College and the Authority.

Above proceeds directly relate to the issuance of the Northeastern Pennsylvania Hospital and Education Authority Guaranteed College Revenue Bonds (Luzerne County Community

College Project) Series of 1997 by the Authority. A note was then executed by the College made payable to the Authority, which was subsequently endorsed and assigned by the Authority without recourse to Summit Bank, the Trustee.

The Bonds were issued to finance a project of the College consisting of (a) the advance refunding of a portion of the 1994 Bonds; (b) the financing of certain capital projects of the College; and (c) the financing costs related to the issuance of the Bonds and the financing of the Project.

The following paragraphs provide a more detailed description of the utilization of the proceeds derived from the new bond issue.

Use of Bond Proceeds to Refund 1994 Bonds

On the date of issuance of the Bonds, $15,495,895 of the proceeds of the Bonds were deposited with Summit Bank, as escrow agent (Escrow Agent) pursuant to an Escrow Agreement dated as of August 15, 1997 (Escrow Agreement), among the Authority, the College, and the Escrow Agent and used to purchase certain United Stated Treasury Obligations (Escrow Securities). The principal of and interest on the Escrow Securities will be applied by the Escrow Agent to pay the principal of and interest on the 1994 Bonds from the date of issuance of the Bonds through and including February 15, 2006, the date fixed for redemption of the 1994 Bonds and to pay the redemption price of the 1994 Bonds on such date.

Use of Bond Proceeds for the Capital Improvements

Approximately $750,000 of the proceeds of the Bonds, together with interest earnings on such proceeds and certain monies provided by the College, are expected to be used by the College to finance various capital improvements of the College. Proceeds were also utilized to fund the financing of costs related to the issuance of the bonds and the financing of the project.

Subsequent to the issuance of the Guaranteed College Revenue Bonds Series of 1994 and 1997, the College and the Authority entered into various loan agreements dated December 15, 1994 (Original Loan Agreement), as amended and supplemented by a First Supplemental Loan Agreement dated as of August 15, 1997 (Supplemental Loan Agreement and, together with the Original Loan Agreement, referred to as the Loan Agreement), pursuant to which the Authority lent the proceeds derived from both the 1994 and 1997 bond issues to the College. The College delivered its general obligation promissory note dated as of August 15, 1997 (Note) to the Authority evidencing its obligations under the Loan Agreement.

Except as supplemented or amended by the Supplemental Loan Agreement, the Original Loan Agreement is in all respects ratified and confirmed, and the Original Loan Agreement and the Supplemental Loan Agreement shall be read, taken and constructed as one and the same instrument. All of the rights, remedies, terms, conditions, covenants, and agreements of the original Loan Agreement as supplemented and amended shall apply and remain in full force and effect with respect to the Supplemental Loan Agreement. In the event of any conflict between the provisions of the Original Loan Agreement and the Supplemental Loan Agreement, the provisions of the Supplemental Loan Agreement shall prevail.

The following tabulation summarizes the outstanding loan activity (Original Loan Agreement dated December 15, 1994 and the Supplemental Loan Agreement dated August 15, 1997) as it relates to the Authority as reflected in the Plant Fund of the College under the caption Note Payable:

Date of Issue	Final Maturity	Interest Rate	Outstanding General Note Obligation July 1, 2014	Issued During the Year	Retired During the Year	Outstanding General Note Obligation June 30, 2015	Interest Paid In Current Year
August 15, 1997	2016	3.19 to 6.13%	$ 4,245,000	$ -	$ 1,660,000	$ 2,585,000	$ 175,873

The following is the remaining debt summarization of the note with the Authority:

Year	NPHEA 1997 Series Principal	NPHEA 1997 Series Interest
2015-16	$ 1,745,000	$ 88,194
2016-17	840,000	21,630
	$ 2,585,000	$ 109,824

Hazleton Area Industrial Development Authority

Original Loan Agreement

The original loan agreement provided proceeds of $3,150,000 received as per promissory note dated March 29, 2011 between the College and the Hazleton Area Industrial Development Authority (IDA). Above proceeds directly relate to the issuance of the Hazleton Area Industrial Development Authority Guaranteed College Revenue note (Luzerne County Community College Project) Series of 2011 by the IDA. A note was then executed by the College made payable to the IDA, which was subsequently endorsed and assigned by the IDA without recourse to First National Community Bank.

Use of Note Proceeds for the Capital Improvements

The 2011 Note is being issued by the IDA to finance a project (Project) for the benefit of the College comprised of (i) planning, designing, acquiring, constructing, renovating, improving, furnishing, and equipping of a new Culinary Arts Institute facility of the College; (ii) planning, designing, acquiring, constructing, renovating, improving, furnishing, and equipping of various other capital improvements to the College's existing facilities; (iii) acquiring various capital equipment for use in or in connection with the facilities of the College, and (iv) paying all or a portion of the costs and expenses of issuance of the 2011 Note.

The following tabulation summarizes the outstanding loan as it related to the IDA as reflected in the Plant Fund of the College under the caption Note Payable:

Date of Issue	Final Maturity	Interest Rate	Outstanding General Note Obligation July 1, 2014	Issued During the Year	Retired During the Year	Outstanding General Note Obligation June 30, 2015	Interest Paid In Current Year
March 29, 2011	2031	4.99%	$ 2,821,325	$ -	$ 110,225	$ 2,711,100	$ 138,243

The following is a five-year-and-after debt summarization of the note with the IDA:

Year	HAIDA Principal	HAIDA Interest
2015-16	$ 115,559	$ 135,227
2016-17	121,914	128,872
2017-18	128,227	122,559
2018-19	134,867	115,919
2019-20	141,552	109,234
Thereafter	2,068,981	620,106
	$ 2,711,100	$ 1,231,917

11. COMPENSATED ABSENCES

The personnel policies of the College provide that compensation for vacations and personal leave for professional employees, as well as compensatory time for non-professional staff, will accrue in accord with such agreements.

Specifically, the College is required to calculate liability for vested amounts related to vacation for administrative personnel, personal time for nine-month faculty, personal and vacation time for twelve-month faculty, vacation and compensatory time for classified personnel, in addition to sick leave payouts upon termination for classified personnel. The College considers approximately twenty percent of these liabilities current and due within one year.

The potential liability for compensation for administrative faculty, and classified personnel for the fiscal year ended June 2015, is as follows:

	Wages	Benefits	Total
Administrative	$ 472,607	$ 83,491	$ 556,098
Security	21,539	3,416	24,955
Classified	532,606	77,235	609,841
Faculty	583,904	97,942	681,846
Total	$ 1,610,656	$ 262,084	$ 1,872,740

12. POST-RETIREMENT BENEFITS

Post-retirement benefits are provided to any faculty, administrative, or classified personnel of the College as stipulated in their respective agreements with the College, provided they are both eligible for and also elect early retirement. The benefits extended to the employee include health care and vision benefits, with health care also extended to the employee's spouse. These benefits are available until the employee attains the age of sixty-six. This benefit is financed currently by the College on a pay-as-you-go basis and is addressed during the annual budget process. For the year ended June 30, 2015, post-retirement benefits paid $1,114,022 for forty participants eligible to participate.

These benefits are accounted for in accordance with GASB Statement No. 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."* The College's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions."* The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the College's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the College's net OPEB obligation to the plan:

The College's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the preceding years were as follows:

	June 30, 2015	June 30, 2014
Annual required contribution	$ 2,771,569	$ 2,921,811
Interest on net OPEB obligation	506,164	431,380
Adjustment to annual required contribution	(690,537)	(588,513)
Annual OPEB cost	2,587,196	2,764,678
Contributions made	(1,114,022)	(928,761)
Increase in net OPEB obligation	1,473,174	1,835,917
Net OPEB obligation, beginning of year	11,248,089	9,412,172
Net OPEB obligation, end of year	$ 12,721,263	$ 11,248,089

Year Ending	Annual OPEB Cost	Percentage of Annual OBEP Cost Contributed	Net OPEB Obligation
06/30/13	2,797,168	36%	9,412,172
06/30/14	2,764,678	34%	11,248,089
06/30/15	2,587,196	43%	12,721,263

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $22,099,180 and the actuarial value of assets was $0.00, resulting in an unfunded actuarial accrued liability (UAAL) of $22,099,180.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimated are made about the future.

Actuarial Methods and Assumptions

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

In the July 1, 2014 actuarial valuation, the Entry Age Normal Actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6.5% initially, reduced by .5% decrements to an ultimate rate of 5.3% after five years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015 was 30 years.

13. TERMINATION BENEFITS

Termination benefits (compensation) are provided to any faculty, administrative, or classified personnel of the College as stipulated in their perspective agreements with the College, provided they are both eligible for and also elect early retirement. Payment can be in the form of one-time payment or over a four-year period. During the fiscal year ending June 30, 2009, the faculty and administrative personnel adopted an IRC Section 403(b) Early Retirement Plan. The College is the fiduciary and plan sponsor. A third party has been contracted to be the administrator of the plan. The expenses and liability are recognized when the offer is accepted and the amount can be estimated. As of June 30, 2015, the accrued benefits of $239,435 are included in the compensated absences liabilities. All benefits will be paid in fiscal year 2016.

14. OPERATING LEASES

The College leases its Wilkes-Barre, Pennsylvania and Hazleton, Pennsylvania facilities under noncancellable operating leases that expire in 2021 and 2018, respectively. Rent expense was $314,424 and $353,640 for the years ended June 30, 2015 and 2014, respectively.

The College leases certain computer and office equipment under noncancellable operating leases which expire at various times through 2018. Rent expense was $257,968 and $449,953 for the years ended June 30, 2015 and 2014, respectively.

The future minimum lease payments are as follows:

For the year ended June 30,		
2016	$	577,340
2017		573,388
2018		456,853
2019		213,492
2020		21,533
2021		214,929
	$	2,057,535

15. CAPITAL LEASE

In July 2009, the College entered into a real estate lease purchase agreement with the Nanticoke General Municipal Authority. The lease term is for seven years. The future minimum lease payments are as follows:

For the year ended June 30, 2016	$	144,927

16. RISK MANAGEMENT

The College established a partially self-funded Insurance Fund through the General Fund, to account for and finance its uninsured risks of loss related to medical care and outpatient prescription drug costs. A third party administrator provides administrative services for this partially self-funded plan. Under this program, the Insurance Fund provides coverage of the College's participating employees and their eligible dependents. PPO and HMO Plus participants receive unlimited service allowance from preferred providers. A $1,000,000 maximum lifetime allowance is imposed on Traditional participants and PPO and HMO Plus participants using non-preferred providers. Stop Loss Insurance coverage is provided with the specific deductible per participant of $135,000. In no event will the aggregate stop loss coverage limit be less than $6,520,779.

The reserve for health care costs reported in the fund at June 30, 2015 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims liability includes all known claims and an amount for claims that have been incurred but not reported (IBNR).

The following is a reconciliation of changes in the reserve for health care costs at June 30, 2015. The reserve is based on deposits, net of changes.

Reserve for health care costs at July 1, 2014	$ 295,679
Claims incurred during the period	5,542,358
Payments on claims	(5,495,401)
Reserve for health care costs at June 30, 2015	$ 342,636

17. RESTRICTED NET POSITION

At June 30, 2015 and 2014, restricted net position was available for the following purposes:

	2015	2014
Capital projects	$ 2,151,227	$ 2,691,030
Other:		
Purchase commitments	$ 1,226,241	$ 416,044
Tuition stabilization	4,560,248	3,226,526
Self insurance	1,646,792	1,493,739
Auxiliary	40,000	40,000
Other	3,691,080	2,847,208
Total other restricted net position	$ 11,164,361	$ 8,023,517

18. LITIGATION

The College is currently involved in several actions and potential litigation. The College believes it acted appropriately relative to these matters. However, due to the uncertainty that exists relative to the potential litigation, it is impossible at this point to speculate as to the amount of damages, if any that could be assessed against the College as a result of these actions. Consequently, the College has elected not to accrue any amount or charge relative to the potential litigation.

19. FACILITY MASTER PLAN

The 2006-2012 Facilities Master Plan was initially approved by the Board in August 2006, revised in June 2007, and state approval of the revised Master Plan was received in August of 2007. The Plan included the development of a new Health Science Center, a Public Safety Training Institute, and a Culinary Arts Institute, which have been completed. As of June 30, 2015, a portion of the Deferred Maintenance/Renovation Projects remains for completion. These projects were funded with a $20 million bond issue. Luzerne County Commissioners, along with the Commonwealth, have committed to participate in the debt service payments. The College is in the process of developing a new Facilities Master Plan.

20. ECONOMIC DEPENDENCY

The College receives a substantial amount of its support from federal, state, and county governments. A significant reduction in the level of support, if this were to occur, may have an effect on the College's programs and activities.

Required Supplementary Information

LUZERNE COUNTY COMMUNITY COLLEGE

SCHEDULE OF FUNDING PROGRESS - POST-EMPLOYMENT BENEFIT PLANS

JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2014	$ -	$ 22,099,180	$ 22,099,180	0.00%	$ 15,449,579	143.04%
7/1/2012	-	22,387,978	22,387,978	0.00%	16,769,613	133.50%
7/1/2010	-	21,319,370	21,319,370	0.00%	17,239,413	123.67%
7/1/2008	-	19,798,400	19,798,400	0.00%	15,312,300	129.30%

LUZERNE COUNTY COMMUNITY COLLEGE

SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY- PSERS

Last 10 Fiscal Years*

		2015
The College's proportion of the net pension liability		0.0081%
The College's proportionate share of the net pension liability	$	3,206,000
State's proportionate share of the net pension liability associated with The College		3,217,696
Total	$	6,423,696
The College's covered-employee payroll	$	2,155,941
The College's proportionate share of the net pension liability as a percentage of its covered-employee payroll		297.9532%
PSERS' plan fiduciary net position as a percentage of PSERS' total pension liability		57.2382%

* The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year.

SCHEDULE OF COLLEGE CONTRIBUTIONS

Last 10 Fiscal Years**

		2015
Contributions recognized by PSERS	$	418,970
The College's covered-employee payroll	$	2,155,941
Contributions as a percentage of covered-employee payroll		19.43%

** The amounts presented for each fiscal year were determined as of the fiscal year-end date. Until a full 10-year trend is compiled, the required information is presented for as many years as are available.

LUZERNE COUNTY COMMUNITY COLLEGE

SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY- SERS

Last 10 Fiscal Years*

		2015
College's proportion of the net pension liability		0.0654%
College's proportionate share of the net pension liability	$	9,717,066
College's covered-employee payroll	$	3,923,793
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll		247.6447%
SERS' plan fiduciary net position as a percentage of SERS' total pension liability		64.7889%

* The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year.

SCHEDULE OF COLLEGE CONTRIBUTIONS

Last 10 Fiscal Years**

		2015
Contributions recognized by SERS	$	595,653
College's covered-employee payroll	$	3,923,793
Contributions as a percentage of covered-employee payroll		15.18%

** The amounts presented for each fiscal year were determined as of the fiscal year-end date. Until a full 10-year trend is compiled, the required information is presented for as many years as are available.

Supplementary Information

LUZERNE COUNTY COMMUNITY COLLEGE

STATEMENTS OF NET POSITION - ALL FUNDS

JUNE 30, 2015 AND 2014

	Current Funds		Plant			Total	Total
ASSETS AND DEFERRED OUTFLOWS	Unrestricted	Restricted	Fund	Auxiliary	Adjustments	2015	2014
Current assets:							
Cash	$ 15,819,412	$ 2,259,453	$ 811,545	$ 4,014,190	$ -	$ 22,904,600	$ 20,147,878
Accounts receivable:							
Student (net of allowance)	2,836,853	-	-	637,970	-	3,474,823	2,509,289
Federal Government	348,755	-	-	-	-	348,755	658,474
Commonwealth of Pennsylvania (net of reserve)	305,514	-	-	-	-	305,514	311,532
Luzerne County	755,833	-	1,862,351	-	-	2,618,184	2,141,503
Suppliers	-	-	-	100,907	-	100,907	227,617
Other	401,471	-	16,464	12,452	-	430,387	486,003
Bookstore inventory	-	-	-	576,945	-	576,945	529,254
Inventory - supplies	86,470	-	-	7,192	-	93,662	99,861
Prepaid expenses	73,051	-	-	-	-	73,051	40,243
Due from current - unrestricted funds	-	271,691	172,781	-	(444,472)	-	-
Due from current - auxiliary fund	517,200	225	626,192	-	(1,143,617)	-	-
Due from Foundation	-	-	6,536	-	-	6,536	-
Total current assets	21,144,559	2,531,369	3,495,869	5,349,656	(1,588,089)	30,933,364	27,151,654
Non-current assets:							
Capital assets:							
Land	-	-	1,382,185	-	-	1,382,185	1,382,185
Furniture and fixtures	-	-	3,377,756	-	-	3,377,756	3,248,038
Equipment	-	-	26,018,062	163,251	-	26,181,313	26,148,775
Library books	-	-	2,051,997	-	-	2,051,997	2,001,334
Microfilm and audio-visual equipment	-	-	710,705	-	-	710,705	699,738
Motor vehicles	-	-	715,554	-	-	715,554	715,554
Permanent campus	-	-	77,937,309	-	-	77,937,309	77,619,137
Less: accumulated depreciation	-	-	(67,787,193)	(148,605)	-	(67,935,798)	(64,640,235)
Construction in progress	-	-	89,445	-	-	89,445	318,173
Capital assets, net	-	-	44,495,820	14,646	-	44,510,466	47,492,699
Loan costs, net	-	-	44,408	-	-	44,408	47,228
Long-term investments	10,102,237	-	-	-	-	10,102,237	10,051,195
Total non-current assets	10,102,237	-	44,540,228	14,646	-	54,657,111	57,591,122
Total assets	$ 31,246,796	$ 2,531,369	$ 48,036,097	$ 5,364,302	$ (1,588,089)	$ 85,590,475	$ 84,742,776
Deferred Outflows of Resources							
Deferred outflows of resources for pension	$ 972,133	-	-	-	-	$ 972,133	$ -

(Continued)

LUZERNE COUNTY COMMUNITY COLLEGE

STATEMENTS OF NET POSITION - ALL FUNDS

JUNE 30, 2015 AND 2014
(Continued)

LIABILITIES AND DEFERRED INFLOWS	Current Funds Unrestricted	Current Funds Restricted	Plant Fund	Auxiliary	Adjustments	Total 2015	Total 2014
Current liabilities:							
Accounts payable:							
Trade	$ 733,295	$ -	$ 155,408	$ 1,980	$ -	$ 890,683	$ 1,210,019
Clubs	-	-	-	23,662	-	23,662	26,106
Commonwealth of Pennsylvania	(13,310)	-	3,347	-	-	(9,963)	10,348
Accruals:							
Salaries and wages	1,155,950	-	-	-	-	1,155,950	1,108,936
Employee payroll deductions payable	(2,126)	-	-	-	-	(2,126)	14,195
Scholarships payable	9,244	-	-	-	-	9,244	9,244
IBNR claims payable	342,636	-	-	-	-	342,636	295,679
Deferred revenue:							
Tuition, fees, and other	352,079	-	-	-	-	352,079	392,281
Federal and state grants	41,783	-	-	-	-	41,783	43,647
Other liabilities	-	-	101,767	-	-	101,767	1,855
Due to current restricted fund	271,691	-	-	225	(271,916)	-	-
Due to unrestricted fund	-	-	-	517,114	(517,114)	-	-
Due to unexpended plant fund	172,781	-	-	626,192	(798,973)	-	-
Liability for compensated absences and fringe benefits	354,651	-	-	-	-	354,651	58,915
Other accrued liabilities	239,435	-	-	-	-	239,435	590,411
Capital lease payoff - current portion	-	-	144,927	-	-	144,927	289,858
Current portion long-term debt	-	-	1,860,559	-	-	1,860,559	1,770,221
Total current liabilities	3,658,109	-	2,266,008	1,169,173	(1,588,003)	5,505,287	5,821,715
Non-current liabilities:							
Liability for post-retirement benefits	12,721,263	-	-	-	-	12,721,263	11,248,089
Liability for compensated absences and fringe benefits	1,418,603	-	-	-	-	1,418,603	1,227,572
Net pension liability	12,923,066	-	-	-	-	12,923,066	235,660
Capital lease, net of current portion	-	-	-	-	-	-	144,928
Long-term debt, net of current portion	-	-	3,435,541	-	-	3,435,541	5,296,103
Total non-current liabilities	27,062,932	-	3,435,541	-	-	30,498,473	18,152,352
Total liabilities	30,721,041	-	5,701,549	1,169,173	(1,588,003)	36,003,760	23,974,067
Deferred Inflows of Resources							
Deferred inflows of resources for pension	$ 1,056,514	-	-	-	-	$ 1,056,514	$ -

(Continued)

LUZERNE COUNTY COMMUNITY COLLEGE

STATEMENTS OF NET POSITION - ALL FUNDS

JUNE 30, 2015 AND 2014
(Continued)

	Current Funds		Plant			Total	Total
NET POSITION	Unrestricted	Restricted	Fund	Auxiliary	Adjustments	2015	2014
Net position:							
Restricted - post-season tournaments	$ -	$ -	$ -	$ 40,000	$ -	$ 40,000	$ 40,000
Restricted - purchase commitments	277,465	-	948,776	-	-	1,226,241	416,044
Restricted - replacement of capital assets	-	-	924,986	-	-	924,986	2,274,986
Restricted - tuition stabilization	4,560,248	-	-	-	-	4,560,248	3,226,526
Restricted - self insurance	1,646,792	-	-	-	-	1,646,792	1,493,739
Restricted - healthcare account	719,200	-	-	-	-	719,200	1,893,333
Restricted - faculty travel	149,847	-	-	-	-	149,847	140,498
Net investment in capital assets	-	-	38,943,793	-	-	38,943,793	39,591,824
Restricted	-	2,531,369	1,516,905	-	-	4,048,274	1,229,421
Unrestricted	(6,912,175)	-	-	4,155,128	-	(2,757,047)	10,462,338
Total net position	441,377	2,531,369	42,334,460	4,195,128	-	49,502,334	60,768,709

(Concluded)

LUZERNE COUNTY COMMUNITY COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - ALL FUNDS

YEARS ENDED JUNE 30, 2015 AND 2014

	Current Funds		Plant			Total	Total
	Unrestricted	Restricted	Fund	Auxiliary	Adjustments	2015	2014
Revenues:							
Tuition and fees	$ 24,262,179	$ -	$ -	$ -	$ -	$ 24,262,179	$ 24,411,313
Commonwealth of Pennsylvania appropriations	11,243,715	-	2,309,311	-	-	13,553,026	13,687,688
Luzerne County appropriations	5,897,500	-	1,249,890	-	-	7,147,390	7,149,448
Federal grants and special programs	-	23,772,393	112,294	-	-	23,884,687	28,400,085
State grants	-	-	451,060	-	-	451,060	-
Non-sponsor local income/contributions	-	-	13,458	-	-	13,458	439,935
Interest on investments	93,092	6,155	1,608	-	-	100,855	95,193
Other revenues	274,052	-	187,845	-	-	461,897	624,050
Sale of assets	-	-	28,332	-	-	28,332	(6,969)
Auxiliary enterprises	-	-	-	3,812,041	-	3,812,041	4,491,237
Total revenues	41,770,538	23,778,548	4,353,798	3,812,041	-	73,714,925	79,291,980
Expenses:							
Educational and general:							
General administration	4,257,353	-	-	-	-	4,257,353	4,191,328
Student services	3,616,713	-	-	-	-	3,616,713	3,561,576
Staff benefits	1,595,904	-	-	-	-	1,595,904	360,743
General institutional	1,615,292	-	-	-	-	1,615,292	1,731,496
Instructional and departmental research	20,529,809	-	-	-	-	20,529,809	21,110,126
Library	596,160	-	-	-	-	596,160	780,889
Operation and maintenance of plant	7,302,680	-	1,678,294	-	-	8,980,974	9,123,484
Governmental grants	-	23,755,399	-	-	-	23,755,399	28,373,578
Depreciation expense	-	-	3,699,918	-	-	3,699,918	3,667,216
Interest expense	-	-	316,436	-	-	316,436	403,012
Auxiliary enterprises	-	-	-	3,404,257	-	3,404,257	3,918,413
Total expenses	39,513,911	23,755,399	5,694,648	3,404,257	-	72,368,215	77,221,861

(Continued)

LUZERNE COUNTY COMMUNITY COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - ALL FUNDS

YEARS ENDED JUNE 30, 2015 AND 2014
(Continued)

	Current Funds		Plant			Total	Total
	Unrestricted	Restricted	Fund	Auxiliary	Adjustments	2015	2014
Revenue over (under) expenses	$ 2,256,627	$ 23,149	$ (1,340,850)	$ 407,784	$ -	$ 1,346,710	$ 2,070,119
Nonmandatory transfers	462,110	(262,108)	217,926	(417,925)	-	-	-
Prior-year GASB Adjustment	(12,613,088)	-	-	-	-	(12,613,088)	-
Change in net position	(9,894,351)	(238,959)	(1,122,924)	(10,141)	-	(11,266,375)	2,070,119
Net position, beginning	10,335,728	2,770,328	43,457,384	4,205,269	-	60,768,709	58,698,590
Net position, ending	$ 441,377	$ 2,531,369	$ 42,334,460	$ 4,195,128	$ -	$ 49,502,334	$ 60,768,709
Ending net position consists of:							
Restricted - post-season tournaments	$ -	$ -	$ -	$ 40,000	$ -	$ 40,000	$ 40,000
Restricted - purchase commitments	277,465	-	948,776	-	-	1,226,241	416,044
Restricted - replacement of capital assets	-	-	924,986	-	-	924,986	2,274,986
Restricted - tuition stabilization	4,560,248	-	-	-	-	4,560,248	3,226,526
Restricted - self insurance	1,646,792	-	-	-	-	1,646,792	1,493,739
Restricted - healthcare account	719,200	-	-	-	-	719,200	1,893,333
Restricted - faculty travel	149,847	-	-	-	-	149,847	158,488
Net investment in capital assets	-	-	38,943,793	-	-	38,943,793	39,573,833
Restricted	-	2,531,369	1,516,905	-	-	4,048,274	1,229,422
Unrestricted	(6,912,175)	-	-	4,155,128	-	(2,757,047)	10,462,338
Total net position	$ 441,377	$ 2,531,369	$ 42,334,460	$ 4,195,128	$ -	$ 49,502,334	$ 60,728,709

(Concluded)