

**Luzerne County
Community College**

Financial Statements and Required
Supplementary and Supplementary
Information

Years Ended June 30, 2019 and 2018 with
Independent Auditor's Report

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LUZERNE COUNTY COMMUNITY COLLEGE

YEARS ENDED JUNE 30, 2019 AND 2018

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LUZERNE COUNTY COMMUNITY COLLEGE

YEARS ENDED JUNE 30, 2019 AND 2018

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Luzerne County Community College Foundation (Foundation), which represent 7.41%, 19.24%, and 5.02%, respectively, of the assets, net position, and revenues of the College for the year ended June 30, 2019 and 7.14%, 17.78%, and 4.25% percent, respectively, of the assets, net position, and revenues of the College for the year ended June 30, 2018. 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, 2019 and 2018, 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

The discretely presented component unit adopted Accounting Standards update 2016-14, "*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*," which requires not-for-profit entities to use the placed-in-service approach for contributions related to long-lived assets, changes how a nonprofit organization classifies net assets, and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity, among other requirements. 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 58 – 63, 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 December 12, 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
December 12, 2019

LUZERNE COUNTY COMMUNITY COLLEGE

STATEMENTS OF NET POSITION

JUNE 30, 2019 AND 2018

| | 2019 | 2018 |
|--|----------------------|----------------------|
| Assets and Deferred Outflows of Resources | | |
| Assets: | | |
| Current assets: | | |
| Cash | \$ 25,250,093 | \$ 26,365,306 |
| Accounts receivable: | | |
| Student (net of allowance) | 4,208,814 | 4,549,352 |
| Federal government | 4,638,332 | 1,452,985 |
| Commonwealth of Pennsylvania | 400,100 | 428,598 |
| Luzerne County | 2,087,641 | 4,513,401 |
| Other | 1,359,889 | 302,243 |
| Inventory | 59,619 | 419,023 |
| Due from Foundation | 2,263 | 6,410 |
| Total current assets | 38,006,751 | 38,037,318 |
| Non-current assets: | | |
| Long-term investments | 10,214,560 | 10,078,413 |
| Capital assets, net | 43,614,335 | 45,024,535 |
| Other assets | 38,768 | 38,768 |
| Total non-current assets | 53,867,663 | 55,141,716 |
| Total Assets | 91,874,414 | 93,179,034 |
| Deferred Outflows of Resources: | | |
| Pension | 3,208,351 | 2,662,644 |
| Post-retirement benefits | 1,147,867 | 916,556 |
| Total deferred outflows of resources | 4,356,218 | 3,579,200 |
| Total Assets and Deferred Outflows of Resources | \$ 96,230,632 | \$ 96,758,234 |

(Continued)

| | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|
| Liabilities, Deferred Inflows of Resources, and Net Position | | |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable | \$ 607,691 | \$ 1,019,083 |
| Accrued salaries | 1,407,596 | 1,447,140 |
| Other accrued liabilities | 638,920 | 492,362 |
| Unearned tuition, fees, and other revenue | 673,696 | 790,693 |
| Current portion compensated absences and fringe benefits | 376,196 | 381,320 |
| Current portion of OPEB liability | 1,696,536 | 1,897,100 |
| Termination benefits | 1,251,514 | 934,232 |
| Current portion long-term debt | 432,439 | 402,575 |
| Total current liabilities | <u>7,084,588</u> | <u>7,364,505</u> |
| Non-current liabilities: | | |
| Long-term portion compensated absences and fringe benefits | 1,504,784 | 1,525,280 |
| Net pension liability | 15,680,174 | 14,532,025 |
| Long-term debt, net of current portion | 9,503,956 | 9,938,552 |
| Liability for post-retirement benefits | 25,226,308 | 26,112,363 |
| Total non-current liabilities | <u>51,915,222</u> | <u>52,108,220</u> |
| Total Liabilities | <u>58,999,810</u> | <u>59,472,725</u> |
| Deferred Inflows of Resources: | | |
| Deferred inflows of resources for pension | 1,274,543 | 1,544,636 |
| Deferred inflows of resources for OPEB | 3,665,601 | 1,340,173 |
| Total deferred inflows of resources | <u>4,940,144</u> | <u>2,884,809</u> |
| Net Position: | | |
| Net position: | | |
| Net investment in capital assets | 33,423,486 | 34,683,408 |
| Restricted for: | | |
| Capital projects | <u>2,538,420</u> | <u>2,450,942</u> |
| Unrestricted | <u>(3,671,228)</u> | <u>(2,733,650)</u> |
| Total Net Position | <u>\$ 32,290,678</u> | <u>\$ 34,400,700</u> |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u>\$ 96,230,632</u> | <u>\$ 96,758,234</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, 2019 AND 2018

| | 2019 | 2018 |
|---------------------------------------|---------------|---------------|
| Revenues: | | |
| Tuition and fees | \$ 23,538,058 | \$ 24,146,794 |
| Auxiliary enterprises | 2,166,652 | 2,693,248 |
| Other revenues | 511,023 | 576,838 |
| Total revenues | 26,215,733 | 27,416,880 |
| Expenses: | | |
| Educational and general: | | |
| General administration | 4,262,639 | 4,172,304 |
| Student services | 3,598,623 | 3,587,818 |
| Non-allocated benefits | 1,742,859 | 1,326,111 |
| General institutional | 2,052,055 | 3,219,902 |
| Instructional and department research | 21,618,711 | 21,297,955 |
| Library | 777,857 | 746,452 |
| Operation and maintenance of plant | 7,965,201 | 9,106,565 |
| Governmental grants | 20,711,969 | 21,361,683 |
| Auxiliary enterprises | 2,007,209 | 2,634,745 |
| Depreciation expense | 3,910,591 | 3,740,530 |
| Other expenses | (45,479) | 114,568 |
| Total expenses | 68,602,235 | 71,308,633 |
| Operating loss | (42,386,502) | (43,891,753) |

(Continued)

| | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|
| Non-operating Revenues (Expenses): | | |
| Commonwealth of Pennsylvania appropriation | \$ 12,317,393 | \$ 12,004,060 |
| Luzerne County appropriation | 5,897,500 | 5,897,500 |
| Federal grants and special programs | 20,723,630 | 21,337,844 |
| Interest on investments | 278,950 | 209,007 |
| Gain on sale of assets | 19,370 | 5,991 |
| Interest expense | <u>(646,150)</u> | <u>(120,656)</u> |
| Net non-operating revenues | <u>38,590,693</u> | <u>39,333,746</u> |
| Net loss before capital contributions | <u>(3,795,809)</u> | <u>(4,558,007)</u> |
| Capital Contributions: | | |
| Commonwealth of Pennsylvania appropriation | 1,360,763 | 1,426,820 |
| Luzerne County appropriation | 272,500 | 272,500 |
| Federal grants and special programs | <u>52,524</u> | <u>32,913</u> |
| Total capital contributions | <u>1,685,787</u> | <u>1,732,233</u> |
| Change in Net Position | (2,110,022) | (2,825,774) |
| Net Position: | | |
| Beginning of year (restated as of July 1, 2017) | 34,400,700 | 37,226,474 |
| End of year | <u>\$ 32,290,678</u> | <u>\$ 34,400,700</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, 2019 AND 2018

| | 2019 | 2018 |
|---|-----------------|---------------|
| Cash Flows From Operating Activities: | | |
| Tuition and fees | \$ 23,602,543 | \$ 25,015,941 |
| Auxiliary enterprises | 2,408,226 | 2,464,577 |
| Payments to: | | |
| Employees | (30,809,682) | (31,347,856) |
| Suppliers | (13,947,092) | (16,265,660) |
| Students | (18,279,469) | (18,934,979) |
| Other receipts | (187,084) | 688,950 |
| Net cash used in operating activities | (37,212,559) | (38,379,027) |
| Cash Flows From Non-Capital Financing Activities: | | |
| State appropriations | 11,964,604 | 12,435,215 |
| Local appropriations | 7,371,604 | 6,033,750 |
| Grants and contracts | 17,528,017 | 20,343,603 |
| Net cash provided by non-capital financing activities | 36,864,225 | 38,812,568 |
| Cash Flows From Capital Financing Activities: | | |
| State capital appropriations | 1,360,763 | 1,428,675 |
| Local capital appropriations | 1,224,156 | 136,250 |
| Grant income | 56,671 | 164,161 |
| Purchase of capital assets | (2,500,390) | (498,738) |
| Principal paid on capital debt | (404,732) | (114,772) |
| Interest paid on capital debt | (646,150) | (120,656) |
| Net cash provided by (used in) capital financing activities | (909,682) | 994,920 |
| Cash Flows From Investing Activities: | | |
| Long-term investments, net | (136,147) | 197,296 |
| Interest on investments | 278,950 | 209,007 |
| Net cash provided by investing activities | 142,803 | 406,303 |
| Net Increase (Decrease) in Cash | (1,115,213) | 1,834,764 |
| Cash: | | |
| Beginning of year | 26,365,306 | 24,530,542 |
| End of year | \$ 25,250,093 | \$ 26,365,306 |
| 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, 2019 AND 2018

(Continued)

| | 2019 | 2018 |
|---|-----------------|-----------------|
| Reconciliation of Operating Loss to Net Cash Used in Operating Activities: | | |
| Operating loss | \$ (42,386,502) | \$ (43,891,753) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation | 3,910,591 | 3,740,530 |
| Pension expense | 1,362,739 | 1,143,374 |
| Pension payments made subsequent to measurement date | (1,030,390) | (1,437,234) |
| Other post employment benefits expense | 1,923,955 | - |
| Other post employment benefits payments made subsequent to measurement date | (916,457) | - |
| Gain on disposal of capital assets | 19,370 | 5,991 |
| Changes in net assets and liabilities: | | |
| Accounts receivables (net) | (717,108) | 798,729 |
| Inventory (net) | 359,404 | 163,361 |
| Accounts payable | (19,840) | 322,330 |
| Accrued payroll liabilities | 107,014 | 316,358 |
| Unearned revenue | (116,997) | (51,972) |
| Liability for compensated absences | (25,620) | 451,996 |
| Other liabilities | 317,282 | 59,263 |
| Net cash used in operating activities | \$ (37,212,559) | \$ (38,379,027) |

(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, 2019 AND 2018

| Assets | 2019 | 2018 |
|--|--------------|--------------|
| Current assets: | | |
| Cash and temporary investments: | | |
| Foundation | \$ 527,428 | \$ 560,560 |
| Alumni | 105,168 | 101,721 |
| Total cash and temporary investments | 632,596 | 662,281 |
| Pledges receivable | 40,000 | 40,000 |
| Total current assets | 672,596 | 702,281 |
| Non-current assets: | | |
| Investments: | | |
| Foundation | 5,046,440 | 4,786,808 |
| Alumni | 716,102 | 675,026 |
| Total investments | 5,762,542 | 5,461,834 |
| Pledges receivable, net | 29,634 | 43,177 |
| Beneficial interest in perpetual trust | 1,231,496 | 1,230,082 |
| Total non-current assets | 7,023,672 | 6,735,093 |
| Total Assets | \$ 7,696,268 | \$ 7,437,374 |

(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, 2019 AND 2018

(Continued)

| | 2019 | 2018 |
|---|---------------------|---------------------|
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Deferred revenue | \$ 1,386 | \$ - |
| Net assets: | | |
| Without donor restrictions: | | |
| Foundation | 42,205 | 55,762 |
| Alumni | 172,266 | 156,228 |
| Total net assets without donor restrictions | 214,471 | 211,990 |
| With donor restrictions: | | |
| Time and purpose restrictions, Foundation | 3,236,169 | 3,118,771 |
| Assets held in perpetuity, Foundation | 3,596,464 | 3,486,094 |
| Time and purpose restrictions, Foundation | 647,778 | 620,519 |
| Total net assets with donor restrictions | 7,480,411 | 7,225,384 |
| Total net assets | 7,694,882 | 7,437,374 |
| Total Liabilities and Net Assets | \$ 7,696,268 | \$ 7,437,374 |

(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, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|----------------------------------|-------------------------------|---------------------|
| <u>Revenues, gains, and other support</u> | | | |
| Contributions | \$ - | \$ 420,746 | \$ 420,746 |
| Contribution, personnel expense | 507,127 | - | 507,127 |
| Special event revenue | 164,016 | - | 164,016 |
| Investment income, net | - | 293,593 | 293,593 |
| Change in beneficial interest in perpetual trust | - | 1,414 | 1,414 |
| Net assets released from restrictions, satisfaction of program restrictions | 460,726 | (460,726) | - |
| Total revenues and other additions | <u>1,131,869</u> | <u>255,027</u> | <u>1,386,896</u> |
| <u>Expenses and Losses</u> | | | |
| Program: | | | |
| Transfer to Luzerne County Community College | 126,852 | - | 126,852 |
| Scholarships | 333,874 | - | 333,874 |
| Personnel expense | 183,815 | - | 183,815 |
| Program costs | 161,535 | - | 161,535 |
| Total program expenses | <u>806,076</u> | <u>-</u> | <u>806,076</u> |
| Fundraising: | | | |
| Personnel expense | 171,174 | - | 171,174 |
| General and administrative: | | | |
| Personnel expense | 152,138 | - | 152,138 |
| Total expenses | <u>1,129,388</u> | <u>-</u> | <u>1,129,388</u> |
| Change in net assets | 2,481 | 255,027 | 257,508 |
| Net assets, beginning | <u>211,990</u> | <u>7,225,384</u> | <u>7,437,374</u> |
| Net assets, ending | <u>\$ 214,471</u> | <u>\$ 7,480,411</u> | <u>\$ 7,694,882</u> |

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

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---|--|---------------------|
| <u>Revenues, gains, and other support</u> | | | |
| Contributions | \$ - | \$ 232,754 | \$ 232,754 |
| Contribution, personnel expense | 534,157 | - | 534,157 |
| Special event revenue | 214,698 | - | 214,698 |
| Investment income, net | - | 418,418 | 418,418 |
| Change in beneficial interest in perpetual trust | - | 30,226 | 30,226 |
| Net assets released from restrictions, satisfaction of program restrictions | 549,354 | (549,354) | - |
| Total revenues and other additions | <u>1,298,209</u> | <u>132,044</u> | <u>1,430,253</u> |
| <u>Expenses and Losses</u> | | | |
| Program: | | | |
| Transfer to Luzerne County Community College | 197,821 | - | 197,821 |
| Scholarships | 336,330 | - | 336,330 |
| Personnel expense | 193,088 | - | 193,088 |
| Program costs | 160,796 | - | 160,796 |
| Total program expenses | <u>888,035</u> | <u>-</u> | <u>888,035</u> |
| Fundraising: | | | |
| Personnel expense | 180,822 | - | 180,822 |
| General and administrative: | | | |
| Personnel expense | 160,247 | - | 160,247 |
| Total expenses | <u>1,229,104</u> | <u>-</u> | <u>1,229,104</u> |
| Other changes, reclassification of net assets | <u>(29,231)</u> | <u>29,231</u> | <u>-</u> |
| Change in net assets | 39,874 | 161,275 | 201,149 |
| Net assets, beginning | <u>172,116</u> | <u>7,064,109</u> | <u>7,236,225</u> |
| Net assets, ending | <u>\$ 211,990</u> | <u>\$ 7,225,384</u> | <u>\$ 7,437,374</u> |

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, 2019 AND 2018

| | 2019 | 2018 |
|---|------------|------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 257,508 | \$ 201,149 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Unrealized and realized gains on investments, net | (209,226) | (335,263) |
| Restricted contributions | (108,956) | (12,063) |
| Change in beneficial interest in perpetual trust | (1,414) | (30,226) |
| Changes in assets and liabilities: | | |
| Pledges receivable | 13,543 | 122,553 |
| Deferred revenue | 1,386 | (10,102) |
| Net cash used in operating activities | (47,159) | (63,952) |
| Cash flows from investing activities: | | |
| Purchase of investments | (216,475) | (156,593) |
| Proceeds from sale of investments | 124,993 | 173,194 |
| Net cash provided by (used in) investing activities | (91,482) | 16,601 |
| Cash flows provided by financing activities: | | |
| Collection of restricted contributions | 108,956 | 12,063 |
| Net decrease in cash and temporary investments | (29,685) | (35,288) |
| Cash and temporary investments, beginning | 662,281 | 697,569 |
| Cash and temporary investments, ending | \$ 632,596 | \$ 662,281 |

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

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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, 2019 AND 2018

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, 2019 and 2018, the Foundation distributed \$126,852 and \$197,821, 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 Inflows and Outflows of Resources Related to Pensions and Other Post-Employment Benefits (OPEBs)

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.

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Adopted Pronouncements

The requirements of the following GASB Statement was adopted by the College's 2019 financial statements:

GASB Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*," improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

Pending Pronouncements

GASB has issued the following statements that will become effective in future years as shown below.

GASB Statement No. 84, "*Fiduciary Activities*," is effective for the College's financial statements for the year ending June 30, 2020. The principal objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries.

GASB Statement No. 87, "*Leases*," is effective for 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.

GASB Statement No. 89 "*Accounting for Interest Costs Incurred before the End of a Construction Period*," is effective for the College's financial statements for the year ending June 30, 2021. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

Management has not yet determined the impact of these statements on the College's financial statements.

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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.

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, 2019 and 2018.

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

LUZERNE COUNTY COMMUNITY COLLEGE

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accounts. The allowance for doubtful accounts was \$4,625,787 and \$2,822,723 as of June 30, 2019 and 2018, respectively.

Inventories

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

Unearned Revenues

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

Non-current Liabilities

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

Net Position

The College's net position is classified as follows:

Net investment in capital assets - This represents the College's total investment in capital assets, net accumulated depreciation and outstanding debt incurred to acquire, construct, or improve those assets.

Restricted net position - This includes resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted net position - This includes resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet current expenses for any purpose.

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Capital Assets

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

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

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

Classification of Revenues and Expenses

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

Federal Financial Assistance Programs

The College participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Perkins Loans programs. Federal programs are audited in accordance with the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Compliance Supplement*.

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Estimates

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

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

2. Budgets and Budgetary Accounting

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

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

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

On or about April 30, the 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.

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.

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

3. Cash and Investments

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

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

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

Custodial Credit Risk

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

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

Interest Rate Risk

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

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Cash and Cash Equivalents

The carrying amount of the College's deposits at June 30, 2019 and 2018 was \$25,250,093 and \$26,635,306, respectively, which excludes amounts maintained for cashier's change funds and petty cash totaling \$7,800 and \$9,900, respectively. Actual bank balances at June 30, 2019 and 2018 were \$26,291,837 and \$27,396,137, respectively. The difference between carrying amounts and bank balances represent outstanding checks payable and normal reconciling items. Of the bank balance at June 30, 2019 and 2018, \$250,000 was covered by federal depository insurance for each bank, and \$26,291,837 and \$27,396,137 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, 2019 and 2018, the College had the following investments and maturities:

| | <u>Fair Market Value</u> | <u>Less Than 1 Year</u> | <u>1 - 3 Years</u> | <u>More Than 3 Years</u> |
|-------------------------|------------------------------|-----------------------------|--------------------|------------------------------|
| June 30, 2019 | | | | |
| Certificates of deposit | \$ 10,214,560 | \$ - | \$ 10,214,560 | \$ - |
| June 30, 2018 | | | | |
| Certificates of deposit | \$ 10,078,413 | \$ - | \$ 10,078,413 | \$ - |

As of June 30, 2019 and 2018, the College's certificates of deposit are classified as Level 1 investments.

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Foundation

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

| | <u>2019</u> | <u>2018</u> |
|---------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 445,795 | \$ 237,991 |
| Mutual funds | 1,322,554 | 1,347,419 |
| Equities | 1,412,849 | 1,352,227 |
| ETF, equity | 1,415,738 | 1,327,703 |
| Fixed income: | | |
| Corporate bonds | 424,717 | 488,303 |
| Exchange traded funds | 366,738 | 354,539 |
| Mutual funds | 374,151 | 353,652 |
| Total investments | <u>\$ 5,762,542</u> | <u>\$ 5,461,834</u> |

Investment return is comprised of the following in 2019 and 2018:

| | <u>2019</u> | <u>2018</u> |
|--------------------------------------|-------------------|-------------------|
| Interest and dividend income | \$ 113,522 | \$ 113,157 |
| Unrealized gains on investments, net | 78,400 | 178,847 |
| Realized gains on investments, net | 130,826 | 156,416 |
| Investment fees | (29,155) | (30,002) |
| Total | <u>\$ 293,593</u> | <u>\$ 418,418</u> |

4. Fair Value Disclosures

Foundation

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

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

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

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

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

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

| | June 30, 2019 | | | |
|--|----------------------|-------------------|---------------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash and cash equivalents (1) | \$ 445,795 | \$ - | \$ - | \$ 445,795 |
| Mutual funds: | | | | |
| Large Cap (2) | 217,171 | - | - | 217,171 |
| Mid Cap (2) | 405,746 | - | - | 405,746 |
| Small Cap (2) | 134,553 | - | - | 134,553 |
| International (2) | 178,766 | - | - | 178,766 |
| Other (2) | 386,318 | - | - | 386,318 |
| Marketable Equities | 1,415,738 | - | - | 1,415,738 |
| ETF (3) | 1,412,849 | - | - | 1,412,849 |
| Fixed income: | | | | |
| Corporate bonds | - | 424,717 | - | 424,717 |
| Exchanged traded funds | 366,738 | - | - | 366,738 |
| Mutual funds (4) | 374,151 | - | - | 374,151 |
| Total investments | <u>5,337,825</u> | <u>424,717</u> | <u>-</u> | <u>5,762,542</u> |
| Beneficial interest in perpetual trust | <u>-</u> | <u>-</u> | <u>1,231,496</u> | <u>1,231,496</u> |
| Total | <u>\$ 5,337,825</u> | <u>\$ 424,717</u> | <u>\$ 1,231,496</u> | <u>\$ 6,994,038</u> |

1 - Includes \$37,805 for Alumni

2 - Includes \$468,216 for Alumni

3 - Includes \$89,356 for Alumni

4 - Includes \$89,552 for Alumni

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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| | 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 |
| Exchange traded funds | 354,539 | - | - | 354,539 |
| Mutual funds (4) | 353,652 | - | - | 353,652 |
| Total investments | 4,973,531 | 488,303 | - | 5,461,834 |
| 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

2 - Includes \$417,266 for Alumni

3 - Includes \$147,810 for Alumni

4 - Includes \$76,200 for Alumni

LUZERNE COUNTY COMMUNITY COLLEGE

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

| | Fair Value Measurements at Reporting Date Using Significant Unobservable Inputs (Level 3) | |
|---|--|---------------------|
| | Beneficial Interest in Perpetual Trust | |
| | 2019 | 2018 |
| Balance, beginning | \$ 1,230,082 | \$ 1,199,856 |
| Distributions | (59,916) | (47,693) |
| Gains included in changes in net assets with donor restrictions | 61,330 | 77,919 |
| Balance, ending | <u>\$ 1,231,496</u> | <u>\$ 1,230,082</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.

5. Endowment Funds

Foundation

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

The Board of Trustees of the Foundation has interpreted Pennsylvania law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original

LUZERNE COUNTY COMMUNITY COLLEGE

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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 net assets with donor restrictions is classified as net assets without donor restrictions 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 2019, 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.

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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

| | 2019 | | |
|---|---------------------|---------------------|---------------------|
| | Accumulate Gains | Corpus | Total |
| Endowment net assets, beginning of year | \$ 890,609 | \$ 2,256,012 | \$ 3,146,621 |
| Investment income | 72,393 | - | 72,393 |
| Investment fees | (18,296) | - | (18,296) |
| Realized and unrealized gains | 115,339 | - | 115,339 |
| (Withdrawals) contributions | (118,009) | 108,956 | (9,053) |
| Endowment net assets, end of year | <u>\$ 942,036</u> | <u>\$ 2,364,968</u> | <u>\$ 3,307,004</u> |

| | 2018 | | |
|---|----------------------|---------------------|---------------------|
| | Accumulated Gains | Corpus | 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> |

6. Beneficial Interest in Perpetual Trust

Foundation

The Foundation receives income from a perpetual trust held by a third party. Under the terms of the trust, the Foundation has the irrevocable right to receive a portion of the income earned on the trust assets in perpetuity, but never receives the assets held in the trust. The assets are recorded at their fair value of approximately \$1,231,496 and \$1,230,082, as of June 30, 2019 and 2018, respectively.

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

7. Capital Assets

The following is summary of capital assets activity at June 30, 2019 and 2018:

| | Balance July 1, 2018 | Additions | Deletions | Balance June 30, 2019 |
|---------------------------------------|----------------------------|--------------------|---------------|-----------------------------|
| Capital assets - fiscal year 2019: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,382,185 | \$ - | \$ - | \$ 1,382,185 |
| Capital assets being depreciated: | | | | |
| Permanent campus | 86,917,806 | 1,087,412 | - | 88,005,218 |
| Furniture and fixtures | 3,429,818 | 286,083 | - | 3,715,901 |
| Equipment | 27,833,354 | 1,022,749 | 32,882 | 28,823,221 |
| Library books | 2,173,683 | - | - | 2,173,683 |
| Microfilm and AV equipment | 764,335 | 104,129 | - | 868,464 |
| Motor vehicles | 715,530 | 24 | 56,115 | 659,439 |
| | <u>123,216,711</u> | <u>2,500,397</u> | <u>88,997</u> | <u>125,628,111</u> |
| Less: accumulated depreciation | <u>(78,192,182)</u> | <u>(3,910,591)</u> | <u>88,997</u> | <u>(82,013,776)</u> |
| Net Capital Assets | | | | <u>\$ 43,614,335</u> |

LUZERNE COUNTY COMMUNITY COLLEGE

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| | 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 | 27,640,550 | 411,633 | 218,823 | 27,833,360 |
| Library books | 2,173,683 | - | - | 2,173,683 |
| Microfilm and AV equipment | 736,244 | 28,091 | - | 764,335 |
| Motor vehicles | 715,530 | - | - | 715,530 |
| | 114,690,458 | 8,745,582 | 219,323 | 123,216,717 |
| Less: accumulated depreciation | (74,670,975) | (3,740,530) | 219,323 | (78,192,182) |
| Net Capital Assets | | | | \$ 45,024,535 |

Depreciation expense was \$3,910,591 and \$3,740,530 for the years ended June 30, 2019 and 2018, respectively.

LUZERNE COUNTY COMMUNITY COLLEGE

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YEARS ENDED JUNE 30, 2019 AND 2018

8. Pledges Receivable

Foundation

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

| | <u>2019</u> | <u>2018</u> |
|---|-------------------------|-------------------------|
| Receivables in less than one year | \$ 40,000 | \$ 40,000 |
| Receivables in one to four years | <u>40,000</u> | <u>55,000</u> |
| Total pledges receivable | 80,000 | 95,000 |
| Less: Unamortized discount | <u>10,366</u> | <u>11,823</u> |
| Net present value of pledges receivable | <u><u>\$ 69,634</u></u> | <u><u>\$ 83,177</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, 2019 and 2018 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.

9. Retirement Plans

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

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

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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 (PSERS)

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

LUZERNE COUNTY COMMUNITY COLLEGE

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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 ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final 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.

PSERS – Premium Assistance

Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible annuitants are entitled to receive PSERS Premium Assistance payments equal to the lesser of \$100 per month or their eligible out-of-pocket monthly health insurance premium. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

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% |

LUZERNE COUNTY COMMUNITY COLLEGE

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

| | |
|----------------------|-------|
| Membership Class T-D | 7.50% |
|----------------------|-------|

Members who joined PSERS after June 30, 2011:

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

- * Shared risk program could cause future contribution rates to fluctuate between 7.50% and 9.50%.
- ** Shared risk program could cause future contribution rates to fluctuate between 10.30% and 12.30%.

Effective with Act 5 which was enacted on June 12, 2017, vested Class T-E and Class T-F members can now withdraw their accumulated contributions and interest from the Members' Savings Account upon their retirement.

Employer Contributions:

The College contributed \$383,852 and \$294,178 to PSERS for the years ended June 30, 2019 and 2018, respectively. In addition, the College was required to contribute to the Premium Assistance Program in the amounts of \$9,524 and \$7,693 for the years ended June 30 2019 and 2018, respectively.

The College's contractually required PSERS contribution rate for fiscal years ended June 30, 2019 and 2018 was 33.43% and 32.57%, respectively, of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. This rate is composed of a 32.60% rate for the Pension Plan and a 0.83% rate for the Premium Assistance for fiscal year ended June 30, 2019. This rate is composed of a 31.74% rate for the Pension Plan and a 0.83% rate for the Premium Assistance for fiscal year ended June 30, 2018.

The combined rate for the fiscal year ended June 30, 2019 was an increase from the fiscal year ended June 30, 2018 combined rate of 32.57%. The combined rate for the fiscal year ended June 30, 2018 was an increase from the fiscal year ended June 30, 2017 combined rate of 30.03%. The combined contribution rate will increase to 34.29% in fiscal year 2020 and is projected to grow to 36.30% by fiscal year 2024.

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Commonwealth Contributions

The Commonwealth of Pennsylvania pays approximately one-half of contributions directly to PSERS on behalf of the College. These contributions qualify as a special funding situation. The PSERS net pension liability recorded by the College reflects a reduction for the Commonwealth's support. The total of the collective net pension liability relative to PSERS that is associated with the College is as follows:

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| College's proportionate share of PSERS net pension liability | \$ 3,936,000 | \$ 4,544,000 |
| Commonwealth's proportionate share of PSERS net pension liability associated with the College | <u>3,912,000</u> | <u>4,521,742</u> |
| Total | <u>\$ 7,848,000</u> | <u>\$ 9,065,742</u> |

Proportionate Share

The College's proportion of PSERS' net pension liability and PSERS' net OPEB liability were calculated utilizing the College's one-year reported covered payroll as it relates to PSERS' total one-year reported covered payroll.

At June 30, 2018 (measurement date for PSERS' net pension liability and net OPEB liability reported at June 30, 2019), the College's proportion for PSERS was 0.0082%, which was a decrease of 0.0010% from its proportion measured as of June 30, 2017. At June 30, 2017 (measurement date for PSERS' net pension liability and net OPEB liability reported at June 30, 2018), the College's proportion for PSERS was .0092%, which was a decrease of .0002% from its proportion measured as of June 30, 2016.

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

At June 30, 2019 and 2018, the College reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the College. At June 30, 2019 and 2018, the College reported a liability of \$3,936,000 and \$4,544,000, respectively, for its proportionate share of the PSERS net pension liability.

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The PSERS net pension liability reported at June 30, 2019 was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2017 to June 30, 2018. The PSERS' net pension liability reported at June 30, 2018 was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2016 to June 30, 2017.

For the years ended June 30, 2019 and 2018, the College recognized pension expense of \$337,178 and \$580,799, respectively. At June 30, 2019, the College reported deferred outflows and 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 experience | \$ 32,000 | \$ 61,000 |
| Changes in assumptions | 73,000 | - |
| Net differences between projected and actual earnings | 19,000 | - |
| Changes in proportion | 357,000 | 376,000 |
| The College's contributions subsequent to the measurement date | <u>383,582</u> | <u>-</u> |
| Total | <u>\$ 864,582</u> | <u>\$ 437,000</u> |

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At June 30, 2018, the College reported deferred outflows and 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 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> |

\$383,582 and \$294,178 was reported at June 30, 2019 and 2018, respectively, as deferred outflows of resources resulting from the College's contributions subsequent to the measurement date. The amount recorded at June 30, 2019 will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. The amount recorded at June 30, 2018 was recognized as a reduction of the net pension liability for the year ended June 30, 2019.

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> |
|-----------------------------|--------------------------------|
| 2020 | \$ 67,000 |
| 2021 | 35,000 |
| 2022 | (42,000) |
| 2023 | <u>(16,000)</u> |
| Total | <u>\$ 44,000</u> |

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Actuarial Assumptions

The following methods and assumptions were used in the actuarial valuation for the June 30, 2018 measurement date:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%
- Salary growth – Effective average of 5.00%, comprised of 2.75% for inflation 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
- Experience study – July 1, 2010 through June 30, 2015

There were no changes in assumptions for the June 30, 2018 valuation.

There were no changes in benefit terms for the June 30, 2018 valuation.

Pension Plan Investments

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

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------------|----------------------|---|
| Global public equity | 20.0% | 5.2% |
| Fixed income | 36.0% | 2.2% |
| Commodities | 8.0% | 3.2% |
| Absolute return | 10.0% | 3.5% |
| Risk parity | 10.0% | 3.9% |
| Infrastructure/MLPs | 8.0% | 5.2% |
| Real estate | 10.0% | 4.2% |
| Alternative investments | 15.0% | 6.7% |
| Cash | 3.0% | 0.4% |
| Financing (LIBOR) | -20.0% | 0.9% |
| Total | 100% | |

For PSERS' years ended June 30, 2018 and 2017, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expenses, was 9.30% and 10.15%, respectively.

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 as of 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%) |
|--|------------------------|-------------------------------------|------------------------|
| <u>June 30, 2019</u> | | | |
| The College's proportionate share of the net pension liability | <u>\$ 4,879,000</u> | <u>\$ 3,936,000</u> | <u>\$ 3,139,000</u> |
| <u>June 30, 2018</u> | | | |
| The College's proportionate share of the net pension liability | <u>\$ 5,593,000</u> | <u>\$ 4,544,000</u> | <u>\$ 3,658,000</u> |

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 (SERS)

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.

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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 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, disability and death benefits. Article II of the Commonwealth's constitution assigns the authority to establish and amend the benefit provision of the SERS plan to the Pennsylvania General Assembly (Assembly). Member retirement benefits are determined by taking years of credited service, multiplied by final average salary, multiplied by 2.0%, multiplied by the class of service multiplier. Most employees who entered SERS membership prior to January 1, 2011, and who retire at age 60 with three years of service, or at any age with 35 years of service, are entitled to a full retirement benefit. Most employees who entered SERS membership after January 1, 2011, and who retire at age 65, are entitled to a full retirement benefit.

Member Contributions

Employees who participate in SERS are required to make a contribution. All employee contributions are recorded in individually identified accounts that are credited with interest, calculated at 4% per annum, as mandated by statute. Accumulated employee contributions and credited interest vest immediately and are returned to the employee upon termination of service if the employee is not eligible for other benefits.

The following illustrates the SERS' member's contribution as a percent of the member's gross pay:

- Most members of SERS and all state employees hired after June 30, 2001 and prior to January 1, 2011:
 - Membership Class AA 6.25%
- Members who enter SERS for the first time on or after January 1, 2011:

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- Membership Class A-3 6.25%
- Membership Class A-4 (optional for A-3 members who elect within 45 days of entering SERS) 9.30%

According to the Commonwealth Retirement Code, all obligations of SERS will be assumed by the Commonwealth should SERS terminate. The contribution to SERS for the years ended June 30, 2019 and 2018 were \$1,081,342 and \$1,104,400, respectively.

Section 5507 of the State Employees' Retirement Code (SERC) (71 Pa. C.S. §5507) requires that all SERS-participating employers make contributions to the fund on behalf of all active members and annuitants necessary to fund the liabilities and provide the annuity reserves required to pay benefits. SERS funding policy, as set by the SERS board, provides for periodic active member contributions at statutory rates. The SERS funding policy also provides for periodic employer contributions at actuarially determined rates based on SERS funding valuation, expressed as a percentage of annual retirement covered payroll, such that they, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due.

Employer rates are computed based on SERS fiscal year end of December 31 and differ depending on membership class. For the College's years ended June 30, 2019 and 2018, the employer required contribution rates were as follows:

| | <u>2019</u> | <u>2018</u> |
|----------------------|-------------|-------------|
| Membership Class AA | 34.63% | 34.44% |
| Membership Class A-3 | 23.94% | 23.80% |
| Membership Class A-4 | 23.94% | 23.80% |

Proportionate Share

The College's proportion of SERS' net pension liability was calculated utilizing the projected-contribution method. This methodology applies the most recently calculated contribution rates for the Commonwealth's fiscal year 2020, from the December 31, 2018 valuation, to the expected funding payroll.

At December 31, 2018 (measurement date for the net pension liability reported at June 30, 2019), the College's proportion for SERS was 0.0056%, which was a decrease of 0.0036% from its proportion measured as of December 31, 2017. At December 31, 2017 (measurement date for the net pension liability reported at June 30, 2018), the College's

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proportion for SERS was 0.0092%, which was an increase of 0.0013% from its proportion measured as of December 31, 2016.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources Related to Pensions

At June 30, 2019 and 2018, the College reported a liability of its proportionate share of net pension liability of \$11,744,174 and \$9,988,025, respectively.

The SERS net pension liability reported at June 30, 2019 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date, and includes a restatement of \$47,964,000 as of January 1, 2018 to its net position restricted for pensions due to the adoption of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions". The SERS net pension liability reported at June 30, 2018 was measured as December 31, 2017 and was determined by an actuarial valuation as of that date.

For the years ended June 30, 2019 and 2018, the College recognized pension expense of \$752,014 and \$1,525,270 respectively. At June 30, 2019, 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 | \$ 1,142,637 | \$ - |
| Difference between employer contributions and proportionate share of contributions | 42,771 | 68,256 |
| Difference between expected and actual experience | 176,240 | 127,259 |
| Change in assumption | 312,894 | - |
| Changes in proportion | 22,419 | 643,028 |
| The College's contributions subsequent to the measurement date | 646,808 | - |
| Total | <u>\$ 2,343,769</u> | <u>\$ 838,543</u> |

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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>\$ 1,357,958</u> | <u>\$ 1,474,636</u> |

\$646,808 and \$596,677 was reported at June 30, 2019 and 2018, respectively, as deferred outflows of resources resulting from the College's contributions subsequent to the measurement date. The amount recorded at June 30, 2019 will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. The amount recorded at June 30, 2018 was recognized as a reduction of the net pension liability for the year ended June 30, 2019.

Other amounts reported at June 30, 2019 as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending June 30:</u> | <u>Amortization Amount</u> |
|-----------------------------|--------------------------------|
| 2020 | \$ 227,696 |
| 2021 | 179,215 |
| 2022 | 106,065 |
| 2023 | 356,793 |
| 2024 | <u>(11,351)</u> |
| Total | <u>\$ 858,418</u> |

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Actuarial Methods and Assumptions

The following methods and assumptions were used in the actuarial valuation for the December 31, 2018 measurement date:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.60%
- Salary growth – Effective average of 5.60%, with range of 3.70% - 8.90% and comprised of 2.60% for inflation
- Mortality rates were based on the RP-2000 Mortality Tables adjusted for actual plan experience and future improvement
- Experience study – January 1, 2011 through December 31, 2015

There were no changes in assumptions for the December 31, 2018 valuation.

There were no changes in benefit terms for the December 31, 2018 valuation. However, on June 12, 2017, with the passage of Act 2017-5, two new side-by-side hybrid defined benefit/defined contribution benefit options and a new defined contribution only option were established for all state employees who first enter SERS membership on or after January 1, 2019. Additionally, all current SERS members were given a one-time, irrevocable option to select one of the three new retirement benefit options between January 1, 2019 and March 31, 2019. The newly elected option will be effective July 1, 2019, and generally will apply to all future service.

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 manager fees and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the SERS Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------------|-------------------|--|
| Alternative Investments | 16% | 7.25% |
| Global Public Equity | 48% | 5.15% |
| Real Assets | 12% | 5.26% |
| Diversifying Assets | 10% | 4.44% |
| Fixed Income | 11% | 0.00% |
| Liquidity Reserve | 3% | 0.00% |
| Total | 100% | |

For SERS' years ended December 31, 2018 and 2017, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expenses, was (4.5%) and 15.1%, respectively.

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.

LUZERNE COUNTY COMMUNITY COLLEGE

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| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|------------------------|-------------------------------------|------------------------|
| <u>June 30, 2019</u> | | | |
| The College's proportionate share of the net pension liability | <u>\$ 14,420,886</u> | <u>\$ 11,744,174</u> | <u>\$ 9,450,377</u> |
| <u>June 30, 2018</u> | | | |
| 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.

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%.

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During the years ended June 30, 2019 and 2018, the College contributed \$1,535,330 and \$1,536,224, respectively, to the plan.

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

10. 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 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.

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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:

| Date of Issue | Final Maturity | Interest Rate | Outstanding General Note Obligation July 1, 2018 | Issued During the Year | Retired During the Year | Outstanding General Note Obligation June 30, 2019 | Current Portion |
|--|----------------|---------------|--|------------------------|-------------------------|---|-----------------|
| Hazleton Area Industrial Development Authority | | | | | | | |
| March 29, 2011 | 2031 | 4.99% | \$ 2,347,760 | \$ - | \$ 137,322 | \$ 2,210,438 | \$ 142,066 |
| General Municipal Authority of the City of Nanticoke | | | | | | | |
| August 31, 2017 | 2032 | 2.53% | \$ 7,993,367 | \$ - | \$ 267,410 | \$ 7,725,957 | \$ 290,373 |
| Date of Issue | Final Maturity | Interest Rate | Outstanding General Note Obligation July 1, 2017 | Issued During the Year | Retired During the Year | Outstanding General Note Obligation June 30, 2018 | Current Portion |
| Hazleton Area Industrial Development Authority | | | | | | | |
| March 29, 2011 | 2031 | 4.99% | \$ 2,462,532 | \$ - | \$ 114,772 | \$ 2,347,760 | \$ 135,165 |
| General Municipal Authority of the City of Nanticoke | | | | | | | |
| August 31, 2017 | 2032 | 2.53% | \$ - | \$ 7,993,367 | \$ - | \$ 7,993,367 | \$ 267,410 |

The amount of interest paid by the College amounted to \$480,900 and \$120,135 for the years ended June 30, 2019 and 2018, respectively.

Provisions of the Community College Act require that, should the College fail to make its required debt service payment, the Secretary of Education is required to withhold from the College out of any subsidy payment of any type due the College from the Commonwealth, an amount equal to the debt service payment owed by the College

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

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

| Year | Principal | Interest |
|---------|--------------|--------------|
| 2019-20 | \$ 432,439 | \$ 304,654 |
| 2020-21 | 520,375 | 289,682 |
| 2021-22 | 556,378 | 272,567 |
| 2022-23 | 594,064 | 254,338 |
| 2023-24 | 633,293 | 234,749 |
| 2025-29 | 3,825,500 | 834,583 |
| 2030-32 | 3,374,346 | 212,628 |
| | \$ 9,936,395 | \$ 2,403,201 |

11. Compensated Absences

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

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

The potential liability for compensation for administrative faculty, and classified personnel for the fiscal year ended June 30, 2019 is as follows:

| | Wages | Benefits | Total | Due Within One Year |
|----------------|--------------|------------|--------------|------------------------|
| Administrative | \$ 435,392 | \$ 62,228 | \$ 497,620 | \$ 99,524 |
| Security | 20,358 | 2,172 | 22,530 | 4,506 |
| Classified | 604,751 | 61,876 | 666,627 | 133,325 |
| Faculty | 613,995 | 80,208 | 694,203 | 138,841 |
| Total | \$ 1,674,496 | \$ 206,484 | \$ 1,880,980 | \$ 376,196 |

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

12. 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, 2019, the OPEB plan membership consisted of the following:

| | |
|---|-------------------|
| Inactive plan members or beneficiaries currently receiving benefit payments | 118 |
| Active plan members | <u>306</u> |
| Total plan members | <u><u>424</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 \$916,457 and \$916,556 for the fiscal years ended June 30, 2019 and 2018, respectively.

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

OPEB Liability

The OPEB liability of the College was \$26,922,844 and \$28,009,463 for the fiscal years ended June 30, 2019 and 2018, respectively.

At June 30, 2019 and 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | 2019 | | 2018 | |
|---|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ - | \$ 2,548,790 | \$ - | \$ - |
| Changes in assumptions | 231,410 | 1,116,811 | - | 1,340,173 |
| The College's contributions subsequent to the measurement date | 916,457 | - | 916,556 | - |
| Total | <u>\$ 1,147,867</u> | <u>\$ 3,665,601</u> | <u>\$ 916,556</u> | <u>\$ 1,340,173</u> |

\$916,457 and 916,556 was reported at June 30, 2019 and 2018, respectively, as deferred outflows of resources resulting from the contributions subsequent to the measurement date. The amount recorded at June 30, 2019 will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. The amount recorded at June 30, 2018 was recognized as a reduction of the net pension liability for the year ended 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:

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

| <u>Year Ending June 30:</u> | <u>Amortization Amount</u> |
|-----------------------------|--------------------------------|
| 2020 | \$ (686,838) |
| 2021 | (686,838) |
| 2022 | (686,838) |
| 2023 | (686,838) |
| 2024 | <u>(686,839)</u> |
| Total | <u>\$ (3,434,191)</u> |

Actuarial Assumptions

The total OPEB liability was determined as of the July 1, 2018 actuarial valuation using the following actuarial assumptions, applied to all periods in the measurements:

- Actuarial cost method – Entry age normal
- Interest rate – 2.98% - S&P Municipal Bond Rate 20 Year High Grade Rate Index
- Salary increases – 3.0%
- Healthcare cost trend rate – 6.0% in 2018 and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model
- 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

Changes in Assumptions

The interest rate was changed from 2.98% to 3.13%. The healthcare cost trend rates were updated. Assumptions for salaries and mortality tables were updated based on PSERS assumptions.

Changes in the Total OPEB Liability

The changes in the total OPEB liability for the College's retiree plan for the years ended June 30, 2019 and 2018 were as follows:

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

| | 2019 | 2018 |
|--|----------------------|----------------------|
| Total OPEB liability, July 1 | \$ 28,009,463 | \$ 27,612,341 |
| Changes for the year: | | |
| Service cost | 1,696,536 | 1,897,100 |
| Interest on total OPEB liability | 914,257 | 725,852 |
| Changes of benefit terms | - | - |
| Differences between expected and actual experience | (3,058,548) | - |
| Changes of assumptions | 277,692 | (1,563,535) |
| Benefit payments | (916,556) | (662,295) |
| Total | <u>\$ 26,922,844</u> | <u>\$ 28,009,463</u> |

Discount Rate

The discount rate used to measure the June 30, 2019 and 2018 total OPEB liability was 2.98% and 3.13%, respectively. The discount rate is calculated based on the S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2018.

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:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--------------------------------|----------------------|--------------------------|----------------------|
| June 30, 2019 | (1.98%) | (2.98%) | (3.98%) |
| College's total OPEB liability | <u>\$ 29,595,045</u> | <u>\$ 26,922,844</u> | <u>\$ 24,623,839</u> |
| | | | |
| | 1% Decrease | Current Discount Rate | 1% Increase |
| June 30, 2018 | (2.13%) | (3.13%) | (4.13%) |
| College's total OPEB liability | <u>\$ 30,719,122</u> | <u>\$ 28,009,463</u> | <u>\$ 25,677,041</u> |

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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:

| | | Current | |
|--------------------------------|----------------------|----------------------|----------------------|
| <u>June 30, 2019</u> | <u>1% Decrease</u> | <u>Discount Rate</u> | <u>1% Increase</u> |
| College's total OPEB liability | <u>\$ 25,420,764</u> | <u>\$ 26,922,844</u> | <u>\$ 28,640,128</u> |
| | | | |
| <u>June 30, 2018</u> | | | |
| College's total OPEB liability | <u>\$ 26,279,190</u> | <u>\$ 28,009,463</u> | <u>\$ 29,999,563</u> |

13. Termination Benefits

Termination benefits (compensation) are provided to any faculty, administrative, or classified personnel of the College as stipulated in their perspective agreements with the College, provided they are both eligible for and also elect early retirement. Payment can be in the form of one-time payment or over a four-year period. During the fiscal year ending June 30, 2009, the faculty and administrative personnel adopted an IRC Section 403(b) Early Retirement Plan. The College is the fiduciary and plan sponsor. A third party has been contracted to be the administrator of the plan. The expenses and liability are recognized when the offer is accepted and the amount can be estimated. Accrued benefits totaled \$1,251,514 and \$934,232 for the years ended June 30, 2019 and 2018, respectively. All benefits accrued in 2018 were paid in fiscal year 2019 and all benefits accrued for in 2019 will be paid in fiscal year 2020.

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

14. Operating Leases

The College leases its Wilkes-Barre, Pennsylvania and Hazleton, Pennsylvania facilities under noncancelable operating leases that expire in 2021 and 2023, respectively. In May 2016, the College entered into a lease agreement for its Scranton facilities under a noncancelable operating lease that expires in 2026. In June 2017, the College entered in to a lease agreement for its Pittston facilities under a noncancelable operating lease that expires in 2032. Rent expense was \$693,056 and \$757,805 for the years ended June 30, 2019 and 2018, respectively.

The College leases certain computer and office equipment under noncancelable operating leases which expire at various times through 2019. Rent expense was \$101,601 and \$400,834 for the years ended June 30, 2019 and 2018, respectively.

The future minimum lease payments are as follows:

For the year ending June 30,

| | | |
|-----------|----|------------------|
| 2020 | \$ | 702,701 |
| 2021 | | 709,662 |
| 2022 | | 495,437 |
| 2023 | | 496,145 |
| 2024 | | 353,896 |
| 2025-2029 | | 875,792 |
| 2031-2033 | | 300,000 |
| | | <u>3,933,633</u> |
| | \$ | <u>3,933,633</u> |

15. Risk Management

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

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

The reserve for health care costs reported in the fund at June 30, 2019 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, 2019. The reserve is based on deposits, net of changes.

| | |
|--|--------------------|
| Reserve for health care costs at July 1, 2018 | \$ 486,406 |
| Claims incurred during the period | 5,541,649 |
| Payments on claims | <u>(5,395,018)</u> |
| Reserve for health care costs at June 30, 2019 | <u>\$ 633,037</u> |

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, 2019 and the two previous years, no settlements exceeded insurance coverage.

16. Restricted Net Position

At June 30, 2019 and 2018, restricted net position was available for the following purposes:

| | <u>2018</u> | <u>2018</u> |
|------------------|---------------------|---------------------|
| Capital projects | <u>\$ 2,538,420</u> | <u>\$ 2,450,942</u> |

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

17. Litigation

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

18. Facility Master Plan

The 2006-2012 Facilities Master Plan was initially approved by the Board in August 2006, revised in June 2007, and state approval of the revised Master Plan was received in August of 2007. The Plan was then revised during 2015 and approved by the Board in August 2016. The Guaranteed Energy Savings Act Project which works in conjunction with the Master Plan was also approved by the Board in August 2016. On April 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.

19. Economic Dependency

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

LUZERNE COUNTY COMMUNITY COLLEGE

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

Last 10 Fiscal Years¹

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| College's proportion of PSERS' net pension liability | 0.0082% | 0.0092% | 0.0079% | 0.0080% | 0.0081% |
| College's proportionate share of PSERS' net pension liability | \$ 3,936,000 | \$ 4,544,000 | \$ 3,915,000 | \$ 3,465,000 | \$ 3,206,000 |
| Commonwealth's proportionate share of PSERS' net pension liability associated with the College | <u>3,912,000</u> | <u>4,521,742</u> | <u>3,897,863</u> | <u>3,481,269</u> | <u>3,217,696</u> |
| Total proportionate share | <u>\$ 7,848,000</u> | <u>\$ 9,065,742</u> | <u>\$ 7,812,863</u> | <u>\$ 6,946,269</u> | <u>\$ 6,423,696</u> |
| College's covered payroll | \$ 1,097,954 | \$ 1,218,599 | \$ 1,018,869 | \$ 1,034,097 | \$ 1,036,292 |
| College's proportionate share of PSERS' net pension liability as a percentage of its covered payroll | 358.48% | 372.89% | 384.25% | 335.07% | 309.37% |
| PSERS' plan fiduciary net position as a percentage of PSERS' total pension liability | 54.00% | 49.88% | 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 TO THE PSERS PENSION PLAN

Last 10 Fiscal Years²

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------|--------------|--------------|--------------|--------------|
| Contributions recognized by PSERS | \$ 374,059 | \$ 294,178 | \$ 339,123 | \$ 257,571 | \$ 418,970 |
| College's covered payroll | \$ 1,138,983 | \$ 1,093,479 | \$ 1,219,151 | \$ 1,067,775 | \$ 1,077,971 |
| Contributions as a percentage of covered payroll | 32.84% | 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.

LUZERNE COUNTY COMMUNITY COLLEGE

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

Last 10 Fiscal Years¹

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|---------------|--------------|---------------|---------------|--------------|
| College's proportion of SERS' net pension liability | 0.0056% | 0.0092% | 0.0079% | 0.0080% | 0.0065% |
| College's proportionate share of SERS' net pension liability | \$ 11,744,173 | \$ 9,988,025 | \$ 11,371,092 | \$ 10,673,070 | \$ 9,717,066 |
| College's covered payroll | \$ 3,436,405 | \$ 3,427,742 | \$ 3,489,770 | \$ 3,569,981 | \$ 3,923,793 |
| College's proportionate share of SERS' net pension liability as a percentage of its covered payroll | 341.76% | 291.39% | 325.84% | 298.97% | 247.64% |
| SERS' plan fiduciary net position as a percentage of SERS' total pension liability | 56.40% | 63.00% | 57.80% | 58.90% | 64.79% |

¹ The amounts presented for each fiscal year were determined as of the measurement date, which is December 31 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 TO THE SERS PENSION PLAN

Last 10 Fiscal Years²

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------|--------------|--------------|--------------|--------------|
| Contributions recognized by SERS | \$ 1,025,557 | \$ 1,104,400 | \$ 1,000,550 | \$ 727,192 | \$ 595,653 |
| College's covered payroll | \$ 3,338,645 | \$ 3,427,742 | \$ 3,489,770 | \$ 3,569,981 | \$ 3,923,793 |
| Contributions as a percentage of covered payroll | 30.72% | 32.22% | 28.67% | 20.37% | 15.18% |

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 TOTAL OPEB LIABILITY FOR ITS RETIREE PLAN

Last 10 Fiscal Years¹

| | 2019 | 2018 |
|--|---------------|---------------|
| Total OPEB Liability: | | |
| Service cost | \$ 1,696,536 | \$ 1,897,100 |
| Interest | 914,257 | 725,852 |
| Changes of benefit terms | - | - |
| Differences between actual and expected experience | (3,058,548) | - |
| Changes of assumptions | 277,692 | (1,563,535) |
| Benefit payments | (916,556) | (662,295) |
| Net Changes in Total OPEB Liability | (1,086,619) | 397,122 |
| Total OPEB Liability - Beginning | 28,009,463 | 27,612,341 |
| Total OPEB Liability - Ending | \$ 26,922,844 | \$ 28,009,463 |
| Covered Payroll | \$ 17,070,846 | \$ 17,400,674 |
| Total OPEB Liability as a Percentage of Covered Payroll | 157.71% | 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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2019 AND 2018

1. Factors and Trends in Actuarial Assumptions Used Under GASB No. 68 for the PSERS Pension Plan

| Actuarial Date/ Measurement Date | 6/30/2018 | 6/30/2017 | 6/30/2016 | 6/30/2015 | 6/30/2014 | 6/30/2013 |
|---|------------------------------|--|------------------------------|-----------|-----------|-----------|
| College's Fiscal Year | 6/30/2019 | 6/30/2018 | 6/30/2017 | 6/30/2016 | 6/30/2015 | 6/30/2014 |
| Discount Rate | 7.25% | 7.25% | 7.25% | 7.50% | 7.50% | N/A |
| Salary Increases | 5.00% | 5.00% | 5.00% | 5.50% | 5.50% | N/A |
| Mortality | RP-2014, Scale MP-2015 | RP-2014, Scale MP-2015 | RP-2014, Scale MP-2015 | RP-2000 | RP-2000 | N/A |
| Changes in Benefits | None | Vested Class T-E and T-F members can withdraw their accumulated contributions and interest | None | None | None | N/A |
| Actuarially Calculated Contribution Rate from Actuarial Date Shown Above | 33.36% | 32.60% | 31.74% | 29.20% | 25.00% | 20.50% |
| Fiscal Year in Which Actuarially Calculated Contribution Rate Is Applied | 6/30/2020 | 6/30/2019 | 6/30/2018 | 6/30/2017 | 6/30/2016 | 6/30/2015 |

N/A – Years pre-date required implementation date of GASB 68; thus, actuarial valuation assumptions for these years are not presented.

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2019 AND 2018

2. Factors and Trends in Actuarial Assumptions Used Under GASB No. 68 for the SERS Pension Plan

| Actuarial Date/ Measurement Date | 12/31/2018 | 12/31/2017 | 12/31/2016 | 12/31/2015 | 12/31/2014 | 12/31/2013 |
|---|------------|------------|------------|------------|------------|------------|
| College Fiscal Year | 6/30/2019 | 6/30/2018 | 6/30/2017 | 6/30/2016 | 6/30/2015 | 6/30/2014 |
| Discount Rate | 7.25% | 7.25% | 7.25% | 7.50% | 7.50% | N/A |
| Salary Increases | 5.60% | 5.60% | 5.60% | 5.70% | 6.10% | N/A |
| Mortality | RP-2000 | RP-2000 | RP-2000 | RP-2000 | RP-2000 | N/A |
| Changes in Benefits | None | None | None | None | None | N/A |
| Actuarially Calculated Contribution Rate from Actuarial Date Shown Above¹ | 33.53% | 32.90% | 33.22% | 29.50% | 25.00% | 20.50% |
| Fiscal Year in Which Actuarially Calculated Contribution Rate Is Applied | 6/30/2020 | 6/30/2019 | 6/30/2018 | 6/30/2017 | 6/30/2016 | 6/30/2015 |

N/A – Years pre-date required implementation date of GASB 68; thus, actuarial valuation assumptions for these years are not presented.

¹ – Information was obtained from the SERS CAFR for the year ending December 31, 2018. Contribution rate information for each individual service class was not presented within the CAFR; thus, this represents a blended rate for all membership classes.

LUZERNE COUNTY COMMUNITY COLLEGE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2019 AND 2018

3. Factors and Trends in Actuarial Assumptions Used Under GASB No. 75 for the Retiree OPEB Plan

The retiree plan is not administered through a trust and assets are not accumulated in a trust to pay related benefits.

| Actuarial Date | 7/1/2018 | 7/1/2016 | | | | |
|--------------------------------|--|--|-----------|-----------|-----------|-----------|
| Measurement Date | 6/30/2019 | 6/30/2018 | | | | |
| College Fiscal Year | 6/30/2019 | 6/30/2018 | 6/30/2017 | 6/30/2016 | 6/30/2015 | 6/30/2014 |
| Discount Rate | 2.98% | 3.13% | N/A | N/A | N/A | N/A |
| Salary Increases | 3.00% | 3.00% | N/A | N/A | N/A | N/A |
| Mortality | RP-2000 | RP-2000 | N/A | N/A | N/A | N/A |
| Assumed Healthcare Trend Rates | 2018-6.0% 2019-5.5% 2022-5.4% 2075-3.8% | 2017-6.0% 2018-5.5% 2024-5.4% 2075-3.9% | N/A | N/A | N/A | N/A |
| Changes in Benefits | None | None | N/A | N/A | N/A | N/A |

N/A – Years pre-date required implementation date of GASB 75; thus, actuarial valuation assumptions for these years are not presented.

SUPPLEMENTARY INFORMATION

LUZERNE COUNTY COMMUNITY COLLEGE

STATEMENTS OF NET POSITION - ALL FUNDS

JUNE 30, 2019 AND 2018

| Assets and Deferred Outflows | Current Funds | | Plant Fund | Auxiliary | Adjustments | Total 2019 | Total 2018 |
|---|---------------|--------------|---------------|--------------|-------------|---------------|---------------|
| | Unrestricted | Restricted | | | | | |
| Current assets: | | | | | | | |
| Cash | \$ 18,024,139 | \$ 2,298,836 | \$ 591,162 | \$ 4,335,956 | \$ - | \$ 25,250,093 | \$ 26,365,306 |
| Accounts receivable: | | | | | | | |
| Student (net of allowance) | 4,139,968 | - | - | 68,846 | - | 4,208,814 | 4,549,352 |
| Federal Government | 4,638,332 | - | - | - | - | 4,638,332 | 1,452,985 |
| Commonwealth of Pennsylvania (net of reserve) | 400,100 | - | - | - | - | 400,100 | 428,598 |
| Luzerne County | 1,474,646 | - | 612,995 | - | - | 2,087,641 | 4,513,401 |
| Suppliers | - | - | - | 8,972 | - | 8,972 | 32,602 |
| Other | 1,341,059 | - | - | 9,858 | - | 1,350,917 | 269,641 |
| Bookstore inventory | - | - | - | - | - | - | 358,994 |
| Inventory - supplies | 51,196 | - | - | 8,423 | - | 59,619 | 60,029 |
| Due from current - unrestricted fund | - | 244,592 | - | 2,396,382 | (2,640,974) | - | - |
| Due from current - plant fund | 2,262,456 | - | - | 13,316 | (2,275,772) | - | - |
| Due from current - auxiliary fund | (649,067) | 225 | 1,032,739 | 242,699 | (626,596) | - | - |
| Due from Foundation | - | - | 6,536 | 5 | (4,278) | 2,263 | 6,410 |
| Total current assets | 31,682,829 | 2,543,653 | 2,243,432 | 7,084,457 | (5,547,620) | 38,006,751 | 38,037,318 |
| Non-current assets: | | | | | | | |
| Capital assets: | | | | | | | |
| Land | - | - | 1,382,185 | - | - | 1,382,185 | 1,382,185 |
| Furniture and fixtures | - | - | 3,715,901 | - | - | 3,715,901 | 3,431,118 |
| Equipment | - | - | 28,659,969 | 163,252 | - | 28,823,221 | 27,832,036 |
| Library books | - | - | 2,173,683 | - | - | 2,173,683 | 2,173,683 |
| Microfilm and audio-visual equipment | - | - | 868,464 | - | - | 868,464 | 764,335 |
| Motor vehicles | - | - | 659,439 | - | - | 659,439 | 715,554 |
| Permanent campus | - | - | 88,005,218 | - | - | 88,005,218 | 86,917,806 |
| Less: accumulated depreciation | - | - | (81,850,524) | (163,252) | - | (82,013,776) | (78,192,182) |
| Capital assets, net | - | - | 43,614,335 | - | - | 43,614,335 | 45,024,535 |
| Loan costs, net | - | - | 38,768 | - | - | 38,768 | 38,768 |
| Long-term investments | 10,214,560 | - | - | - | - | 10,214,560 | 10,078,413 |
| Total non-current assets | 10,214,560 | - | 43,653,103 | - | - | 53,867,663 | 55,141,716 |
| Total assets | 41,897,389 | 2,543,653 | 45,896,535 | 7,084,457 | (5,547,620) | 91,874,414 | 93,179,034 |
| Deferred Outflows of Resources: | | | | | | | |
| Pension | 3,208,351 | - | - | - | - | 3,208,351 | 2,662,644 |
| Post-retirement benefits | 1,147,867 | - | - | - | - | 1,147,867 | 916,556 |
| Total deferred outflows of resources | 4,356,218 | - | - | - | - | 4,356,218 | 3,579,200 |

(Continued)

LUZERNE COUNTY COMMUNITY COLLEGE

STATEMENTS OF NET POSITION - ALL FUNDS

JUNE 30, 2019 AND 2018

(Continued)

| Liabilities and Deferred Inflows | Current Funds | | Plant Fund | Auxiliary | Adjustments | Total 2019 | Total 2018 |
|--|-------------------|--------------|-------------------|------------------|--------------------|-------------------|-------------------|
| | Unrestricted | Restricted | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable: | | | | | | | |
| Trade | 482,868 | - | 23,512 | 40,704 | - | 547,084 | 577,189 |
| Commonwealth of Pennsylvania | 56,214 | - | 4,393 | - | - | 60,607 | 441,894 |
| Accruals: | | | | | | | |
| Salaries and wages | 1,407,596 | - | - | - | - | 1,407,596 | 1,447,140 |
| Employee payroll deductions payable | (3,361) | - | - | - | - | (3,361) | (3,288) |
| Scholarships payable | 9,244 | - | - | - | - | 9,244 | 9,244 |
| IBNR claims payable | 633,037 | - | - | - | - | 633,037 | 486,406 |
| Deferred revenue: | | | | | | | |
| Tuition, fees, and other | 414,014 | - | - | - | - | 414,014 | 448,493 |
| Federal and state grants | 21,472 | - | - | - | - | 21,472 | 31,738 |
| Other liabilities | - | 5,233 | 232,977 | - | - | 238,210 | 310,462 |
| Due to current restricted fund | 244,592 | - | - | 225 | (244,817) | - | - |
| Due to unrestricted fund | - | - | 2,262,456 | 1,749,277 | (4,011,733) | - | - |
| Due to auxiliary fund | - | - | 13,316 | 245,015 | (258,331) | - | - |
| Due to unexpended plant fund | - | - | - | 1,032,739 | (1,032,739) | - | - |
| Liability for compensated absences and fringe benefits | 376,196 | - | - | - | - | 376,196 | 381,320 |
| Current portion of OPEB liability | 1,696,536 | - | - | - | - | 1,696,536 | 1,897,100 |
| Other accrued liabilities | 1,251,514 | - | - | - | - | 1,251,514 | 934,232 |
| Current portion long-term debt | - | - | 432,439 | - | - | 432,439 | 402,575 |
| Total current liabilities | 6,589,922 | 5,233 | 2,969,093 | 3,067,960 | (5,547,620) | 7,084,588 | 7,364,505 |
| Non-current liabilities: | | | | | | | |
| Liability for post-retirement benefits | 25,226,308 | - | - | - | - | 25,226,308 | 26,112,363 |
| Liability for compensated absences and fringe benefits | 1,504,784 | - | - | - | - | 1,504,784 | 1,525,280 |
| Net pension liability | 15,680,174 | - | - | - | - | 15,680,174 | 14,532,025 |
| Long-term debt, net of current portion | - | - | 9,503,956 | - | - | 9,503,956 | 9,938,552 |
| Total non-current liabilities | 42,411,266 | - | 9,503,956 | - | - | 51,915,222 | 52,108,220 |
| Total liabilities | 49,001,188 | 5,233 | 12,473,049 | 3,067,960 | (5,547,620) | 58,999,810 | 59,472,725 |
| Deferred Inflows of Resources: | | | | | | | |
| Pension | 1,274,543 | - | - | - | - | 1,274,543 | 1,544,636 |
| Post-retirement benefits | 3,665,601 | - | - | - | - | 3,665,601 | 1,340,173 |
| Total deferred inflows of resources | 4,940,144 | - | - | - | - | 4,940,144 | 2,884,809 |

(Continued)

LUZERNE COUNTY COMMUNITY COLLEGE

STATEMENTS OF NET POSITION - ALL FUNDS

JUNE 30, 2019 AND 2018

(Continued)

| Net Position | Current Funds | | Plant Fund | Auxiliary | Adjustments | Total 2019 | Total 2018 |
|----------------------------------|----------------|--------------|---------------|--------------|-------------|---------------|---------------|
| | Unrestricted | Restricted | | | | | |
| Net position: | | | | | | | |
| Net investment in capital assets | - | - | 33,423,486 | - | - | 33,423,486 | 34,683,408 |
| Restricted | - | 2,538,420 | - | - | - | 2,538,420 | 2,450,942 |
| Unrestricted- Healthcare account | 1,811,481 | - | - | - | - | 1,811,481 | 1,385,273 |
| Unrestricted | (9,499,206) | - | - | 4,016,497 | - | (5,482,709) | (4,118,923) |
| Total net position | \$ (7,687,725) | \$ 2,538,420 | \$ 33,423,486 | \$ 4,016,497 | \$ - | \$ 32,290,678 | \$ 34,400,700 |

(Concluded)

LUZERNE COUNTY COMMUNITY COLLEGE

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

YEARS ENDED JUNE 30, 2019 AND 2018

| | Current Funds | | Plant Fund | Auxiliary | Adjustments | Total 2019 | Total 2018 |
|---|---------------|------------|---------------|-----------|-------------|---------------|---------------|
| | Unrestricted | Restricted | | | | | |
| Revenues: | | | | | | | |
| Tuition and fees | \$ 23,215,118 | \$ - | \$ 322,940 | \$ - | \$ - | \$ 23,538,058 | \$ 24,146,794 |
| Commonwealth of Pennsylvania appropriations | 12,317,393 | - | 1,360,763 | - | - | 13,678,156 | 13,430,880 |
| Luzerne County appropriations | 6,170,000 | - | - | - | - | 6,170,000 | 6,170,000 |
| Federal grants and special programs | - | 20,723,630 | 52,524 | - | - | 20,776,154 | 21,342,936 |
| State grants | - | - | - | - | - | - | 27,821 |
| Interest on investments | 234,629 | 16,218 | 6,355 | 21,748 | - | 278,950 | 209,007 |
| Other revenues | 336,424 | 59,599 | 115,000 | - | - | 511,023 | 576,838 |
| Sale of assets | - | - | 19,370 | - | - | 19,370 | 5,991 |
| Auxiliary enterprises | - | - | - | 2,166,652 | - | 2,166,652 | 2,693,248 |
| Total revenues | 42,273,564 | 20,799,447 | 1,876,952 | 2,188,400 | - | 67,138,363 | 68,603,515 |
| Expenses: | | | | | | | |
| Educational and general: | | | | | | | |
| General administration | 4,262,639 | - | - | - | - | 4,262,639 | 4,172,304 |
| Student services | 3,598,623 | - | - | - | - | 3,598,623 | 3,587,818 |
| Staff benefits | 1,742,859 | - | - | - | - | 1,742,859 | 1,326,111 |
| General institutional | 2,052,055 | - | - | - | - | 2,052,055 | 3,219,902 |
| Instructional and departmental research | 21,618,711 | - | - | - | - | 21,618,711 | 21,297,955 |
| Library | 777,857 | - | - | - | - | 777,857 | 746,452 |
| Operation and maintenance of plant | 6,817,623 | - | 1,147,578 | - | - | 7,965,201 | 9,106,565 |
| Governmental grants | - | 20,711,969 | - | - | - | 20,711,969 | 21,361,683 |
| Depreciation expense | - | - | 3,910,591 | - | - | 3,910,591 | 3,740,530 |
| Interest expense | - | - | 646,150 | - | - | 646,150 | 120,656 |
| Other (income) expense | - | - | (45,479) | - | - | (45,479) | 114,568 |
| Auxiliary enterprises | - | - | - | 2,007,209 | - | 2,007,209 | 2,634,745 |
| Total expenses | 40,870,367 | 20,711,969 | 5,658,840 | 2,007,209 | - | 69,248,385 | 71,429,289 |

(Continued)

LUZERNE COUNTY COMMUNITY COLLEGE

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

YEARS ENDED JUNE 30, 2019 AND 2018

(Continued)

| | Current Funds | | Plant Fund | Auxiliary | Adjustments | Total 2019 | Total 2018 |
|---|-----------------------|---------------------|----------------------|---------------------|-------------|----------------------|----------------------|
| | Unrestricted | Restricted | | | | | |
| Revenue over (under) expenses | \$ 1,403,197 | \$ 87,478 | \$ (3,781,888) | \$ 181,191 | \$ - | \$ (2,110,022) | \$ (2,825,774) |
| Nonmandatory transfers | - | - | - | - | - | - | - |
| Change in net position | 1,403,197 | 87,478 | (3,781,888) | 181,191 | - | (2,110,022) | (2,825,774) |
| Net position, beginning | (9,090,922) | 2,450,942 | 37,205,374 | 3,835,306 | - | 34,400,700 | 37,226,474 |
| Net position, ending | <u>\$ (7,687,725)</u> | <u>\$ 2,538,420</u> | <u>\$ 33,423,486</u> | <u>\$ 4,016,497</u> | <u>\$ -</u> | <u>\$ 32,290,678</u> | <u>\$ 34,400,700</u> |
| Ending net position consists of: | | | | | | | |
| Net investment in capital assets | - | - | 33,423,486 | - | - | 33,423,486 | 34,683,408 |
| Restricted | - | 2,538,420 | - | - | - | 2,538,420 | 2,450,942 |
| Unrestricted- Healthcare account | 1,811,481 | - | - | - | - | 1,811,481 | 1,385,273 |
| Unrestricted | (9,499,206) | - | - | 4,016,497 | - | (5,482,709) | (4,118,923) |
| Total net position | <u>\$ (7,687,725)</u> | <u>\$ 2,538,420</u> | <u>\$ 33,423,486</u> | <u>\$ 4,016,497</u> | <u>\$ -</u> | <u>\$ 32,290,678</u> | <u>\$ 34,400,700</u> |

(Concluded)