Luzerne County Community College

Financial Statements and Required Supplementary and Supplementary Information

Years Ended June 30, 2017 and 2016 With Independent Auditor's Report

MaherDuessel

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LUZERNE COUNTY COMMUNITY COLLEGE

YEARS ENDED JUNE 30, 2017 AND 2016

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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, 2017 and 2016 and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Luzerne County Community College Foundation (Foundation), which represent 7.48%, 12.53%, and 1.7%, respectively, of the assets, net position, and revenues of the College for the year ended June 30, 2017 and 7.13%, 12.1%, and 1.7% percent respectively, of the assets, net position, and revenues of the College for the year ended June 30, 2016. 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 opinions.

Opinion

In our opinion, based on our audits 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, 2017 and 2016, 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.

Other Matters

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information listed in the table of contents, on pages 56 – 60, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during 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 January 19, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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
January 19, 2018

LUZERNE COUNTY COMMUNITY COLLEGE

STATEMENTS OF NET POSITION

JUNE 30, 2017 AND 2016

	2017	2016
Assets		
Current assets:		
Cash	$ 24,530,542	$ 25,667,655
Accounts receivable:		
Student (net of allowance)	5,214,503	4,403,271
Federal government	486,041	507,482
Commonwealth of Pennsylvania	406,018	590,897
Luzerne County	4,513,401	3,137,604
Other	435,821	676,533
Inventory	582,384	647,922
Due from Foundation	6,536	6,536
Total current assets	36,175,246	35,637,900
Non-current assets:		
Long-term investments	10,275,709	10,189,047
Capital assets, net	40,019,508	42,453,253
Other assets	38,768	41,588
Total non-current assets	50,333,985	52,683,888
Total Assets	86,509,231	88,321,788
Deferred Outflows of Resources		
Deferred outflows of resources for pension	3,197,462	2,377,541

(Continued)

	2017	2016
Liabilities		
Current liabilities:		
Accounts payable	696,753	789,968
Accrued salaries	1,202,741	3,043,298
Other accrued liabilities	420,403	326,870
Unearned tuition, fees, and other revenue	634,058	345,451
Current portion compensated absences and fringe benefits	370,345	360,899
Other accrued liabilities	874,969	556,779
Current portion long-term debt	128,230	961,914
Total current liabilities	4,327,499	6,385,179
Non-current liabilities:		
Long-term portion compensated absences and fringe benefits	1,481,381	1,443,597
Net pension liability	15,286,092	14,138,070
Long-term debt, net of current portion	2,334,302	2,468,983
Liability for post-retirement benefits	15,689,849	14,243,173
Total non-current liabilities	34,791,624	32,293,823
Total Liabilities	39,119,123	38,679,002
Deferred Inflows of Resources		
Deferred inflows of resources for pension	1,438,604	1,520,914
Net Position		
Net position:		
Net investment in capital assets	37,584,803	39,012,427
Restricted for:		
Capital projects	2,684,908	2,120,626
Other	13,794,246	13,271,013
Total restricted	16,479,154	15,391,639
Unrestricted	(4,914,991)	(3,904,653)
Total net position	$ 49,148,966	$ 50,499,413

(Concluded)

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

LUZERNE COUNTY COMMUNITY COLLEGE

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Revenues:		
Tuition and fees	$ 25,532,011	$ 24,372,295
Auxiliary enterprises	3,033,310	3,434,127
Other revenues	487,848	456,433
Total revenues	29,053,169	28,262,855
Expenses:		
Educational and general:		
General administration	4,247,191	4,494,081
Student services	3,712,959	3,869,959
Non-allocated benefits	1,536,532	1,401,077
General institutional	2,827,672	1,738,261
Instructional and department research	22,114,268	21,678,153
Library	716,644	678,883
Operation and maintenance of plant	9,190,063	9,064,664
Governmental grants	22,318,888	21,955,483
Auxiliary enterprises	2,816,755	3,200,519
Depreciation expense	3,398,923	3,551,142
Total expenses	72,879,895	71,632,222
Operating loss	(43,826,726)	(43,369,367)

(Continued)

	2017	2016
Non-operating revenues (expenses):		
Commonwealth of Pennsylvania appropriation	$ 12,004,060	$ 11,742,304
Luzerne County appropriation	5,897,500	5,897,500
Federal grants and special programs	22,167,884	21,909,690
Interest on investments	192,406	158,227
Gain on sale of assets	10,309	1,341
Interest expense	(144,928)	(218,779)
Net non-operating revenues	40,127,231	39,490,283
Net loss before capital contributions	(3,699,495)	(3,879,084)
Capital contributions:		
Commonwealth of Pennsylvania appropriation	1,209,718	2,446,440
Luzerne County appropriation	1,134,130	1,248,494
Federal grants and special programs	5,200	1,049,257
Capital contributions	-	131,972
Total capital contributions	2,349,048	4,876,163
Change in Net Position	(1,350,447)	997,079
Net Position:		
Beginning of year	50,499,413	49,502,334
End of year	$ 49,148,966	$ 50,499,413

(Concluded)

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

LUZERNE COUNTY COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash Flows From Operating Activities:		
Tuition and fees	$ 24,976,569	$ 22,752,925
Auxiliary enterprises	3,049,873	3,973,785
Payments to:		
Employees	(33,626,070)	(29,810,714)
Suppliers	(16,165,196)	(15,092,199)
Students	(19,774,030)	(19,410,625)
Other receipts	1,251,845	733,006
Net cash used in operating activities	(40,287,009)	(36,853,822)
Cash Flows From Non-Capital Financing Activities:		
State appropriations	12,322,779	11,320,157
Local appropriations	5,383,333	4,355,000
Grants and contracts	22,218,371	21,739,169
Net cash used by non-capital financing activities	39,924,483	37,414,326
Cash Flows From Capital Financing Activities:		
State capital appropriations	1,209,717	2,445,632
Local capital appropriations	272,500	2,271,574
Grant income	8,871	1,006,135
Capital contributions	-	131,972
Purchase of capital assets	(1,258,126)	(1,495,270)
Principal paid on capital debt	(968,365)	(1,865,203)
Interest paid on capital debt	(144,928)	(218,779)
Payments on capital lease	-	(144,927)
Net cash used in capital financing activities	(880,331)	2,131,134
Cash Flows From Investing Activities:		
Purchase of long-term investments	(86,662)	(86,810)
Interest on investments	192,406	158,227
Net cash provided by investing activities	105,744	71,417
Net Decrease in Cash	(1,137,113)	2,763,055
Cash:		
Beginning of year	25,667,655	22,904,600
End of year	$ 24,530,542	$ 25,667,655

(Continued)

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

LUZERNE COUNTY COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016
(Continued)

	2017	2016
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (43,826,726)	$ (43,369,367)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	3,398,923	3,551,142
Pension expense	1,339,673	981,611
Pension payments made subsequent to measurement date	(898,975)	(707,615)
Gain on disposal of capital assets	10,309	1,341
Changes in net assets and liabilities:		
Accounts receivables (net)	(642,985)	(1,017,685)
Inventory (net)	65,538	22,685
Prepaid expenses	-	73,051
Accounts payable	(187,502)	132,473
Accrued payroll liabilities	(1,747,024)	1,864,464
Unearned revenue	301,399	(163,058)
Liability for compensated absences	1,493,906	1,553,152
Other liabilities	406,455	223,984
Net cash used in operating activities	$ (40,287,009)	$ (36,853,822)

(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, 2017 AND 2016

	2017	2016
Assets		
Current assets:		
Cash and temporary investments:		
Foundation	$ 607,834	$ 675,269
Alumni	89,736	84,209
Total cash and temporary investments	697,570	759,478
Pledges receivable	141,000	164,000
Total current assets	838,570	923,478
Non-current assets:		
Investments:		
Foundation	4,500,672	4,117,950
Alumni	642,499	592,263
Total investments	5,143,171	4,710,213
Pledges receivable, net	64,730	185,107
Beneficial interest in perpetual trust	1,199,856	1,148,957
Total non-current assets	6,407,757	6,044,277
Total Assets	$ 7,246,327	$ 6,967,755

(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, 2017 AND 2016
(Continued)

Liabilities and Net Assets	2017	2016
Current liabilities:		
Accounts payable	$ -	$ 15,528
Deferred revenue	10,901	-
Net assets:		
Unrestricted:		
Foundation	15,158	(112)
Alumni	157,471	73,469
Total unrestricted	172,629	73,357
Temporarily restricted:		
For specific purposes:		
Foundation	2,811,130	2,689,671
Alumni	570,635	519,711
Time and purpose restrictions, Foundation	205,730	349,107
Total temporarily restricted	3,587,495	3,558,489
Permanently restricted:		
Assets held in perpetuity, Foundation	3,475,302	3,320,381
Total net assets	7,235,426	6,952,227
Total Liabilities and Net Assets	$ 7,246,327	$ 6,967,755

(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, 2017 AND 2016

	2017	2016
Change in unrestricted net assets:		
Revenues and other additions:		
Contributions	$ 675	$ 13,775
Contribution, personnel expense	590,748	592,584
Special event revenue	51,449	46,625
Investment income	29,231	2,328
Net assets released from restrictions, satisfaction of program restrictions	558,783	622,490
Total revenues and other additions	1,230,886	1,277,802
Program expenses:		
Transfer to Luzerne County Community College	140,173	157,008
Scholarships	323,065	295,747
Personnel expense	590,748	592,584
Program costs	77,628	236,095
Total program expenses	1,131,614	1,281,434
(Decrease) increase in unrestricted assets	99,272	(3,632)
Change in temporarily restricted net assets:		
Contributions	187,940	580,523
Investment income	399,849	58,021
Net assets released from restrictions, satisfaction of program restrictions	(558,783)	(622,490)
Increase in temporarily restricted net assets	29,006	16,054
Change in permanently restricted net assets:		
Contributions	101,071	12,130
Changes in beneficial interest in perpetual trust	53,850	(43,723)
Increase (decrease) in permanently restricted net assets	154,921	(31,593)
Increase (decrease) in net assets	283,199	(19,171)
Net assets, beginning	6,952,227	6,971,398
Net assets, ending	$ 7,235,426	$ 6,952,227

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, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 283,199	$ (19,171)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized and realized gains on investments, net	(360,953)	(56,642)
Restricted contributions	(101,071)	(12,130)
Change in beneficial interest in perpetual trust	(50,899)	43,723
Changes in assets and liabilities:		
Pledges receivable	143,377	112,375
Accounts payable	(15,527)	(10,517)
Deferred revenue	10,901	-
Net cash provided by (used in) operating activities	(90,973)	57,638
Cash flows from investing activities:		
Purchase of investments	(255,466)	(267,201)
Proceeds from sale of investments	183,460	184,670
Net cash used in investing activities	(72,006)	(82,531)
Cash flows provided by financing activities:		
Collection of restricted contributions	101,071	12,130
Net increase (decrease) in cash and temporary investments	(61,908)	(12,763)
Cash and temporary investments, beginning	759,478	772,241
Cash and temporary investments, ending	$ 697,570	$ 759,478

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, 2017 and 2016, the Foundation distributed $140,173 and $157,008, 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

The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned, and expenses are recorded when a liability if incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The College functions as a business-type activity, as defined by GASB.

Deferred Inflows and Outflows of Resources Related to Pensions

In conjunction with pension accounting requirements, differences between expected and actual experience, the effect of the change in the College's proportion, the net difference between expected and actual investment earnings, and payments made to the Public School Employees' Retirement System (PSERS) and the State Employees' Retirement System

(SERS) 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 PSERS and SERS plan. Note 9 presents additional information about the PSERS and SERS plans.

Adopted Pronouncements

The College has adopted GASB 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. As a result of implementation of this Statement, the disclosures in Note 9 have not be significantly impacted.

GASB Statement No. 82, "Pension Issues – An Amendment of GASB Statements No. 67, No.68 and No. 73)," addresses issues regarding the presentation of payroll-related measures in required supplementary information, the section of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements. The provisions of this Statement have been adopted and incorporated into these financial statements.

Pending Pronouncements

GASB 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.

GASB Statement No. 85, *"Omnibus 2017,"* effective for fiscal years beginning after June 15, 2017 (The College's financial statements for the year ending June 30, 2018). This statement addresses practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 86, *"Certain Debt Extinguishment Issues,"* effective for fiscal years beginning after June 15, 2017 (The College's financial statements for the year ending June 30, 2018). The objective of this statement is to improve consistency in accounting and

financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt.

GASB Statement No. 87, *"Leases,"* effective for fiscal years beginning after December 15, 2019 (The College's financial statements for the year ending June 30, 2020). The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

The effect of implementation of these Statements has not yet been determined.

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.

Investments

The College categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant to other observable inputs. Level 3 inputs are significant unobservable inputs.

Student 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 $3,594,722 and $2,482,362 as of June 30, 2017 and 2016, 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.

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, (b) most federal, state, and local grants and contracts and federal appropriations, and (c) interest earned on investments and interest expense related to capital items.

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 Title 2

U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) 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

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be 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 deposits 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 (preservations of capital and protection on investment principal), liquidity, and yield.

In March 2016, Act 10 was passed, which expanded the scope of the investment options available for public funds, including repurchase agreements, commercial paper, negotiable certificates of deposit, and bankers' acceptances. The College elected to maintain its current investment policy due to the additional risk and oversight associated with the expanded investment options under Act 10.

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, 2017 and 2016 was $24,520,672 and $25,657,573, respectively, which excludes amounts maintained for cashier's change funds and petty cash totaling $9,870 and $10,082, respectively. Actual bank balances at June 30, 2017 and 2016 were $25,493,752 and $26,377,275, respectively. The difference between carrying amounts and bank balances represent outstanding checks payable and normal reconciling items. Of the bank balance at June 30, 2017 and 2016, $500,000 was covered by federal depository insurance, and $25,243,752 and $25,877,275 was collateralized under Act 72, in which financial institutions were granted the authority to secure deposits of public entities by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits.

Long-term Investments

As of June 30, 2017 and 2016, the College had the following investments and maturities:

	Fair Market Value	Less Than 1 Year	1 - 3 Years	More Than 3 Years
June 30, 2017				
Certificates of deposit	$ 10,275,709	$ -	$ 10,275,709	$ -
June 30, 2016				
Certificates of deposit	$ 10,189,047	$ -	$ 10,189,047	$ -

As of June 30, 2017 and 2016, the College's certificates of deposit are classified as Level 1 investments.

Foundation

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

	2017	2016
Cash and cash equivalents	$ 319,466	$ 482,496
Mutual funds	1,182,874	1,122,621
Equities	1,305,809	1,536,787
ETF, equity	1,059,798	364,703
Fixed income:		
Corporate bonds	550,352	533,398
Exchange traded funds	363,431	304,830
Mutual funds	361,441	365,378
Total investments	$ 5,143,171	$ 4,710,213

Investment return is comprised of the following in 2017 and 2016:

	2017	2016
Interest and dividend income	$ 97,746	$ 87,381
Unrealized gains on investments, net	132,129	(55,712)
Realized gains on investments, net	227,113	59,016
Investment fees	(27,908)	(34,043)
Total	$ 429,080	$ 56,642

Investment return is reported as:

	2017	2016
Unrestricted	$ 29,231	$ 2,328
Temporarily restricted	399,849	54,314
Total	$ 429,080	$ 56,642

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, 2017			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents (1)	$ 319,467	$ -	$ -	$ 319,467
Mutual funds:				
Large Cap (2)	191,411	-	-	191,411
Mid Cap (2)	345,162	-	-	345,162
Small Cap (2)	87,081	-	-	87,081
International (2)	102,893	-	-	102,893
Other (2)	456,328	-	-	456,328
Marketable Equities	1,305,809	-	-	1,305,809
ETF (3)	1,059,798	-	-	1,059,798
Fixed income:				
Corporate bonds	-	550,350	-	550,350
Exchange traded funds	363,431	-	-	363,431
Mutual funds: (4)	361,441	-	-	361,441
Total investments	4,592,821	550,350	-	5,143,171
Beneficial interest in perpetual trust	-	-	1,199,856	1,199,856
Total	$ 4,592,821	$ 550,350	$ 1,199,856	$ 6,343,027

1 - Includes $37,976 for Alumni

2 - Includes $130,721 for Alumni

3 - Includes $401,480 for Alumni

4 - Includes $72,063 for Alumni

	June 30, 2016			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents (1)	$ 482,370	$ -	$ -	$ 482,370
Mutual funds:				
Large Cap (2)	191,467	-	-	191,467
Mid Cap (2)	242,504	-	-	242,504
Small Cap (2)	79,923	-	-	79,923
International (2)	166,250	-	-	166,250
Other (2)	442,601	-	-	442,601
Marketable Equities	1,536,789	-	-	1,536,789
ETF (3)	364,703	-	-	364,703
Fixed income:				
Corporate bonds	-	533,398	-	533,398
Exchange traded funds	304,830	-	-	304,830
Mutual funds: (4)	365,378	-	-	365,378
Total investments	4,176,815	533,398	-	4,710,213
Beneficial interest in perpetual trust	-	-	1,148,957	1,148,957
Total	$ 4,176,815	$ 533,398	$ 1,148,957	$ 5,859,170

1 - Includes $34,178 for Alumni

2 - Includes $399,367 for Alumni

3 - Includes $78,864 for Alumni

4 - Includes $79,646 for Alumni

The following table summarizes Level 3 instruments measured at fair value on a recurring basis for the years ended June 30, 2017 and 2016:

	Fair Value Measurements at Reporting Date Using Significant Unobservable Inputs (Level 3)	
	Beneficial Interest in Perpetual Trust	
	2017	2016
Balance, beginning	$ 1,148,957	$ 1,192,680
Distributions	(53,850)	(51,205)
Gains included in changes in permanently restricted net assets	104,749	7,482
Balance, ending	$ 1,199,856	$ 1,148,957

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.

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:

	2017		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 697,830	$ 2,167,414	$ 2,865,244
Investment income	55,105	-	55,105
Investment fees	(17,293)	-	(17,293)
Realized and unrealized gains	221,089	-	221,089
(Withdrawals) contributions	(123,600)	108,032	(15,568)
Endowment net assets, end of year	$ 833,131	$ 2,275,446	$ 3,108,577

	2016		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 781,973	$ 2,155,156	$ 2,937,129
Investment income	55,887	-	55,887
Investment fees	(22,633)	-	(22,633)
Realized and unrealized gains	5,592	-	5,592
(Withdrawals) contributions	(122,989)	12,258	(110,731)
Endowment net assets, end of year	$ 697,830	$ 2,167,414	$ 2,865,244

6. Beneficial Interest in Perpetual Trust

Foundation

The Foundation 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 $1,199,856 and $1,148,957, as of June 30, 2017 and 2016, respectively.

7. Capital Assets

The following is summary of capital assets activity at June 30, 2017 and 2016:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets - fiscal year 2017:				
Capital assets not being depreciated:				
Land	$ 1,382,185	$ -	$ -	$ 1,382,185
Construction in progress	-	-	-	-
Capital assets being depreciated:				
Permanent campus	78,456,136	155,812	-	78,611,948
Furniture and fixtures	3,430,318	-	-	3,430,318
Equipment	26,741,685	735,607	-	27,477,292
Library books	2,112,974	60,709	-	2,173,683
Microfilm and AV equipment	723,195	13,049	-	736,244
Motor vehicles	715,554	-	-	715,555
	113,562,047	965,177	-	114,527,225
Less: accumulated depreciation	(71,108,794)	(3,398,923)	-	(74,507,717)
Net Capital Assets				$ 40,019,508

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets - fiscal year 2016:				
Capital assets not being depreciated:				
Land	$ 1,382,185	$ -	$ -	$ 1,382,185
Construction in progress	89,445	-	89,445	-
Capital assets being depreciated:				
Permanent campus	77,937,310	518,826	-	78,456,136
Furniture and fixtures	3,377,756	64,500	11,938	3,430,318
Equipment	26,159,139	943,952	361,406	26,741,685
Library books	2,051,997	60,977	-	2,112,974
Microfilm and AV equipment	710,705	12,490	-	723,195
Motor vehicles	715,554	-	-	715,554
	112,424,091	1,600,745	462,789	113,562,047
Less: accumulated depreciation	(67,913,625)	(3,551,142)	355,973	(71,108,794)
Net Capital Assets				$ 42,453,253

Depreciation expense was $3,398,923 and $3,551,142 for the years ended June 30, 2017 and 2016, respectively.

8. Pledges Receivable

Foundation

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

	2017	2016
Receivables in less than one year	$ 141,000	$ 164,000
Receivables in one to four years	97,000	236,000
Total pledges receivable	238,000	400,000
Less: Unamortized discount	32,270	50,893
Net present value of pledges receivable	$ 205,730	$ 349,107

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, 2017 and 2016 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 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 multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth. The members eligible to participate in PSERS 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, 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 on membership

class, of the member's final average salary (as defined in the Code) multiplied times 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 members right to the defined benefits is vested and early retirement benefits may be elected. For class T-E and Class T-F members, the right to benefits is vested after 10 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 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 a normal retirement age. Members over normal retirement age may apply for disability benefits.

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

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%.

Employer Contributions:

The College's contractually required pension contribution rate for the fiscal year ended June 30, 2017 was 30.03% 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 0.80% of covered payroll to Premium Assistance Program.

The contribution rate will increase to 32.57% in fiscal year 2017 and is projected to grow to 34.18% by fiscal year 2026.

The College contributed $339,123 and $257,571 to PSERS for the years ended June 30, 2017 and 2016, respectively, which represents its contribution towards pension benefits and Premium Assistance. Approximately $80,000 is owed to PSERS as of June 30, 2017, which represents the College's required contribution for the end-of-year payroll. Contributions are remitted quarterly.

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

At June 30, 2017 and 2016, the College reported a liability for its proportionate share of the net pension liability that reflected a reduction for 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:

	2017	2016
The College's proportionate share of the net pension liability	$ 3,915,000	$ 3,465,000
State's proportionate share of the net pension liability associated with the College	3,897,863	3,481,269
Total	$ 7,812,863	$ 6,946,269

The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS total pension liability as of June 30, 2015 to June 30, 2016. The College's proportion of the PSERS net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the College's proportion was 0.0079%, which was a decrease from its proportion of 0.0080% measured as of June 30, 2015.

For the year ended June 30, 2017, the College recognized pension expense of $411,876. At June 30, 2017, 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	$ 331,000	$ 111,000
Changes in proportion	34,000	61,000
Changes in assumptions	142,000	-
Net differences between projected and actual experience	-	32,000
The College's contributions subsequent to the measurement date	344,799	-
Total	$ 851,799	$ 204,000

$344,799 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	Amortization Amount
2018	$ (60,000)
2019	(61,000)
2020	(103,000)
2021	(79,000)
Total	$ (303,000)

Actuarial Assumptions

The total pension liability as of June 30, 2016 was determined by rolling forward PSERS' total pension liability as of the June 30, 2015 actuarial valuation to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%
- Salary increases – Effective average of 5.00%, which reflects an allowance for inflation of 2.75%, real wage growth of 2.50%, and merit or seniority increases of 2.50%
- 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, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. 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	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/Infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	-14.0%	1.1%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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 (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
The College's proportionate share of the net pension liability	$ 4,789,000	$ 3,915,000	$ 3,180,000

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.pa.us.

State Employees' Retirement System

Plan Description

SERS is a governmental cost-sharing multiple-employer defined benefit pension plan that was established by the Commonwealth to provide pension benefits for employees of state government and certain independent agencies. Membership in SERS is mandatory for most state employees. Members and employees of the General Assembly, certain elected or appointed officials in the executive branch, department heads, and certain employees in the field of education are not required, but are given the option to participate. SERS issues a publicly available financial report that can be obtained at www.sers.state.pa.us.

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

SERS provides retirement, death, and disability benefits. Article II of the Commonwealth's constitution assigns the authority to establish and amend the benefit provision of the plan to the General Assembly. Participants in SERS may receive retirement benefits after satisfying age and length of service requirements. Member retirement benefits are determined by taking years of credited service, multiplied by final average salary, multiplied by 2%, multiplied by class of service multiplier.

Contributions

Employees who participate in SERS, dependent on membership class, are required to make a contribution equal to 5.00% or 9.30% of their gross pay.

Participating employer contributions for SERS are based upon an actuarially determined percentage of gross pay that is necessary to provide SERS with assets sufficient to meet the benefits to be paid to members. The College contribution rate at June 30, 2017 was 24.86% of gross pay. According to the Commonwealth Retirement Code, all obligations of SERS will be assumed by the Commonwealth should SERS terminate. The contribution to SERS for the years ended June 30, 2017 and 2016 was $1,000,550 and $727,192, respectively.

Approximately $38,000 is owed to SERS as of June 30, 2017, which represents the College's required contribution for the end-of-year payroll. Contributions are remitted bi-weekly.

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

At June 30, 2017, the College reported a liability of $11,371,092 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the SERS total pension liability as of December 31, 2015 to December 31, 2016. The College's proportion of the SERS net pension liability was calculated utilizing the employer's one-year reported covered payroll as it related to the total one-year reported covered payroll. At December 31, 2016, the College's proportion was .0590%, which was an increase from its proportion of .0587% measured as of December 31, 2015.

For the year ended June 30, 2017, the College recognized pension expense of $1,215,570. At June 30, 2017, 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	$ 955,625	$ -
Difference between employer contributions and proportionate share of contributions	48,355	74,976
Difference between expected and actual experience	164,141	254,415
Change in assumption	694,567	-
Changes in proportion	42,799	1,016,213
The College's contributions subsequent to the measurement date	551,176	-
Total	$ 2,456,663	$ 1,345,604

$551,176 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	Amortization Amount
2018	150,116
2019	150,116
2020	154,570
2021	91,351
2022	13,730
Total	$ 559,883

Actuarial Methods and Assumptions

The following methods and assumptions were used in the December 31, 2016 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	7.25% net of expenses including inflation
Projected salary increases	Average of 5.60% with range of 3.70%-8.90% including inflation
Assest valuation method	Fair (market) value
Inflation	2.60%
Mortality rate	Projected RP-2000 Mortality Tables adjusted for actual plan experience and future improvement
Cost-of-living adjustments (COLAs)	Ad hoc

The actuarial assumptions used in the December 31, 2016 valuation were based on the *18th Investigation of Actuarial Experience*, which was published in March 2016, and analyzed experience from 2011 through 2015. The recommended assumption changes based on this

experience study were adopted by the SERS Board at its March 2016 Board meeting, and were effective beginning with the December 31, 2015 actuarial valuation. In addition to the five-year experience study, SERS reviews its investment return assumptions in light of economic conditions every year as part of its annual valuation. Based on this work, SERS actuary recommended, and SERS Board adopted at the April 2017 meeting, the following: A reduction in the targeted investment return rate assumption to 7.25% from 7.50%, a reduction in inflation to 2.6% from 2.75% and a reduction in the general salary growth rate to 2.9% from 3.05%.

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 weighing 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 class included in the pension plan's target asset allocation as of December 31, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Alternative Investments	16%	8.00%
Global Public Equity	43%	5.30%
Real Assets	12%	5.44%
Diversifying Assets	12%	4.75%
Fixed Income	14%	1.63%
Liquidity Reserve	3%	0.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee 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 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
The College's proportionate share of the net pension liability	$ 14,072,255	$ 11,371,092	$ 9,057,935

Pension Plan Fiduciary Net Position

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

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%.

During the years ended June 30, 2017 and 2016, the College contributed $1,546,313 and $1,707,633 ,respectively, to the plan.

The plan is a defined contribution plan, 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, 2016	Issued During the Year	Retired During the Year	Outstanding General Note Obligation June 30, 2017	Interest Paid In Current Year
August 15, 1997	2016	3.19 to 6.13%	$ 840,000	-	$ 840,000	-	$ 21,630

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, 2016	Issued During the Year	Retired During the Year	Outstanding General Note Obligation June 30, 2017	Interest Paid In Current Year
March 29, 2011	2031	4.99%	$ 2,590,897	$ -	$ 128,365	$ 2,462,532	$ 126,484

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

Year	HAIDA Principal	HAIDA Interest
2017-18	$ 128,230	$ 122,559
2018-19	134,867	115,919
2019-20	141,552	109,234
2020-21	149,180	101,606
2021-22	93,880	156,905
Thereafter	1,814,823	361,596
	$ 2,462,532	$ 967,819

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 30, 2017, is as follows:

	Wages	Benefits	Total	Due Within One Year
Administrative	$ 407,253	$ 70,591	$ 477,844	$ 95,569
Security	26,110	3,822	29,932	5,986
Classified	544,620	79,038	623,658	124,732
Faculty	615,239	105,053	720,292	144,058
Total	$ 1,593,222	$ 258,504	$ 1,851,726	$ 370,345

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, 2017, post-retirement benefits paid $1,151,263 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 2017 and the preceding years were as follows:

	June 30, 2017	June 30, 2016
Annual required contribution	$ 2,831,406	$ 2,771,569
Interest on net OPEB obligation	640,943	581,087
Adjustment to annual required contribution	(874,410)	(792,752)
Annual OPEB cost	2,597,939	2,559,904
Contributions made	(1,151,263)	(1,037,994)
Increase in net OPEB obligation	1,446,676	1,521,910
Net OPEB obligation, beginning of year	14,243,173	12,721,263
Net OPEB obligation, end of year	$ 15,689,849	$ 14,243,173

Year Ending	Annual OPEB Cost	OBEP Cost Contributed	OPEB Obligation
6/30/2014	$ 2,764,678	34%	$ 11,248,089
6/30/2015	2,587,196	43%	12,721,263
6/30/2016	2,559,904	41%	14,243,173
6/30/2017	2,597,939	44%	15,689,489

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $23,020,041 and the actuarial value of assets was $0.00, resulting in an unfunded actuarial accrued liability (UAAL) of $23,020,041.

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, 2016 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 6.0% initially, reduced by .5% decrements to an ultimate rate of 5.5% 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, 2017 was 30 years.

The required schedule of funding progress presented in the Required Supplementary Information presents multiyear trend information of the plan.

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. Accrued benefits totaled $556,779 and $874,969 for the years ended June 30, 2017 and 2016, respectively. All benefits accrued in 2016 were paid in fiscal year 2017 and all benefits accrued for in 2017 will be paid in fiscal year 2018.

14. Operating Leases

The College leases its Wilkes-Barre, Pennsylvania and Hazleton, Pennsylvania facilities under noncancelable operating leases that expire in 2021 and 2018, respectively. In May 2016, the College entered in to a lease agreement for its Scranton facilities under a noncancelable operating lease that expires in 2026. The first payment under this agreement was due by January 1, 2017. Rent expense was $625,292 and $319,824 for the years ended June 30, 2017 and 2016, respectively.

The College leases certain computer and office equipment under noncancelable operating leases which expire at various times through 2018. Rent expense was $333,184 and $257,516 for the years ended June 30, 2017 and 2016, respectively.

The future minimum lease payments are as follows:

For the year ending June 30,		
2018	$	964,196
2019		713,409
2020		604,648
2021		604,872
2022		299,986
Thereafter		1,199,944
	$	4,387,055

15. 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 $140,000. In no event will the aggregate stop loss coverage limit be less than $6,598,757.

The reserve for health care costs reported in the fund at June 30, 2017 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, 2017. The reserve is based on deposits, net of changes.

Reserve for health care costs at July 1, 2016	$ 341,592
Claims incurred during the period	5,180,959
Payments on claims	(5,110,195)
Reserve for health care costs at June 30, 2017	$ 412,356

The College maintains insurance contracts to deal with the risk of loss arising from the following events: torts, theft of, damage to, or destruction of assets; business interruptions; errors and omissions; job-related illness of injuries to employees; and acts of God. The insurance contracts cover employees, automobile, and umbrella liabilities. During the year ended June 30, 2017 and the two previous years, no settlements exceeded insurance coverage.

16. Restricted Net Position

At June 30, 2017 and 2016, restricted net position was available for the following purposes:

	2017	2016
Capital projects	$ 2,684,908	$ 2,120,626
Other:		
Tuition stabilization	$ 7,272,251	$ 5,827,442
Self insurance	1,753,126	1,661,344
Auxiliary	40,000	40,000
Other	4,728,869	5,742,227
Total other restricted net position	$ 13,794,246	$ 13,271,013

17. 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.

18. 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 was then revised during 2015 and approved by the Board in August 2016. The Guaranteed Energy Savings Act Project which works in conjunction with the Master Plan was also approved by the Board in August 2016. On April 25th, 2017 MKSD Architects presented the plan at the Board of Trustee's Work Session. After the approval of the Board it was sent to Luzerne County and the State for further funding consideration. The revised

Master Plan includes renovations on the existing buildings on the main campus, as well as the construction of an additional instructional space.

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

Last 10 Fiscal Years[1]

	2017	2016	2015
College's proportion of the net pension liability	0.0079%	0.0080%	0.0081%
College's proportionate share of the net pension liability	$ 3,915,000	$ 3,465,000	$ 3,206,000
State's proportionate share of the net pensions liability associated with the College	3,897,863	3,481,269	3,217,696
Total	$ 7,812,863	$ 6,946,269	$ 6,423,696
College's covered-employee payroll[2]	$ 1,018,869	$ 1,034,097	1036292
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	384.25%	335.07%	309.37%
PSERS' plan fiduciary net position as a percentage of PSERS' total pension liability	50.14%	54.36%	57.24%

[1] The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the College is presenting information for those years only for which information is available.

[2] The covered-employee payroll amount reported for 2017 has been revised from the prior year presentation to reflect adjustments processed by PSERS during the fiscal year 2017.

SCHEDULE OF COLLEGE CONTRIBUTIONS

Last 10 Fiscal Years[3]

	2017	2016	2015
Contractually required employer contribution	$ 339,123	$ 257,571	$ 418,970
Contributions recognized by PSERS	339,123	257,571	418,970
Difference between contractually required employer contribution and contributions recognized by PSERS	$ -	$ -	$ -
College's covered employee payroll[4]	$ 1,219,151	$ 1,067,775	$ 1,077,971
Contributions as a percentage of covered-employee payroll	27.82%	24.12%	38.87%

[3] The amounts presented for each fiscal year were determined as of the fiscal year-end date. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the College is presenting information for those years only for which information is available.

[4] The covered-employee payroll amount reported for 2016 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2017.

See accompanying notes to required supplementary information.

LUZERNE COUNTY COMMUNITY COLLEGE

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

Last 10 Fiscal Years[1]

	2017	2016	2015
College's proportion of the net pension liability	0.0590%	0.0587%	0.0654%
College's proportionate share of the net pension liability	$ 11,371,092	$ 10,673,070	$ 9,717,066
College's covered-employee payroll	$ 3,489,770	$ 3,569,981	$ 3,923,793
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	325.84%	298.97%	247.64%
SERS' plan fiduciary net position as a percentage of SERS' total pension liability	57.80%	58.90%	64.79%

[1] The amounts presented for each fiscal year were determined as of the measurement date, which is as of the end of the calendar year-end that occurred within the fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the College is presenting information for those years only for which information is available.

SCHEDULE OF COLLEGE CONTRIBUTIONS

Last 10 Fiscal Years[2]

	2017	2016	2015
Contractually required employer contribution	$ 1,000,550	$ 727,192	$ 595,653
Contributions recognized by SERS	1,000,550	727,192	595,653
Difference between contractually required employer contribution and contributions recognized by SERS	$ -	$ -	$ -
College's covered employee payroll	$ 3,489,770	$ 3,569,981	$ 3,923,793
Contributions as a percentage of covered-employee payroll	28.67%	20.37%	15.18%

[2] The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the College is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information.

1. Changes of Assumptions

Public School Employees' Retirement System (PSERS):

The total pension liability as of June 30, 2016, was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2016

The Investment Rate of Return was adjusted from 7.50% to 7.25%.

The inflation assumption was decreased from 3.0% to 2.75%.

Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

State Employees' Retirement System (SERS):

The actuarial valuation uses assumptions regarding future rates of investment return (discount rate) and rates of retirement, withdrawal, death, and disability among SERS members and their beneficiaries. The current set of assumptions used in the December 31, 2016 actuarial valuation, with the exception of the discount rate assumption, was adopted by the SERS Board based upon actual experience of SERS during the years 2011 through

2015. Based upon an annual review of SERS investment data and results, the SERS Board approved a reduction in the assumed discount rate from 8.0% to 7.5% effective as of the December 31, 2011 actuarial valuation. The SERS Board then approved a reduction from 7.5% to 7.25% effective as of the December 31, 2016 actuarial valuation. SERS will continue to closely monitor this assumption and will recommend changing it if conditions warrant such change.

LUZERNE COUNTY COMMUNITY COLLEGE

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

YEAR ENDED JUNE 30, 2017

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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)
7/1/2010	$ -	$21,319,370	$ 21,319,370	0.0%	$17,239,413	123.7%
7/1/2012	-	22,387,978	22,387,978	0.0%	16,769,613	133.5%
7/1/2014	-	22,099,180	22,099,180	0.0%	15,449,579	143.0%
7/1/2016	-	23,020,041	23,020,041	0.0%	17,400,674	132.3%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2012	$ 2,934,181	32.5%
2013	2,921,811	33.9%
2014	2,921,811	31.8%
2015	2,771,569	40.2%
2016	2,771,569	37.5%
2017	2,831,406	40.7%

NOTES TO THE REQUIRED SCHEDULES

Valuation Date	July 1, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	4.5%
Projected Salary Increases	3% annually
Medical Inflation:	
2016	6.5%
2017	6.0%
2018 - 2020	5.5%
2021 and later	5.4% - 3.8%
Amortization Method	Level Dollar, Open Period
Amortization Period	30 Years

SUPPLEMENTARY INFORMATION

LUZERNE COUNTY COMMUNITY COLLEGE

STATEMENTS OF NET POSITION - ALL FUNDS

JUNE 30, 2017 AND 2016

ASSETS AND DEFERRED OUTFLOWS	Current Funds Unrestricted	Current Funds Restricted	Plant Fund	Auxiliary	Adjustments	Total 2017	Total 2016
Current assets:							
Cash	$ 16,593,773	$ 2,271,051	$ 1,474,161	$ 4,191,557	$ -	$ 24,530,542	$ 25,667,655
Accounts receivable:							
Student (net of allowance)	5,132,754	-	-	81,749	-	5,214,503	4,403,271
Federal Government	486,041	-	-	-	-	486,041	507,482
Commonwealth of Pennsylvania (net of reserve)	406,018	-	-	-	-	406,018	590,897
Luzerne County	2,812,500	-	1,700,901	-	-	4,513,401	3,137,604
Suppliers	-	-	-	116,123	-	116,123	150,341
Other	313,779	-	1	5,918	-	319,698	526,192
Bookstore inventory	-	-	-	516,851	-	516,851	561,313
Inventory - supplies	57,651	-	-	7,882	-	65,533	86,609
Prepaid expenses	-	-	-	-	-	-	-
Due from current - unrestricted fund	-	244,557	-	1,251,674	(1,496,231)	-	-
Due from current - plant fund	1,401,596	-	-	1,516	(1,403,112)	-	-
Due from current - auxiliary fund	82,195	225	1,032,739	242,680	(1,357,839)	-	-
Due from Foundation	-	-	6,536	-	-	6,536	6,536
Total current assets	27,286,307	2,515,833	4,214,338	6,415,950	(4,257,182)	36,175,246	35,637,900
Non-current assets:							
Capital assets:							
Land	-	-	1,382,185	-	-	1,382,185	1,382,185
Furniture and fixtures	-	-	3,430,318	-	-	3,430,318	3,430,318
Equipment	-	-	27,257,975	163,252	-	27,421,227	26,741,685
Library books	-	-	2,173,683	-	-	2,173,683	2,112,974
Microfilm and audio-visual equipment	-	-	736,244	-	-	736,244	723,195
Motor vehicles	-	-	715,554	-	-	715,554	715,554
Permanent campus	-	-	78,611,948	-	-	78,611,948	78,456,136
Less: accumulated depreciation	-	-	(74,292,825)	(158,826)	-	(74,451,651)	(71,108,794)
Construction in progress	-	-	-	-	-	-	-
Capital assets, net	-	-	40,015,082	4,426	-	40,019,508	42,453,253
Loan costs, net	-	-	38,768	-	-	38,768	41,588
Long-term investments	10,275,709	-	-	-	-	10,275,709	10,189,047
Total non-current assets	10,275,709	-	40,053,850	4,426	-	50,333,985	52,683,888
Total assets	37,562,016	2,515,833	44,268,188	6,420,376	(4,257,182)	86,509,231	88,321,788
Deferred Outflows of Resources							
Deferred outflows of resources for pension	3,197,462	-	-	-	-	3,197,462	2,377,541

(Continued)

LUZERNE COUNTY COMMUNITY COLLEGE

STATEMENTS OF NET POSITION - ALL FUNDS

JUNE 30, 2017 AND 2016
(Continued)

LIABILITIES AND DEFERRED INFLOWS	Current Funds Unrestricted	Current Funds Restricted	Plant Fund	Auxiliary	Adjustments	Total 2017	Total 2016
Current liabilities:							
Accounts payable:							
Trade	659,040	-	6,541	44,868	-	710,449	909,500
Clubs	-	-	-	-	-	-	28,003
Commonwealth of Pennsylvania	(16,234)	-	2,538	-	-	(13,696)	(147,535)
Accruals:				-			
Salaries and wages	1,202,741	-	-	-	-	1,202,741	3,043,298
Employee payroll deductions payable	(1,197)	-	-	-	-	(1,197)	(23,966)
Scholarships payable	9,244	-	-	-	-	9,244	9,244
IBNR claims payable	412,356	-	-	-	-	412,356	341,592
Deferred revenue:				-			
Tuition, fees, and other	473,168	-	-	-	-	473,168	200,815
Federal and state grants	59,035	-	-	-	-	59,035	29,989
Other liabilities	-	-	101,855	-	-	101,855	114,647
Due to current restricted fund	244,557	-	-	225	(244,782)	-	-
Due to unrestricted fund	-	-	1,401,596	1,333,869	(2,735,465)	-	-
Due to auxiliary fund	-	-	1,516	242,680	(244,196)	-	-
Due to unexpended plant fund	-	-	-	1,032,739	(1,032,739)	-	-
Liability for compensated absences and fringe benefits	370,345	-	-	-	-	370,345	360,899
Other accrued liabilities	874,969	-	-	-	-	874,969	556,779
Capital lease payoff - current portion	-	-	-	-	-	-	-
Current portion long-term debt	-	-	128,230	-	-	128,230	961,914
Total current liabilities	4,288,024	-	1,642,276	2,654,381	(4,257,182)	4,327,499	6,385,179
Non-current liabilities:							
Liability for post-retirement benefits	15,689,849	-	-	-	-	15,689,849	14,243,173
Liability for compensated absences and fringe benefits	1,481,381	-	-	-	-	1,481,381	1,443,597
Net pension liability	15,286,092	-	-	-	-	15,286,092	14,138,070
Long-term debt, net of current portion	-	-	2,334,302	-	-	2,334,302	2,468,983
Total non-current liabilities	32,457,322	-	2,334,302	-	-	34,791,624	32,293,823
Total liabilities	36,745,346	-	3,976,578	2,654,381	(4,257,182)	39,119,123	38,679,002
Deferred Inflows of Resources							
Deferred inflows of resources for pension	1,438,604	-	-	-	-	1,438,604	1,520,914

(Continued)

LUZERNE COUNTY COMMUNITY COLLEGE

STATEMENTS OF NET POSITION - ALL FUNDS

JUNE 30, 2017 AND 2016
(Continued)

NET POSITION	Current Funds Unrestricted	Current Funds Restricted	Plant Fund	Auxiliary	Adjustments	Total 2017	Total 2016
Net position:							
Restricted - post-season tournaments	-	-	-	40,000	-	40,000	40,000
Restricted - purchase commitments	395,737	-	1,426,671	-	-	1,822,408	1,258,126
Restricted - replacement of capital assets	-	-	862,500	-	-	862,500	862,500
Restricted - tuition stabilization	7,272,251	-	-	-	-	7,272,251	5,827,442
Restricted - self insurance	1,753,126	-	-	-	-	1,753,126	1,661,344
Restricted - healthcare account	1,582,356	-	-	-	-	1,582,356	1,423,484
Restricted - faculty travel	213,044	-	-	-	-	213,044	123,390
Net investment in capital assets	-	-	37,584,803	-	-	37,584,803	39,012,427
Restricted	-	2,515,833	417,636	-	-	2,933,469	4,195,353
Unrestricted	(8,640,986)	-	-	3,725,995	-	(4,914,991)	(3,904,653)
Total net position	$ 2,575,528	$ 2,515,833	$ 40,291,610	$ 3,765,995	$ -	$ 49,148,966	$ 50,499,413

(Concluded)

LUZERNE COUNTY COMMUNITY COLLEGE

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

YEARS ENDED JUNE 30, 2017 AND 2016

	Current Funds		Plant			Total	Total
	Unrestricted	Restricted	Fund	Auxiliary	Adjustments	2017	2016
Revenues:							
Tuition and fees	$ 25,120,162	$ -	$ 411,849	$ -	$ -	$ 25,532,011	$ 24,372,295
Commonwealth of Pennsylvania appropriations	12,004,060	-	1,209,718	-	-	13,213,778	14,188,744
Luzerne County appropriations	5,897,500	-	1,134,130	-	-	7,031,630	7,145,994
Federal grants and special programs	-	22,167,884	5,200	-	-	22,173,084	22,958,947
State grants	-	-	-	-	-	-	131,972
Interest on investments	163,540	10,426	2,705	15,735	-	192,406	158,227
Other revenues	253,631	-	234,217	-	-	487,848	456,433
Sale of assets	-	-	10,309	-	-	10,309	1,341
Auxiliary enterprises	-	-	-	3,033,310	-	3,033,310	3,434,127
Total revenues	43,438,893	22,178,310	3,008,128	3,049,045	-	71,674,376	72,848,080
Expenses:							
Educational and general:							
General administration	4,247,191	-	-	-	-	4,247,191	4,494,081
Student services	3,712,959	-	-	-	-	3,712,959	3,869,959
Staff benefits	1,533,497	3,035	-	-	-	1,536,532	1,401,077
General institutional	2,827,672	-	-	-	-	2,827,672	1,738,261
Instructional and departmental research	22,114,268	-	-	-	-	22,114,268	21,678,153
Library	716,644	-	-	-	-	716,644	678,883
Operation and maintenance of plant	7,335,999	-	1,854,064	-	-	9,190,063	9,064,664
Governmental grants	135,563	22,183,325	-	-	-	22,318,888	21,955,483
Depreciation expense	-	-	3,398,923	-	-	3,398,923	3,551,142
Interest expense	-	-	144,928	-	-	144,928	218,779
Auxiliary enterprises	-	-	-	2,816,755	-	2,816,755	3,200,519
Total expenses	42,623,793	22,186,360	5,397,915	2,816,755	-	73,024,823	71,851,001

(Continued)

LUZERNE COUNTY COMMUNITY COLLEGE

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

YEARS ENDED JUNE 30, 2017 AND 2016
(Continued)

	Current Funds		Plant			Total	Total
	Unrestricted	Restricted	Fund	Auxiliary	Adjustments	2017	2016
Revenue over (under) expenses	$ 815,100	$ (8,050)	$ (2,389,787)	$ 232,290	$ -	$ (1,350,447)	$ 997,079
Nonmandatory transfers	90,000	-	200,000	(290,000)	-	-	-
Change in net position	905,100	(8,050)	(2,189,787)	(57,710)	-	(1,350,447)	997,079
Net position, beginning	1,670,428	2,523,883	42,481,397	3,823,705	-	50,499,413	49,502,334
Net position, ending	$ 2,575,528	$ 2,515,833	$ 40,291,610	$ 3,765,995	$ -	$ 49,148,966	$ 50,499,413
Ending net position consists of:							
Restricted - post-season tournaments	$ -	$ -	$ -	$ 40,000	$ -	$ 40,000	$ 40,000
Restricted - purchase commitments	395,737	-	1,426,671	-	-	1,822,408	1,258,126
Restricted - replacement of capital assets	-	-	862,500	-	-	862,500	862,500
Restricted - tuition stabilization	7,272,251	-	-	-	-	7,272,251	5,827,442
Restricted - self insurance	1,753,126	-	-	-	-	1,753,126	1,661,344
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Restricted - faculty travel	213,044	-	-	-	-	213,044	123,390
Net investment in capital assets	-	-	37,584,803	-	-	37,584,803	39,012,427
Restricted	-	2,515,833	417,636	-	-	2,933,469	4,195,353
Unrestricted	(8,640,986)	-	-	3,725,995	-	(4,914,991)	(3,904,653)
Total net position	$ 2,575,528	$ 2,515,833	$ 40,291,610	$ 3,765,995	$ -	$ 49,148,966	$ 50,499,413

(Concluded)