

**Luzerne County
Community College**

Financial Statements and Required
Supplementary and Supplementary
Information

Years Ended June 30, 2018 and 2017 with
Independent Auditor's Report

MaherDuessel

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LUZERNE COUNTY COMMUNITY COLLEGE

YEARS ENDED JUNE 30, 2018 AND 2017

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LUZERNE COUNTY COMMUNITY COLLEGE

YEARS ENDED JUNE 30, 2018 AND 2017

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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, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Luzerne County Community College Foundation (Foundation), which represent 7.14%, 17.78%, and 4.52%, respectively, of the assets, net position, and revenues of the College for the year ended June 30, 2018 and 7.48%, 12.53%, and 1.7% percent, respectively, of the assets, net position, and revenues of the College for the year ended June 30, 2017. 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.

Opinions

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, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the College changed its method of accounting for postemployment benefits other than pensions as of July 1, 2017 as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." Our opinion is not modified with respect to this matter.

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 55 – 62, 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 8, 2019 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and

grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's 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.

Mahe Duessel

Harrisburg, Pennsylvania
January 8, 2019

LUZERNE COUNTY COMMUNITY COLLEGE

STATEMENTS OF NET POSITION

JUNE 30, 2018 AND 2017

	2018	2017
Assets and Deferred Outflows of Resources		
Assets:		
Current assets:		
Cash	\$ 26,365,306	\$ 24,530,542
Accounts receivable:		
Student (net of allowance)	4,549,352	5,214,503
Federal government	1,452,985	486,041
Commonwealth of Pennsylvania	428,598	406,018
Luzerne County	4,513,401	4,513,401
Other	302,243	435,821
Inventory	419,023	582,384
Due from Foundation	6,410	6,536
Total current assets	38,037,318	36,175,246
Non-current assets:		
Long-term investments	10,078,413	10,275,709
Capital assets, net	45,024,535	40,019,508
Other assets	38,768	38,768
Total non-current assets	55,141,716	50,333,985
Total Assets	93,179,034	86,509,231
Deferred Outflows of Resources:		
Pension	2,662,644	3,197,462
Post-retirement benefits	916,556	-
Total deferred outflows of resources	3,579,200	3,197,462
Total Assets and Deferred Outflows of Resources	\$ 96,758,234	\$ 89,706,693

(Continued)

	2018	2017
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 1,019,083	\$ 696,753
Accrued salaries	1,447,140	1,202,741
Other accrued liabilities	492,362	420,403
Unearned tuition, fees, and other revenue	790,693	634,058
Current portion compensated absences and fringe benefits	381,320	370,345
Current portion of OPEB liability	1,897,100	-
Termination benefits	934,232	874,969
Current portion long-term debt	402,575	128,230
Total current liabilities	<u>7,364,505</u>	<u>4,327,499</u>
Non-current liabilities:		
Long-term portion compensated absences and fringe benefits	1,525,280	1,481,381
Net pension liability	14,532,025	15,286,092
Long-term debt, net of current portion	9,938,552	2,334,302
Liability for post-retirement benefits	26,112,363	15,689,849
Total non-current liabilities	<u>52,108,220</u>	<u>34,791,624</u>
Total Liabilities	<u>59,472,725</u>	<u>39,119,123</u>
Deferred Inflows of Resources:		
Deferred inflows of resources for pension	1,544,636	1,438,604
Deferred inflows of resources for OPEB	1,340,173	-
Total deferred inflows of resources	<u>2,884,809</u>	<u>1,438,604</u>
Net Position:		
Net position:		
Net investment in capital assets	34,683,408	37,584,803
Restricted for:		
Capital projects	2,450,942	2,684,908
Other	-	13,794,246
Total restricted	<u>2,450,942</u>	<u>16,479,154</u>
Unrestricted	<u>(2,733,650)</u>	<u>(4,914,991)</u>
Total Net Position	<u>\$ 34,400,700</u>	<u>\$ 49,148,966</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 96,758,234</u>	<u>\$ 89,706,693</u>

(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, 2018 AND 2017

	2018	2017
Revenues:		
Tuition and fees	\$ 24,146,794	\$ 25,532,011
Auxiliary enterprises	2,693,248	3,033,310
Other revenues	576,838	487,848
	27,416,880	29,053,169
Expenses:		
Educational and general:		
General administration	4,172,304	4,247,191
Student services	3,587,818	3,712,959
Non-allocated benefits	1,326,111	1,536,532
General institutional	3,219,902	2,827,672
Instructional and department research	21,297,955	22,114,268
Library	746,452	716,644
Operation and maintenance of plant	9,106,565	9,190,063
Governmental grants	21,361,683	22,318,888
Auxiliary enterprises	2,634,745	2,816,755
Depreciation expense	3,740,530	3,398,923
Other expenses	114,568	-
	71,308,633	72,879,895
Total expenses	71,308,633	72,879,895
Operating loss	(43,891,753)	(43,826,726)

(Continued)

	<u>2018</u>	<u>2017</u>
Non-operating Revenues (Expenses):		
Commonwealth of Pennsylvania appropriation	\$ 12,004,060	\$ 12,004,060
Luzerne County appropriation	5,897,500	5,897,500
Federal grants and special programs	21,337,844	22,167,884
Interest on investments	209,007	192,406
Gain on sale of assets	5,991	10,309
Interest expense	<u>(120,656)</u>	<u>(144,928)</u>
Net non-operating revenues	<u>39,333,746</u>	<u>40,127,231</u>
Net loss before capital contributions	<u>(4,558,007)</u>	<u>(3,699,495)</u>
Capital Contributions:		
Commonwealth of Pennsylvania appropriation	1,426,820	1,209,718
Luzerne County appropriation	272,500	1,134,130
Federal grants and special programs	<u>32,913</u>	<u>5,200</u>
Total capital contributions	<u>1,732,233</u>	<u>2,349,048</u>
Change in Net Position	(2,825,774)	(1,350,447)
Net Position:		
Beginning of year (restated as of July 1, 2017)	37,226,474	50,499,413
End of year	<u>\$ 34,400,700</u>	<u>\$ 49,148,966</u>
		(Concluded)

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

LUZERNE COUNTY COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities:		
Tuition and fees	\$ 25,015,941	\$ 24,976,569
Auxiliary enterprises	2,464,577	3,049,873
Payments to:		
Employees	(31,347,856)	(33,626,070)
Suppliers	(16,265,660)	(16,165,196)
Students	(18,934,979)	(19,774,030)
Other receipts	688,950	1,251,845
Net cash used in operating activities	(38,379,027)	(40,287,009)
Cash Flows From Non-Capital Financing Activities:		
State appropriations	12,435,215	12,322,779
Local appropriations	6,033,750	5,383,333
Grants and contracts	20,343,603	22,218,371
Net cash provided by non-capital financing activities	38,812,568	39,924,483
Cash Flows From Capital Financing Activities:		
State capital appropriations	1,428,675	1,209,717
Local capital appropriations	136,250	272,500
Grant income	164,161	8,871
Purchase of capital assets	(498,738)	(1,258,126)
Principal paid on capital debt	(114,772)	(968,365)
Interest paid on capital debt	(120,656)	(144,928)
Net cash provided by (used in) capital financing activities	994,920	(880,331)
Cash Flows From Investing Activities:		
Long-term investments, net	197,296	(86,662)
Interest on investments	209,007	192,406
Net cash provided by investing activities	406,303	105,744
 Net Increase (Decrease) in Cash	 1,834,764	 (1,137,113)
Cash:		
Beginning of year	24,530,542	25,667,655
End of year	\$ 26,365,306	\$ 24,530,542
Non-cash Investing and Financing Activity:		
Purchase of equipment through lease payable	\$ 7,993,367	\$ -

(Continued)

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

LUZERNE COUNTY COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

(Continued)

	2018	2017
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating loss	\$ (43,891,753)	\$ (43,826,726)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	3,740,530	3,398,923
Pension expense	1,143,374	1,339,673
Pension payments made subsequent to measurement date	(1,437,234)	(898,975)
Gain on disposal of capital assets	5,991	10,309
Changes in net assets and liabilities:		
Accounts receivables (net)	798,729	(642,985)
Inventory (net)	163,361	65,538
Accounts payable	322,330	(187,502)
Accrued payroll liabilities	316,358	(1,747,024)
Unearned revenue	(51,972)	301,399
Liability for compensated absences	451,996	1,493,906
Other liabilities	59,263	406,455
Net cash used in operating activities	\$ (38,379,027)	\$ (40,287,009)

(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, 2018 AND 2017

	2018	2017
Assets		
<hr/>		
Current assets:		
Cash and temporary investments:		
Foundation	\$ 560,560	\$ 607,833
Alumni	101,721	89,736
Total cash and temporary investments	662,281	697,569
Pledges receivable	40,000	141,000
Total current assets	702,281	838,569
Non-current assets:		
Investments:		
Foundation	4,786,808	4,500,672
Alumni	675,026	642,500
Total investments	5,461,834	5,143,172
Pledges receivable, net	43,177	64,730
Beneficial interest in perpetual trust	1,230,082	1,199,856
Total non-current assets	6,735,093	6,407,758
Total Assets	\$ 7,437,374	\$ 7,246,327

(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, 2018 AND 2017

(Continued)

Liabilities and Net Assets	2018	2017
Current liabilities:		
Deferred revenue	\$ -	\$ 10,102
Net assets:		
Unrestricted:		
Foundation	55,762	13,844
Alumni	156,228	129,041
Total unrestricted	211,990	142,885
Temporarily restricted:		
For specific purposes:		
Foundation	2,910,971	2,840,610
Alumni	620,519	603,195
Time and purpose restrictions, Foundation	207,800	205,730
Total temporarily restricted	3,739,290	3,649,535
Permanently restricted:		
Assets held in perpetuity, Foundation	3,486,094	3,443,805
Total net assets	7,437,374	7,236,225
Total Liabilities and Net Assets	\$ 7,437,374	\$ 7,246,327

(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, 2018 AND 2017

	2018	2017
Change in unrestricted net assets:		
Revenues and other additions:		
Contributions	\$ -	\$ 675
Contribution, personnel expense	534,157	590,478
Special event revenue	214,698	51,449
Investment income	-	29,231
Net assets released from restrictions, satisfaction of program restrictions	549,354	558,783
Total revenues and other additions	1,298,209	1,230,616
Program expenses:		
Transfer to Luzerne County Community College	197,821	140,173
Scholarships	336,330	324,000
Personnel expense	534,157	590,478
Program costs	160,796	77,206
Reclassification of net assets	29,231	-
Total program expenses	1,258,335	1,131,857
Increase in unrestricted assets	39,874	98,759
Change in temporarily restricted net assets:		
Contributions	220,691	217,797
Investment income	418,418	399,850
Reclassification of net assets	29,231	-
Net assets released from restrictions, satisfaction of program restrictions	(549,354)	(558,783)
Increase in temporarily restricted net assets	118,986	58,864
Change in permanently restricted net assets:		
Contributions	12,063	75,476
Changes in beneficial interest in perpetual trust	30,226	50,899
Increase in permanently restricted net assets	42,289	126,375
Change in net assets	201,149	283,998
Net assets, beginning	7,236,225	6,952,227
Net assets, ending	\$ 7,437,374	\$ 7,236,225

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, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 201,149	\$ 283,998
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized and realized gains on investments, net	(335,263)	(360,953)
Restricted contributions	(12,063)	(75,476)
Change in beneficial interest in perpetual trust	(30,226)	(50,899)
Changes in assets and liabilities:		
Pledges receivable	122,553	143,377
Accounts payable	-	(15,528)
Deferred revenue	(10,102)	10,102
Net cash used in operating activities	(63,952)	(65,379)
Cash flows from investing activities:		
Purchase of investments	(156,593)	(255,468)
Proceeds from sale of investments	173,194	183,462
Net cash provided by (used in) investing activities	16,601	(72,006)
Cash flows provided by financing activities:		
Collection of restricted contributions	12,063	75,476
Net increase (decrease) in cash and temporary investments	(35,288)	(61,909)
Cash and temporary investments, beginning	697,569	759,478
Cash and temporary investments, ending	\$ 662,281	\$ 697,569

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

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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.

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018 and 2017, the Foundation distributed \$197,821 and \$140,173, 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 is 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 Outflows/Inflows of Resources

In addition to assets (liabilities), the College will sometimes report a separate section for deferred outflows (inflows) of resources. This separate financial statement element represents a consumption (acquisition) of net position that applies to a future period and so will not be recognized as an outflow (inflow) of resources until that time.

Adopted Pronouncements

GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."* This Statement addresses reporting by governments that provide

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

OPEB to their employees and for governments that finance OPEB for employees of other governments. The College adopted GASB Statement No. 75 effective for the College's June 30, 2018 financial statements.

GASB Statement No. 85, "*Omnibus 2017*," is 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*," is 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.

Pending Pronouncement

GASB Statement No. 87, "*Leases*," is effective for fiscal years beginning after December 15, 2019 (the College's financial statements for the year ending June 30, 2021). 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 this statement 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.

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

Compensated Absences

The College records a liability for vacation earned and records an annual provision for unused sick days earned by employees, but not yet paid.

Postemployment Benefits Other than Pensions

The College offers postemployment benefits, other than pension, to eligible retirees. These benefits include premium payments related to medical, prescription drugs, dental, and life insurance. These benefits are accounted for in accordance with GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,"* for the year ended June 30, 2018 and GASB Statement No. 45, *"Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions,"* for the year ended June 30, 2017.

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 \$2,822,723 and \$3,594,722 as of June 30, 2018 and 2017, 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.

LUZERNE COUNTY COMMUNITY COLLEGE

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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

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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 8 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.

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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. Restatement of Net Position

As described in Note 1, the College adopted the provisions of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," effective July 1, 2017 prospectively. This statement replaces the requirements of GASB Statement NO. 45, "Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions." Net position as of July 1, 2017 was restated as follows:

Net position, June 30, 2017	\$ 49,148,966
Remove: accrued post-retirement benefits as of June 30, 2017	(27,612,341)
Add: OPEB liability as of July 1, 2017	<u>15,689,849</u>
Net position, July 1, 2017, restated	<u><u>\$ 37,226,474</u></u>

3. 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 Vice President 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.

LUZERNE COUNTY COMMUNITY COLLEGE

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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.

4. 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.

LUZERNE COUNTY COMMUNITY COLLEGE

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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, 2018 and 2017 was \$26,365,306 and \$24,520,672, respectively, which excludes amounts maintained for cashier's change funds and petty cash totaling \$9,900 and \$9,870, respectively. Actual bank balances at June 30, 2018 and 2017 were \$27,396,137 and \$25,493,752, respectively. The difference between carrying amounts and bank balances represent outstanding checks payable and normal reconciling items. Of the bank balance at June 30, 2018 and 2017, \$250,000 was covered by federal depository insurance for each bank, and \$27,146,137 and \$25,243,752 were 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, 2018 and 2017, the College had the following investments and maturities:

	Fair Market Value	Less Than 1 Year	1 - 3 Years	More Than 3 Years
June 30, 2018				
Certificates of deposit	\$ 10,078,413	\$ -	\$ 10,078,413	\$ -
June 30, 2017				
Certificates of deposit	\$ 10,275,709	\$ -	\$ 10,275,709	\$ -

As of June 30, 2018 and 2017, the College's certificates of deposit are classified as Level 1 investments.

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Foundation

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

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 237,991	\$ 319,466
Mutual funds	1,347,419	1,182,874
Equities	1,352,227	1,305,809
ETF, equity	1,327,703	1,059,798
Fixed income:		
Corporate bonds	488,303	550,352
Exchange traded funds	354,539	363,431
Mutual funds	353,652	361,442
Total investments	<u>\$ 5,461,834</u>	<u>\$ 5,143,172</u>

Investment return is comprised of the following in 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 113,157	\$ 97,746
Unrealized gains on investments, net	178,847	132,129
Realized gains on investments, net	156,416	227,114
Investment fees	(30,002)	(27,908)
Total	<u>\$ 418,418</u>	<u>\$ 429,081</u>

Investment return is reported as:

	<u>2018</u>	<u>2017</u>
Unrestricted	\$ -	\$ 29,231
Temporarily restricted	418,418	399,850
Total	<u>\$ 418,418</u>	<u>\$ 429,081</u>

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5. 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 determined 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.

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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, 2018			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents (1)	\$ 237,991	\$ -	\$ -	\$ 237,991
Mutual funds:				
Large Cap (2)	201,846	-	-	201,846
Mid Cap (2)	412,907	-	-	412,907
Small Cap (2)	115,632	-	-	115,632
International (2)	158,070	-	-	158,070
Other (2)	458,964	-	-	458,964
Marketable Equities	1,327,703	-	-	1,327,703
ETF (3)	1,352,227	-	-	1,352,227
Fixed income:				
Corporate bonds	-	488,303	-	488,303
Exchanged traded funds	354,539	-	-	354,539
Mutual funds (4)	353,652	-	-	353,652
Total investments	<u>4,973,531</u>	<u>488,303</u>	<u>-</u>	<u>5,461,834</u>
Beneficial interest in perpetual trust	-	-	1,230,082	1,230,082
Total	<u>\$ 4,973,531</u>	<u>\$ 488,303</u>	<u>\$ 1,230,082</u>	<u>\$ 6,691,916</u>

1 - Includes \$33,750 for Alumni

3 - Includes \$417,266 for Alumni

2 - Includes \$147,810 for Alumni

4 - Includes \$76,200 for Alumni

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	June 30, 2017			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents (1)	\$ 319,467	\$ -	\$ -	\$ 319,467
Mutual funds:				
Large Cap (2)	191,412	-	-	191,412
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	4,592,822	550,350	-	5,143,172
Beneficial interest in perpetual trust	-	-	1,199,856	1,199,856
Total	<u>\$ 4,592,822</u>	<u>\$ 550,350</u>	<u>\$ 1,199,856</u>	<u>\$ 6,343,028</u>

1 - Includes \$37,976 for Alumni

2 - Includes \$130,721 for Alumni

3 - Includes \$401,480 for Alumni

4 - Includes \$72,063 for Alumni

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YEARS ENDED JUNE 30, 2018 AND 2017

The following table summarizes Level 3 instruments measured at fair value on a recurring basis for the years ended June 30, 2018 and 2017:

	Fair Value Measurements at Reporting Date Using Significant Unobservable Inputs (Level 3)	
	Beneficial Interest in Perpetual Trust	
	2018	2017
Balance, beginning	\$ 1,199,856	\$ 1,148,957
Distributions	(47,693)	(53,850)
Gains included in changes in permanently restricted net assets	77,919	104,749
Balance, ending	<u>\$ 1,230,082</u>	<u>\$ 1,199,856</u>

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.

6. 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

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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 three 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.

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

	2018		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 725,738	\$ 2,242,890	\$ 2,968,628
Investment income	69,816	-	69,816
Investment fees	(18,131)	-	(18,131)
Realized and unrealized gains	209,648	-	209,648
(Withdrawals) contributions	(96,462)	12,063	(84,399)
Other		1,059	1,059
Endowment net assets, end of year	<u>\$ 890,609</u>	<u>\$ 2,256,012</u>	<u>\$ 3,146,621</u>

	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	(230,993)	75,476	(155,517)
Endowment net assets, end of year	<u>\$ 725,738</u>	<u>\$ 2,242,890</u>	<u>\$ 2,968,628</u>

7. 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 \$1,230,082 and \$1,199,856, as of June 30, 2018 and 2017, respectively.

LUZERNE COUNTY COMMUNITY COLLEGE

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8. Capital Assets

The following is summary of capital assets activity at June 30, 2018 and 2017:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets - fiscal year 2018:				
Capital assets not being depreciated:				
Land	\$ 1,382,185		\$ -	\$ 1,382,185
Capital assets being depreciated:				
Permanent campus	78,611,948	8,305,858	-	86,917,806
Furniture and fixtures	3,430,318	-	500	3,429,818
Equipment	27,477,292	411,633	218,823	27,670,102
Library books	2,173,683	-	-	2,173,683
Microfilm and AV equipment	736,244	28,091	-	764,335
Motor vehicles	715,530	-	-	715,530
	<u>114,527,200</u>	<u>8,745,582</u>	<u>219,323</u>	<u>123,053,459</u>
Less: accumulated depreciation	<u>(74,507,717)</u>	<u>(3,740,530)</u>	<u>219,323</u>	<u>(78,028,924)</u>
Net Capital Assets				<u>\$ 45,024,535</u>

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	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
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	-	-	715,554
	113,562,047	965,177	-	114,527,224
Less: accumulated depreciation	(71,108,794)	(3,398,923)	-	(74,507,717)
Net Capital Assets				\$ 40,019,507

Depreciation expense was \$3,740,530 and \$3,398,923 for the years ended June 30, 2018 and 2017, respectively.

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9. Pledges Receivable

Foundation

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

	<u>2018</u>	<u>2017</u>
Receivables in less than one year	\$ 40,000	\$ 141,000
Receivables in one to four years	<u>55,000</u>	<u>97,000</u>
Total pledges receivable	95,000	238,000
Less: Unamortized discount	<u>11,823</u>	<u>32,270</u>
Net present value of pledges receivable	<u><u>\$ 83,177</u></u>	<u><u>\$ 205,730</u></u>

Pledges receivable are discounted using rates between 1% and 2%. 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, 2018 and 2017 based upon information currently known. Accounts are written off when they are determined 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.

10. 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)

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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

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

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.

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

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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.

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%
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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, 2018 and 2017 were 31.74% and 29.20% of covered payroll, respectively, 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. The College contributed \$294,178 and \$339,123 to PSERS for the years ended June 30, 2018 and 2017, respectively. In addition, the College was required to contribute 0.83% of covered payroll to Premium Assistance Program in the amounts of \$7,693 and \$8,676 for the years ended June 30 2018 and 2017, respectively.

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

At June 30, 2018 and 2017, the College reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the College. At June 30, 2018 and 2017, the College reported a liability of \$4,544,000 and \$3,915,000, respectively, for its proportionate share of the PSERS net pension liability.

The PSERS net pension liability as of June 30, 2018 and 2017 was measured as of June 30, 2017 and 2016, respectively. 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, 2016 to June 30, 2017. 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, 2017, the College's proportion was 0.0092%, which was an increase from its proportion of 0.0079% measured as of June 30, 2016.

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NOTES TO FINANCIAL STATEMENTS

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For the years ended June 30, 2018 and 2017, the College recognized pension expense of \$580,799 and \$411,876, respectively. At June 30, 2018, the College reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Net differences between projected and actual experience	\$ 47,000	\$ 27,000
Changes in assumptions	123,000	-
Net differences between projected and actual earnings	105,000	-
Changes in proportion	491,000	43,000
The College's contributions subsequent to the measurement date	<u>294,178</u>	<u>-</u>
Total	<u>\$ 1,060,178</u>	<u>\$ 70,000</u>

\$294,178 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	Amortization Amount
<u> </u>	<u> </u>
2019	\$ 175,000
2020	227,000
2021	190,000
2022	<u>103,000</u>
Total	<u>\$ 695,000</u>

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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Actuarial Assumptions

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

- 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%, comprised of inflation of 2.75% and 2.25% for real wage growth and merit or seniority increases
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Changes in Assumptions

The actuarial assumptions used in the June 30, 2017 and 2016 valuations 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 June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation. These changes included:

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

LUZERNE COUNTY COMMUNITY COLLEGE

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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
Global public equity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	-20.0%	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.

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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	\$ 5,593,000	\$ 4,544,000	\$ 3,658,000

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 and deferred inflows 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

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has a legal requirement to provide the contribution and 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.

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

Employee and employer contribution rates for the years ended June 30, 2018 and 2017 were as follows:

<u>Rate</u>	<u>Employee rate as of 6/30/2018</u>	<u>Employer rate as of 6/30/2018</u>	<u>Employee rate as of 6/30/2017</u>	<u>Employer rate as of 6/30/2017</u>
Class A3	6.25%	23.80%	6.25%	23.80%
Class A4	9.30%	23.80%	9.30%	23.80%
Class A	5.00%	27.55%	5.00%	23.96%
Class AA	6.25%	34.44%	6.25%	29.95%

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 December 31, 2018 and 2017 were \$1,104,400 and \$1,000,550, respectively.

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

At June 30, 2018, the College reported a liability of \$9,988,025 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's portion of the SERS net pension liability was allocated by SERS to each employer based on a projection-contribution method. At December 31, 2017, the College's proportion of the net pension liability was approximately

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NOTES TO FINANCIAL STATEMENTS

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0.0578%, which was a decrease from its proportion of .0590% measured as of December 31, 2016.

For the years ended June 30, 2018 and 2017, the College recognized pension expense of \$1,525,270 and \$1,215,570, respectively. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between projected and actual earnings on pension plan investments	\$ -	\$ 397,120
Difference between employer contributions and proportionate share of contributions	59,735	48,398
Difference between expected and actual experience	168,877	189,648
Change in assumption	500,060	-
Changes in proportion	32,609	839,470
The College's contributions subsequent to the measurement date	<u>596,677</u>	<u>-</u>
Total	<u><u>\$ 1,357,958</u></u>	<u><u>\$ 1,474,636</u></u>

\$596,677 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, 2019.

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Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30:</u>	<u>Amortization Amount</u>
2019	\$ (134,784)
2020	(128,869)
2021	(185,016)
2022	(260,490)
2023	<u>(4,196)</u>
Total	<u>\$ (713,355)</u>

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Actuarial Methods and Assumptions

The following methods and assumptions were used in the December 31, 2017 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
Asset 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, 2017 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

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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, 2017 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%	5.10%
Fixed Income	14%	1.63%
Liquidity Reserve	3%	-0.25%
Total	100%	

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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	<u>\$ 12,677,918</u>	<u>\$ 9,988,025</u>	<u>\$ 7,683,819</u>

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.

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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, 2018 and 2017, the College contributed \$1,536,224 and \$1,546,313, respectively, to the plan.

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

11. Long-Term Debt

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

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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.

General Municipal Authority of the City of Nanticoke

Original Loan Agreement

The original loan agreement provided proceeds of \$7,993,367 received as per lease and sublease agreement dated August 31, 2017 between the College and U.S. Bancorp Government Leasing and Finance, Inc., Lessor, and the General Municipal Authority of the City of Nanticoke, Sublessor.

Use of Note Proceeds for the Capital Improvements

The 2017 lease and sublease agreement is to finance a project for the benefit of the College to make energy savings improvements.

The following tabulation summarizes the outstanding debt as reflected in the Plant Fund of the College:

<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding General Note Obligation July 1, 2017</u>	<u>Issued During the Year</u>	<u>Retired During the Year</u>	<u>Outstanding General Note Obligation June 30, 2018</u>	<u>Interest Paid In Current Year</u>
Hazleton Area Industrial Development Authority							
March 29, 2011	2031	4.99%	\$ 2,462,532	\$ -	\$ 114,772	\$ 2,347,760	\$ 120,135
General Municipal Authority of the City of Nanticoke							
August 31, 2017	2032	2.53%	\$ -	\$ 7,993,367	\$ -	\$ 7,993,367	\$ -

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The following is a five-year-and-after debt summarization of the debt above:

Year	Principal	Interest
2018-19	\$ 570,096	\$ 150,284
2019-20	430,105	306,474
2020-21	518,593	291,464
2021-22	554,659	274,286
2022-23	592,417	255,985
Thereafter	<u>7,675,257</u>	<u>1,296,562</u>
	<u>\$ 10,341,127</u>	<u>\$ 2,575,055</u>

12. 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, 2018 is as follows:

	Wages	Benefits	Total	Due Within One Year
Administrative	\$ 451,146	\$ 63,307	\$ 514,453	\$ 102,891
Security	23,493	2,679	26,172	5,234
Classified	602,521	61,485	664,006	132,801
Faculty	<u>621,021</u>	<u>80,948</u>	<u>701,969</u>	<u>140,394</u>
Total	<u>\$ 1,698,181</u>	<u>\$ 208,419</u>	<u>\$ 1,906,600</u>	<u>\$ 381,320</u>

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13. Post-Retirement Benefits

Plan Description

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 College pays premiums for medical, prescription drugs, dental, and life insurance at age 50 with 15 years of service. The benefits extended to the employee include health care and dental benefits, with health care also extended to the employee's spouse. These benefits are available until the employee attains the age of 66. This benefit is financed currently by the College on a pay-as-you-go basis and is addressed during the annual budget process.

Plan Membership

At June 30, 2018, the OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	115
Active plan members	<u>327</u>
Total plan members	<u><u>442</u></u>

Funded Status and Funding Progress

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.

The contribution requirements of plan members and the College are established and may be amended by the College's Board. The plan is funded on a pay-as-you-go basis, i.e., premiums are paid to fund the health care benefits provided to current retirees. The College made estimated contributions to the plan of \$916,556 and \$1,151,263 for the fiscal years ended June 30, 2018 and 2017, respectively.

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Changes in Total OPEB Liability

The changes in the total OPEB liability for the College's retiree plan for the year ended June 30, 2018 were as follows:

Total OPEB liability, July 1, 2017 (based on measurement date of July 1, 2016)	\$	27,612,341
Changes for the year:		
Service cost		1,897,100
Interest		725,852
Changes in assumptions		(1,563,535)
Benefit payments		<u>(662,295)</u>
Total OPEB liability, June 30, 2018 (based on measurement date of July 1, 2017)	\$	<u>28,009,463</u>

Sensitivity of the College's Total OPEB Liability to Changes in the Discount Rate

The following presents the College's total OPEB liability calculated using the discount rate described above, as well as what the College's total OPEB 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:

	<u>1% Decrease (2.13%)</u>	<u>Current Discount Rate (3.13%)</u>	<u>1% Increase (4.13%)</u>
College's total OPEB liability	<u>\$ 30,719,122</u>	<u>\$ 28,009,463</u>	<u>\$ 25,677,041</u>

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Sensitivity of the College's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the College's total OPEB liability calculated using current healthcare cost trend rates as well as what the College's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
District's total OPEB liability	<u>\$ 26,279,190</u>	<u>\$ 28,009,463</u>	<u>\$ 29,999,563</u>

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

For the year ended June 30, 2018, the College recognized OPEB expense of \$2,399,590. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	\$ 1,340,173
The College's contributions subsequent to the measurement date	<u>916,556</u>	<u>-</u>
Total	<u>\$ 916,556</u>	<u>\$ 1,340,173</u>

The College reported \$916,556 as deferred outflows of resources resulting from the contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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<u>Year Ending June 30:</u>	<u>Amortization Amount</u>
2019	\$ (223,362)
2020	(223,362)
2021	(223,362)
2022	(223,362)
2023	(223,362)
Thereafter	<u>(223,363)</u>
Total	<u>\$ (1,340,173)</u>

Actuarial Assumptions

The total OPEB liability was determined as of the July 1, 2017 actuarial valuation using the following actuarial assumptions, applied to all periods in the measurements:

- Actuarial cost method – Entry age normal
- Interest rate – 3.13% - S&P Municipal Bond Rate 20 Year High Grade Rate Index
- Salary increases – 3.0%
- Healthcare cost trend rate – 6.0% in 2017 and 5.5% in 2018 through 2023. Rates gradually decrease from 5.4% in 2024 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model
- Mortality tables – RP-2000 combined mortality table
- Retirement Age – 10% at ages 50-61, 30% at 62-64, 50% at 65 and 100% at 66

Additional Employer Disclosures Required by GASB Statement No. 45

These benefits are accounted for in accordance with GASB Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*,” for the year ended June 30, 2017. 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. 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.

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The College's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017 and the preceding years were as follows:

	<u>June 30, 2017</u>
Annual required contribution	\$ 2,831,406
Interest on net OPEB obligation	640,943
Adjustment to annual required contribution	<u>(874,410)</u>
Annual OPEB cost	2,597,939
Contributions made	<u>(1,151,263)</u>
Increase in net OPEB obligation	1,446,676
Net OPEB obligation, beginning of year	<u>14,243,173</u>
Net OPEB obligation, end of year	<u><u>\$ 15,689,849</u></u>

<u>Year Ending</u>	<u>Annual OPEB Cost</u>	<u>OPEB Cost Contributed</u>	<u>OPEB Obligation</u>
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

As of July 1, 2016, the plan was 0% funded and the actuarial accrued liability for benefits was \$23,020,041 resulting in an unfunded actuarial accrued liability 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.

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-

LUZERNE COUNTY COMMUNITY COLLEGE

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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, 2018 was 30 years.

14. 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 \$934,232 and \$556,779 for the years ended June 30, 2018 and 2017, respectively. All benefits accrued in 2017 were paid in fiscal year 2018 and all benefits accrued for in 2018 will be paid in fiscal year 2019.

15. 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 \$757,805 and \$625,292 for the years ended June 30, 2018 and 2017, respectively.

The College leases certain computer and office equipment under noncancelable operating leases which expire at various times through 2018. Rent expense was \$400,834 and \$333,184 for the years ended June 30, 2018 and 2017, respectively.

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

The future minimum lease payments are as follows:

For the year ending June 30,

2018	\$	762,034
2019		768,111
2020		774,371
2021		780,819
2022		559,442
Thereafter		<u>1,274,556</u>
	\$	<u><u>4,919,333</u></u>

16. Risk Management

The College established a partially self-funded Insurance Fund through the General Fund, to account for and finance its uninsured risks of loss related to medical care and outpatient prescription drug costs. A third party administrator provides administrative services for this partially self-funded plan. Under this program, the Insurance Fund provides coverage of the College's participating employees and their eligible dependents. PPO and HMO Plus participants receive unlimited service allowance from preferred providers. 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 \$6,906,456.

The reserve for health care costs reported in the fund at June 30, 2018 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, 2018. The reserve is based on deposits, net of changes.

Reserve for health care costs at July 1, 2017	\$	412,356
Claims incurred during the period		5,885,978
Payments on claims		<u>(5,811,928)</u>
Reserve for health care costs at June 30, 2018	\$	<u><u>486,406</u></u>

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018 and the two previous years, no settlements exceeded insurance coverage.

17. Restricted Net Position

At June 30, 2018 and 2017, restricted net position was available for the following purposes:

	<u>2018</u>	<u>2017</u>
Capital projects	<u>\$ 2,450,942</u>	<u>\$ 2,684,908</u>
Other:		
Tuition stabilization	\$ -	\$ 7,272,251
Other	-	<u>6,521,995</u>
Total other restricted net position	<u>\$ -</u>	<u>\$ 13,794,246</u>

The Commonwealth of Pennsylvania no longer requires the calculation of tuition stabilization. As a result, the related net position is shown as unrestricted beginning with the year ended June 30, 2018.

18. Litigation

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

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

19. Facility Master Plan

The 2006-2012 Facilities Master Plan was initially approved by the Board in August 2006, revised in June 2007, and state approval of the revised Master Plan was received in August of 2007. The Plan 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 25, 2017, MKSD Architects presented the plan at the Board of Trustees' 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.

20. Economic Dependency

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

LUZERNE COUNTY COMMUNITY COLLEGE

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

Last 10 Fiscal Years¹

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
College's proportion of the net pension liability	0.0092%	0.0079%	0.0080%	0.000081
College's proportionate share of the net pension liability	\$ 4,544,000	\$ 3,915,000	\$ 3,465,000	\$ 3,206,000
State's proportionate share of the net pensions liability associated with the College	<u>4,521,742</u>	<u>3,897,863</u>	<u>3,481,269</u>	<u>3,217,696</u>
Total	<u>\$ 9,065,742</u>	<u>\$ 7,812,863</u>	<u>\$ 6,946,269</u>	<u>\$ 6,423,696</u>
College's covered-employee payroll ²	\$ 1,218,599	\$ 1,018,869	\$ 1,034,097	\$ 1,036,292
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	372.89%	384.25%	335.07%	309.37%
PSERS' plan fiduciary net position as a percentage of PSERS' total pension liability	51.84%	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.

SCHEDULE OF COLLEGE CONTRIBUTIONS

Last 10 Fiscal Years³

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required employer contribution	\$ 294,178	\$ 339,123	\$ 257,571	\$ 418,970
Contributions recognized by PSERS	<u>294,178</u>	<u>339,123</u>	<u>257,571</u>	<u>418,970</u>
Difference between contractually required employer contribution and contributions recognized by PSERS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered employee payroll ⁴	\$ 1,093,479	\$ 1,219,151	\$ 1,067,775	\$ 1,077,971
Contributions as a percentage of covered-employee payroll	26.90%	27.82%	24.12%	38.87%

² 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.

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 Years¹

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
College's proportion of the net pension liability	0.0092%	0.0079%	0.0080%	0.0654%
College's proportionate share of the net pension liability	\$ 9,988,025	\$ 11,371,092	\$ 10,673,070	\$ 9,717,066
College's covered-employee payroll	\$ 3,427,742	\$ 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	291.39%	325.84%	298.97%	247.64%
SERS' plan fiduciary net position as a percentage of SERS' total pension liability	0.00%	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 Years²

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required employer contribution	\$ 1,104,400	\$ 1,000,550	\$ 727,192	\$ 595,653
Contributions recognized by SERS	<u>1,104,400</u>	<u>1,000,550</u>	<u>727,192</u>	<u>595,653</u>
Difference between contractually required employer contribution and contributions recognized by SERS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered employee payroll	\$ 3,427,742	\$ 3,489,770	\$ 3,569,981	\$ 3,923,793
Contributions as a percentage of covered-employee payroll	32.22%	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.

LUZERNE COUNTY COMMUNITY COLLEGE

SCHEDULE OF THE COLLEGE'S TOTAL OPEB LIABILITY FOR ITS RETIREE PLAN

Last 10 Fiscal Years¹

	2018
Total OPEB Liability:	
Service cost	\$ 1,897,100
Interest	725,852
Changes of benefit terms	
Differences between actual and expected experience	
Changes of assumption	(1,563,535)
Benefit payments	(662,295)
Net changes in total OPEB liability	397,122
Total OPEB liability - Beginning	27,612,341
Total OPEB liability - Ending	\$ 28,009,463
Covered payroll	\$ 17,400,674
Total OPEB liability as a percentage of covered payroll	160.97%

¹ 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.

LUZERNE COUNTY COMMUNITY COLLEGE

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

YEAR ENDED JUNE 30, 2018

SCHEDULE OF FUNDING PROGRESS¹

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 CONTRIBUTIONS¹

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%
2018	2,399,590	48.4%

NOTES TO THE REQUIRED SCHEDULES¹

Valuation Date	July 1, 2017
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

¹ The information presented is required supplementary information under GASB Statement No.45. This statement was superseded by GASB Statement No. 75 effective July 1, 2017.

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2018 AND 2017

1. Changes of Assumptions

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 State Employees' Retirement Board (SERS) members and their beneficiaries. The current set of assumptions used in the December 31, 2017 actuarial valuation was adopted by the SERS Board based upon actual experience of SERS during the years 2011 through 2015. As a result of the review undertaken during March/April of 2017, the SERS Board approved (i) a reduction in the annual discount rate assumption from 7.50% to 7.25% and (ii) a reduction in the annual inflation assumption from 2.75% to 2.60% and both changes became effective with the December 31, 2016 actuarial valuation. SERS will continue to closely monitor these assumptions and will recommend changing them if conditions warrant such change.

Pennsylvania School Employees' Retirement System (PSERS):

Beginning June 30, 2016, the investment rate of return was adjusted from 7.50% to 7.25%. The inflation assumption was decreased from 3.00% to 2.75%. Salary growth changed from an effective average of 5.50% (including inflation at 3.00%) to an effective average of 5.00% (including inflation at 2.75%). Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) 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.

2. Factors and Trends Used in the Actuarial Valuation of Pension Benefits

PSERS:

With the passage of Act 5, Class T-E and T-F members are now permitted to elect a lump sum payment of member contributions upon retirement.

The actuarially determined contributions are calculated as of June 30 preceding the fiscal year in which contributions are made. That is, the contributions calculated as of the June 30, 2017 actuarial valuation were made during the fiscal year ended June 30, 2018. The following actuarial methods and assumptions were used to determine contribution rates reported in the pension required supplementary schedules:

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2018 AND 2017

Changes in benefit terms	None
Changes in assumptions	Yes
Valuation date	June 30, 2017
Actuarial cost method	Entry age
Amortization method	Level dollar, open
Investment rate of return	7.25% net of expense, including inflation assumption of 2.75%
Projected salary increases	Effective average of 5.00%, which was comprised of inflation of 2.75%, real wage growth and for merit or seniority increases of 2.25%, 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.
Asset valuation method	A ten-year moving market average value of assets that recognizes the 7.25% actuarial expected investment return immediately and spread the difference between the actual return on the market value of assets and the expected return to the actuarial value of assets over a period of ten years. The averaging period is being phased-in from fiscal year 2006.
Multiple decrement tables	Mortality rates were based on 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.

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2018 AND 2017

SERS:

The actuarially determined contributions are calculated as the College's percentage of the total of (1) the employer normal cost percentage and (2) the net amortization of the unfunded liability, but not less than any applicable minimum contribution as prescribed by the Pennsylvania State Employees' Retirement Code. The following actuarial methods and assumptions were used to determine contribution rates reported in the pension required supplementary schedules:

Projected salary increases	Average of 5.60% with range of 3.70% - 8.90%, included inflation
Asset valuation method	Fair (market) value
Inflation	2.6%
Mortality rate	Projected RP-2000 Mortality Tables adjusted for actual plan experience and future improvement
Change in benefit term	None
Valuation date	December 31, 2017
Actuarial cost method	Entry age
Amortization method	Straight-line amortization of investments over five years and amortized 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 manager fees including inflation

The following was updated in the December 31, 2016 actuarial valuation: investment rate of return decreased from 7.50% for December 31, 2015 to 7.25% for December 31, 2016; projected salary increases changed from average of 5.70%, with range of 3.85% - 9.05% for December 31, 2015 to average of 5.60%, with range of 3.70% - 8.90% for December 31, 2016; and inflation decreased from 2.75% for December 31, 2015 to 2.60% for December 31, 2016.

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2018 AND 2017

3. OPEB

Actuarial Methods and Assumptions under GASB Statement No. 75

The methods and assumptions used to determine contributions rates are as follows:

Actuarial valuation date	July 1, 2016
Actuarial cost method	Entry age normal cost method
Amortization period	30 years
Asset valuation method	Market value
Inflation	3.00%
Wage Inflation	3.00%
Healthcare cost trend rates	6% in 2017, and 5.5% in 2018 through 2023, decreasing from 5.4% in 2024 to 3.9% in 2075 later based on the Society of Actuaries Long-Run Medical Cost Trend Model
Salary increases	3.00%, average, including inflation
Investment rate of return	3.13%
Retirement age	0% ages < 50, 10% at ages 50-61, 30% at 62-64, 50% at 65, 100% at age 66
Mortality	RP-2000 Combined Healthy with Scale AA

Changes in Assumptions:

The interest rate was changed from 2.49% to 3.13%. The healthcare cost trend rates were updated. Assumptions for salaries and mortality tables were updated based on new PSERS assumptions.

SUPPLEMENTARY INFORMATION

LUZERNE COUNTY COMMUNITY COLLEGE

STATEMENTS OF NET POSITION - ALL FUNDS

JUNE 30, 2018 AND 2017

Assets and Deferred Outflows	Current Funds		Plant Fund	Auxiliary	Adjustments	Total 2018	Total 2017
	Unrestricted	Restricted					
Current assets:							
Cash	\$ 18,710,708	\$ 2,283,610	\$ 674,846	\$ 4,696,142	\$ -	\$ 26,365,306	\$ 24,530,542
Accounts receivable:							
Student (net of allowance)	4,238,932	-	-	310,420	-	4,549,352	5,214,503
Federal Government	1,452,985	-	-	-	-	1,452,985	486,041
Commonwealth of Pennsylvania (net of reserve)	428,598	-	-	-	-	428,598	406,018
Luzerne County	2,676,250	-	1,837,151	-	-	4,513,401	4,513,401
Suppliers	-	-	-	32,602	-	32,602	116,123
Other	260,930	-	-	8,711	-	269,641	319,698
Bookstore inventory	-	-	-	358,994	-	358,994	516,851
Inventory - supplies	51,039	-	-	8,990	-	60,029	65,533
Due from current - unrestricted fund	-	244,592	-	1,034,565	(1,279,157)	-	-
Due from current - plant fund	690,681	-	-	1,516	(692,197)	-	-
Due from current - auxiliary fund	510,770	225	1,032,739	242,699	(1,786,433)	-	-
Due from Foundation	-	-	6,536	5	(131)	6,410	6,536
Total current assets	29,020,893	2,528,427	3,551,272	6,694,644	(3,757,918)	38,037,318	36,175,246
Non-current assets:							
Capital assets:							
Land	-	-	1,382,185	-	-	1,382,185	1,382,185
Furniture and fixtures	-	-	3,431,118	-	-	3,431,118	3,430,318
Equipment	-	-	27,668,784	163,252	-	27,832,036	27,421,227
Library books	-	-	2,173,683	-	-	2,173,683	2,173,683
Microfilm and audio-visual equipment	-	-	764,335	-	-	764,335	736,244
Motor vehicles	-	-	715,554	-	-	715,554	715,554
Permanent campus	-	-	86,917,806	-	-	86,917,806	78,611,948
Less: accumulated depreciation	-	-	(78,028,930)	(163,252)	-	(78,192,182)	(74,451,651)
Capital assets, net	-	-	45,024,535	-	-	45,024,535	40,019,508
Loan costs, net	-	-	38,768	-	-	38,768	38,768
Long-term investments	10,078,413	-	-	-	-	10,078,413	10,275,709
Total non-current assets	10,078,413	-	45,063,303	-	-	55,141,716	50,333,985
Total assets	39,099,306	2,528,427	48,614,575	6,694,644	(3,757,918)	93,179,034	86,509,231
Deferred Outflows of Resources:							
Pension	2,662,644	-	-	-	-	2,662,644	-
Post-retirement benefits	916,556	-	-	-	-	916,556	3,197,462
Total deferred outflows of resources	3,579,200	-	-	-	-	3,579,200	3,197,462

(Continued)

LUZERNE COUNTY COMMUNITY COLLEGE

STATEMENTS OF NET POSITION - ALL FUNDS

JUNE 30, 2018 AND 2017

(Continued)

Liabilities and Deferred Inflows	Current Funds		Plant Fund	Auxiliary	Adjustments	Total 2018	Total 2017
	Unrestricted	Restricted					
Current liabilities:							
Accounts payable:							
Trade	400,473	-	138,507	38,209	-	577,189	710,449
Commonwealth of Pennsylvania	437,501	-	4,393	-	-	441,894	(13,696)
Accruals:							
Salaries and wages	1,447,140	-	-	-	-	1,447,140	1,202,741
Employee payroll deductions payable	(3,288)	-	-	-	-	(3,288)	(1,197)
Scholarships payable	9,244	-	-	-	-	9,244	9,244
IBNR claims payable	486,406	-	-	-	-	486,406	412,356
Deferred revenue:							
Tuition, fees, and other	448,493	-	-	-	-	448,493	473,168
Federal and state grants	31,738	-	-	-	-	31,738	59,035
Other liabilities	-	77,485	232,977	-	-	310,462	101,855
Due to current restricted fund	244,592	-	-	225	(244,817)	-	-
Due to unrestricted fund	-	-	690,681	1,543,733	(2,234,414)	-	-
Due to auxiliary fund	-	-	1,516	244,432	(245,948)	-	-
Due to unexpended plant fund	-	-	-	1,032,739	(1,032,739)	-	-
Liability for compensated absences and fringe benefits	381,320	-	-	-	-	381,320	370,345
Current portion of OPEB liability	1,897,100	-	-	-	-	1,897,100	-
Other accrued liabilities	934,232	-	-	-	-	934,232	874,969
Current portion long-term debt	-	-	402,575	-	-	402,575	128,230
Total current liabilities	6,714,951	77,485	1,470,649	2,859,338	(3,757,918)	7,364,505	4,327,499
Non-current liabilities:							
Liability for post-retirement benefits	26,112,363	-	-	-	-	26,112,363	15,689,849
Liability for compensated absences and fringe benefits	1,525,280	-	-	-	-	1,525,280	1,481,381
Net pension liability	14,532,025	-	-	-	-	14,532,025	15,286,092
Long-term debt, net of current portion	-	-	9,938,552	-	-	9,938,552	2,334,302
Total non-current liabilities	42,169,668	-	9,938,552	-	-	52,108,220	34,791,624
Total liabilities	48,884,619	77,485	11,409,201	2,859,338	(3,757,918)	59,472,725	39,119,123
Deferred Inflows of Resources:							
Pension	1,544,636	-	-	-	-	1,544,636	-
Post-retirement benefits	1,340,173	-	-	-	-	1,340,173	1,438,604
Total deferred inflows of resources	2,884,809	-	-	-	-	2,884,809	1,438,604

(Continued)

LUZERNE COUNTY COMMUNITY COLLEGE

STATEMENTS OF NET POSITION - ALL FUNDS

JUNE 30, 2018 AND 2017

(Continued)

Net Position	Current Funds		Plant Fund	Auxiliary	Adjustments	Total 2018	Total 2017
	Unrestricted	Restricted					
Net position:							
Restricted - post-season tournaments	-	-	-	-	-	-	40,000
Restricted - purchase commitments	-	-	-	-	-	-	1,822,408
Restricted - replacement of capital assets	-	-	-	-	-	-	862,500
Restricted - tuition stabilization	-	-	-	-	-	-	7,272,251
Restricted - self insurance	-	-	-	-	-	-	1,753,126
Restricted - healthcare account	-	-	-	-	-	-	1,582,356
Restricted - faculty travel	-	-	-	-	-	-	213,044
Net investment in capital assets	-	-	34,683,408	-	-	34,683,408	37,584,803
Restricted	-	2,450,942	-	-	-	2,450,942	2,933,469
Unrestricted	(9,090,922)	-	2,521,966	3,835,306	-	(2,733,650)	(4,914,991)
Total net position	\$ (9,090,922)	\$ 2,450,942	\$ 37,205,374	\$ 3,835,306	\$ -	\$ 34,400,700	\$ 49,148,966

(Concluded)

LUZERNE COUNTY COMMUNITY COLLEGE

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

YEARS ENDED JUNE 30, 2018 AND 2017

	Current Funds		Plant Fund	Auxiliary	Adjustments	Total 2018	Total 2017
	Unrestricted	Restricted					
Revenues:							
Tuition and fees	\$ 23,784,123	\$ -	\$ 362,671	\$ -	\$ -	\$ 24,146,794	\$ 25,532,011
Commonwealth of Pennsylvania appropriations	12,004,060	-	1,426,820	-	-	13,430,880	13,213,778
Luzerne County appropriations	5,897,500	-	272,500	-	-	6,170,000	7,031,630
Federal grants and special programs	-	21,337,844	5,092	-	-	21,342,936	22,173,084
State grants	-	-	27,821	-	-	27,821	-
Interest on investments	178,192	11,666	3,916	15,233	-	209,007	192,406
Other revenues	443,838	-	133,000	-	-	576,838	487,848
Sale of assets	-	-	5,991	-	-	5,991	10,309
Auxiliary enterprises	-	-	-	2,693,248	-	2,693,248	3,033,310
Total revenues	42,307,713	21,349,510	2,237,811	2,708,481	-	68,603,515	71,674,376
Expenses:							
Educational and general:							
General administration	4,172,304	-	-	-	-	4,172,304	4,247,191
Student services	3,587,818	-	-	-	-	3,587,818	3,712,959
Staff benefits	1,326,111	-	-	-	-	1,326,111	1,536,532
General institutional	3,219,902	-	-	-	-	3,219,902	2,827,672
Instructional and departmental research	21,297,955	-	-	-	-	21,297,955	22,114,268
Library	746,452	-	-	-	-	746,452	716,644
Operation and maintenance of plant	7,335,794	-	1,770,771	-	-	9,106,565	9,190,063
Governmental grants	138,406	21,223,277	-	-	-	21,361,683	22,318,888
Depreciation expense	-	-	3,740,530	-	-	3,740,530	3,398,923
Interest expense	-	-	120,656	-	-	120,656	144,928
Other (income) expense	226,929	191,124	(307,910)	4,425	-	114,568	-
Auxiliary enterprises	-	-	-	2,634,745	-	2,634,745	2,816,755
Total expenses	42,051,671	21,414,401	5,324,047	2,639,170	-	71,429,289	73,024,823

(Continued)

LUZERNE COUNTY COMMUNITY COLLEGE

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

YEARS ENDED JUNE 30, 2018 AND 2017

(Continued)

	Current Funds		Plant Fund	Auxiliary	Adjustments	Total 2018	Total 2017
	Unrestricted	Restricted					
Revenue over (under) expenses	\$ 256,042	\$ (64,891)	\$ (3,086,236)	\$ 69,311	\$ -	\$ (2,825,774)	\$ (1,350,447)
Nonmandatory transfers	-	-	-	-	-	-	-
Change in net position	256,042	(64,891)	(3,086,236)	69,311	-	(2,825,774)	(1,350,447)
Net position, beginning	2,575,528	2,515,833	40,291,610	3,765,995	-	49,148,966	50,499,413
Restatement of net assets	(11,922,492)	-	-	-	-	(11,922,492)	-
Net position, ending	<u>\$ (9,090,922)</u>	<u>\$ 2,450,942</u>	<u>\$ 37,205,374</u>	<u>\$ 3,835,306</u>	<u>\$ -</u>	<u>\$ 34,400,700</u>	<u>\$ 49,148,966</u>
Ending net position consists of:							
Restricted - post-season tournaments	-	-	-	-	-	-	40,000
Restricted - purchase commitments	-	-	-	-	-	-	1,822,408
Restricted - replacement of capital assets	-	-	-	-	-	-	862,500
Restricted - tuition stabilization	-	-	-	-	-	-	7,272,251
Restricted - self insurance	-	-	-	-	-	-	1,753,126
Restricted - healthcare account	-	-	-	-	-	-	1,582,356
Restricted - faculty travel	-	-	-	-	-	-	213,044
Net investment in capital assets	-	-	37,205,374	-	-	37,205,374	37,584,803
Restricted	-	2,450,942	-	-	-	2,450,942	2,933,469
Unrestricted	(9,090,922)	-	-	3,835,306	-	(5,255,616)	(4,914,991)
Total net position	<u>\$ (9,090,922)</u>	<u>\$ 2,450,942</u>	<u>\$ 37,205,374</u>	<u>\$ 3,835,306</u>	<u>\$ -</u>	<u>\$ 34,400,700</u>	<u>\$ 49,148,966</u>

(Concluded)