Audited Financial Statements

June 30, 2020

HACC

Founded in 1964

CENTRAL PENNSYLVANIA'S COMMUNITY COLLEGE

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Harrisburg Area Community College
Harrisburg, Pennsylvania

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Harrisburg Area Community College (the College), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harrisburg Area Community College as of June 30, 2020 and 2019, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, and the schedules related to pension and OPEB on pages 60 - 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenses by functional classification is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

***OTHER REPORTING REQUIRED BY* GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2020 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
October 19, 2020

INTRODUCTION

Management's Discussion and Analysis (MD&A) of Harrisburg Area Community College's ("HACC" or "the College") financial statements provides an overview of the College's financial performance during the fiscal year ended June 30, 2020, with selected comparative information for the years ended June 30, 2019 and June 30, 2018. The purpose of the MD&A is to assist readers with understanding the accompanying financial statements by providing objective and understandable analysis of HACC's financial activities based on current known facts, decisions, and conditions. HACC management has prepared this analysis and is responsible for the completeness and fairness of the information contained within. This MD&A should be read in conjunction with the financial statements and notes.

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

Additionally, the College has implemented Government Accounting Standards Board Statement No. 14, "The Financial Reporting Entity". Pursuant to the criteria set forth in GASB 14, it was determined that the HACC Foundation, whose sole purpose is to serve the institution by providing resources for scholarships and other college projects, should be treated as a blended unit of the College due in part to the governance structure of the Foundation. The Foundation's financial statements for June 30, 2020 are combined in the financial statements section of the report and are included in the MD&A discussions. Separately issued financial statements are available for the HACC Foundation by contacting Mr. Timothy L. Sandoe, Vice President of Finance, Harrisburg Area Community College, One HACC Drive, Harrisburg, PA 17110-2999.

FINANCIAL HIGHLIGHTS

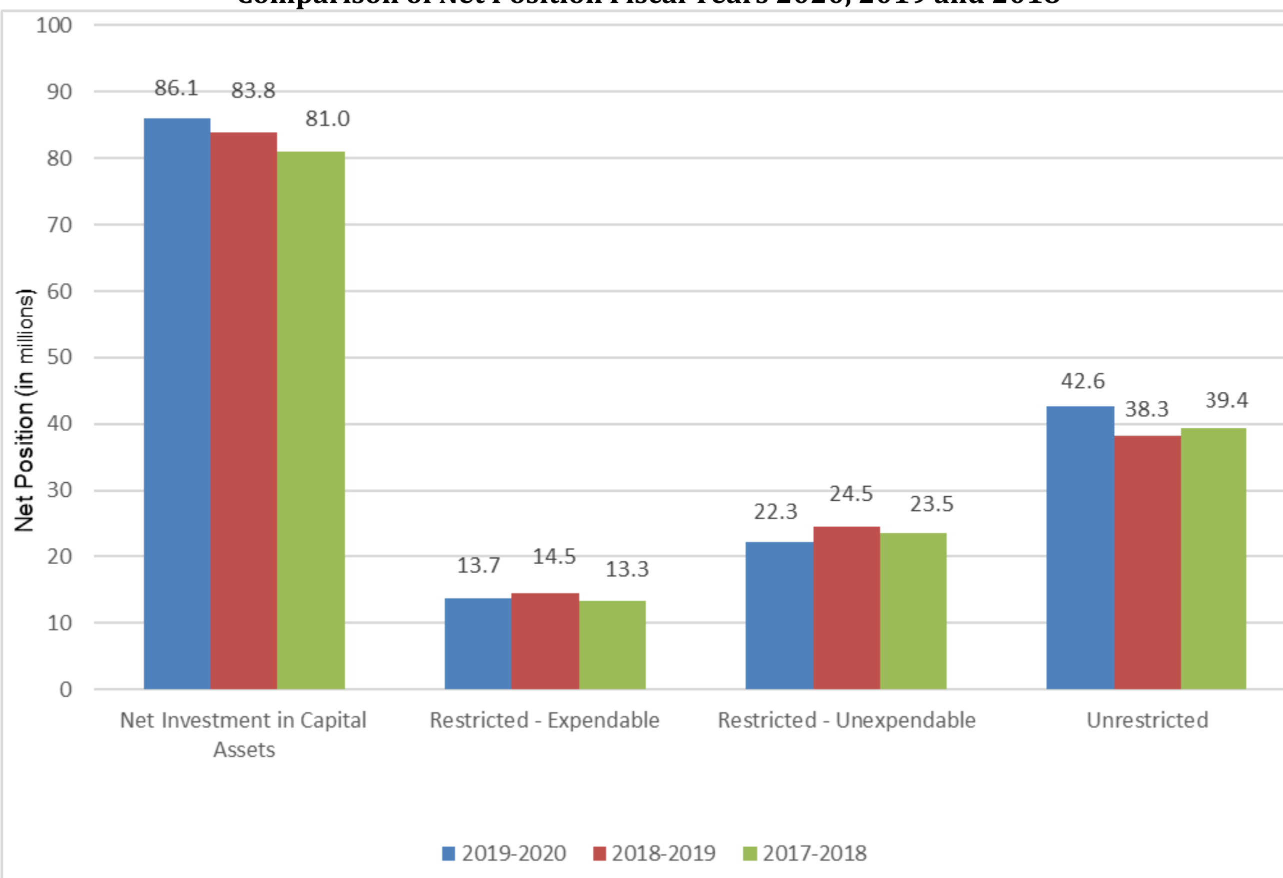
HACC's financial position continues to remain strong as of June 30, 2020. At June 30, 2020, HACC's assets and deferred outflows of resources of $ 330.5 million exceeded its liabilities and deferred inflows of resources of $ 165.8 million by $ 164.7 million, an increase compared to the prior year of $ 3.6 million. At June 30, 2019, assets and deferred outflows of resources of $ 339.6 million exceeded liabilities and deferred inflows of resources of $178.5 million by $ 161.1 million, an increase over the prior year of $ 3.9 million.

The "Net Position", which represents the difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources, is divided into two major categories. The first category, net investment in capital assets, shows the College's equity in property, plant, and equipment that it owns. The fourth category, unrestricted net position, is available to use for any lawful purpose of the College. The following table and graph summarize the College's statement of net position by category for the fiscal years ended June 30, 2020, 2019 and 2018.

Net Position as of June 30
(In millions)

		2020		2019		Increase (Decrease) 2019-2020		2018		Increase (Decrease) 2018-2019
Net Investment in Capital Assets	$	86.10	$	83.8	$	2.3	$	81.0	$	2.8
Restricted - Expendable		13.7		14.9		(1.2)		13.3		1.6
Restricted - Unexpendable		22.3		24.1		(1.8)		23.5		0.6
Unrestricted		42.6		38.3		4.3		39.4		(1.1)
Total Net Position	$	164.7	$	161.1	$	3.6	$	157.2	$	3.9

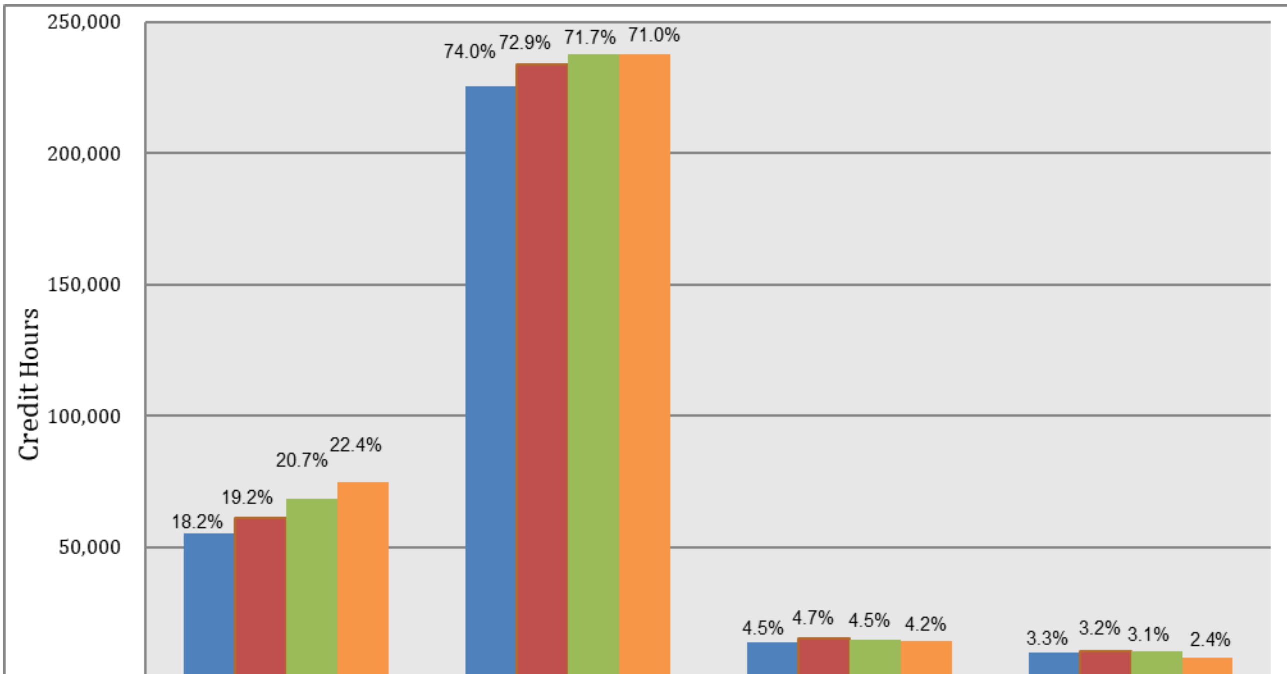
Comparison of Net Position Fiscal Years 2020, 2019 and 2018



CREDIT HOUR PRODUCTION

The College experienced a decrease in enrollments of 5.2% (16,691 credit hours) in 2020, 3.2% (10,743 credit hours) in 2019 and 0.9% (2,966 credit hours) in 2018 due to the continuing effects of the economy and college-going demographic. Total credit hours have gone from 331,795 in 2018, 321,052 in 2019, to 304,361 in 2020. In 2020, the proportion of non-sponsored student credit hours compared to total credit hours Increased to 74.0% from 72.9% in 2019 and 71.7% in 2018. Correspondingly, the proportion of sponsoring student credit hours decreased to 18.2% in 2020, down from 19.2% in 2019 and 20.7% in 2018. Each non-sponsored student paid tuition of $222.00 per credit hour in 2020, while a sponsored student paid $180.25 per credit hour and received local sponsoring school district support.

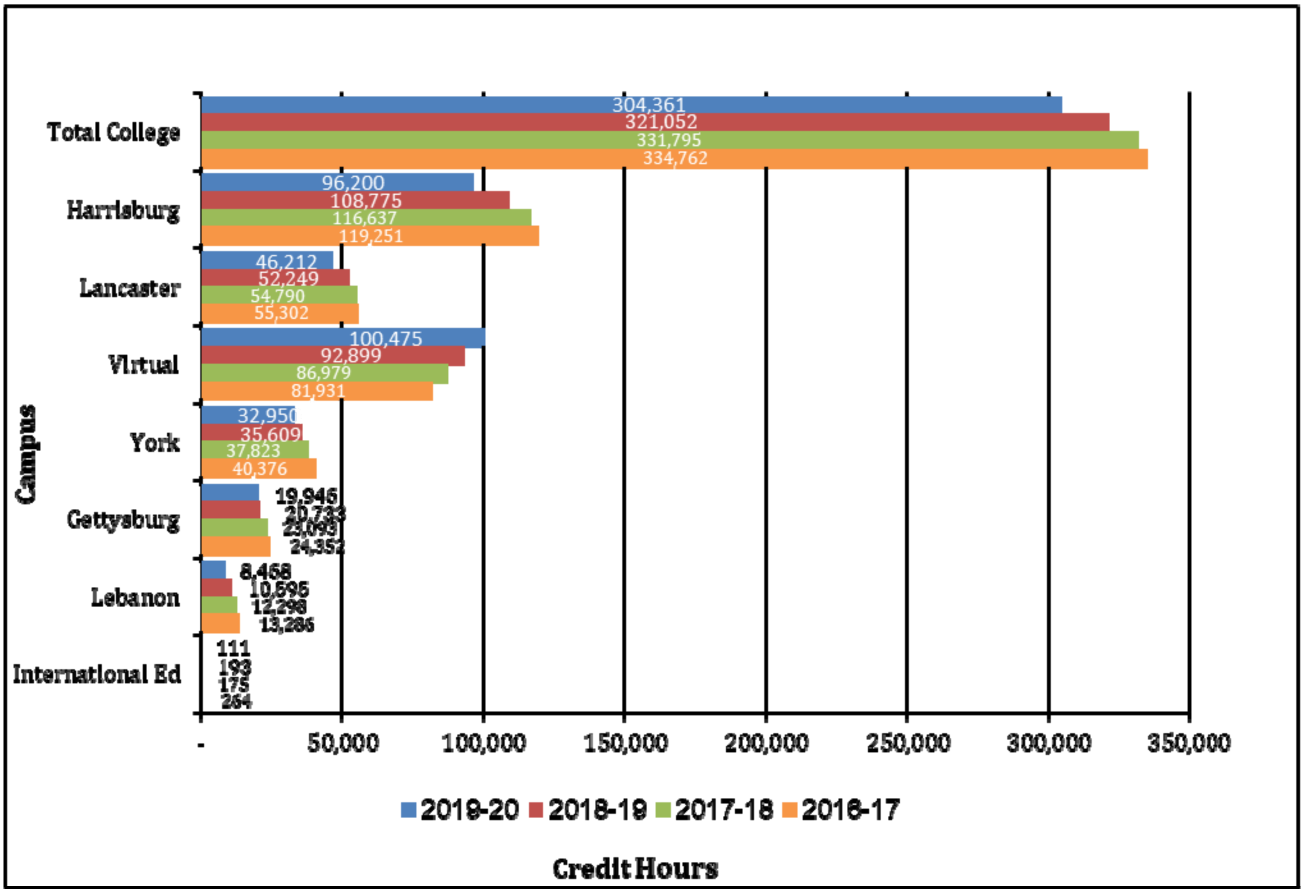
Credit Hour Production by Student Type



	Sponsored	Nonsponsored	Out of State	College in HS
2019-20	55,301	225,354	13,656	10,049
2018-19	61,411	234,025	15,200	10,416
2017-18	68,708	237,761	14,935	10,391
2016-17	74,894	237,542	14,129	8,196

Student Type

Credit Hour Production by Campus 2020, 2019, 2018 and 2017



STATEMENT OF NET POSITION

The statement of net position presents the assets, deferred outflows/inflows of resources, liabilities, and net position of the College as of the end of the June 30, 2020 fiscal year. This statement provides a snapshot of the financial condition of the College with unrestricted net position representing funds available to continue the operations of the institution. It presents the end-of-the-year data for current and noncurrent assets, deferred outflows/inflows of resources, current and noncurrent liabilities, and net position (assets plus deferred outflows/inflows minus liabilities). Over a period of time, increases and decreases in net position may serve as a useful gauge of the College's financial position. As the following chart illustrates, the College is in a strong financial position with net position increasing over the past year due to a continuing alignment of operating costs with operating revenues.

Statement of Net Position
(In millions)

	2020	2019	Increase (Decrease) 2020-2019	2018	Increase (Decrease) 2019-2018
Assets					
Current Assets	$ 91.9	$ 89.0	$ 2.9	$ 83.1	$ 5.9
Noncurrent Assets	232.0	240.2	(8.2)	249.6	(9.4)
Total Assets	323.9	329.2	(5.3)	332.7	(3.5)
Deferred Outflows of Resources	6.6	10.4	(3.8)	9.2	1.2
Total Assets and Deferred Outflows of Resources	330.5	339.6	(9.1)	341.9	(2.3)
			-		-
Liabilities			-		-
Current Liabilities	31.0	29.1	1.9	28.5	0.6
Noncurrent Liabilities	130.8	147.4	(16.6)	152.6	(5.2)
Total Liabilities	161.8	176.5	(14.7)	181.1	(4.6)
Deferred Inflows of Resources	4.0	2.0	2.0	3.6	(1.6)
Total Liabilities and Deferred Inflows of Resources	165.8	178.5	(12.7)	184.7	(6.2)
			-		-
Net Position			-		-
Net Investment in Capital Assets	86.1	83.8	2.3	81.0	2.8
Restricted - expendable	13.7	14.9	(1.2)	13.3	1.6
Restricted - nonexpendable	22.3	24.1	(1.8)	23.5	0.6
Unrestricted	42.6	38.3	4.3	39.4	(1.1)
Total Net Position	$ 164.7	$ 161.1	$ 3.6	$ 157.2	$ 3.9

In 2020, current assets increased by $ 2.9 million over 2019. During the year, cash and cash equivalents, both operating and restricted, increased by a combined $ 11.3 million and short-term investments decreased by $ 9.3 million. $ 9.2 million of long-term investments changed designation to either cash and cash equivalents or short-term investments as of June 30, 2020. In 2020, the College incurred a modest increase in accounts receivable of $ 1.2 million due to the effects of COVID-19. The bookstore inventory decreased by $ 400,000 due to decreased sales volume. Other assets increased by $ 100,000 due to an increase in prepaid expenses.

The noncurrent assets decreased by $ 8.2 million in 2020 from the previous year. This decrease is mainly attributable to the outpacing of depreciation expense to investment in new assets by $ 5.3 million and deletions of assets and construction in process of $2.1 million. Long-term investments decreased by $ 700,000 due to changes in maturity dates, moving investments to short-term investments or cash and equivalents. Accounts receivable – long term portion decreased by $100,000 due to a decrease in pledges receivable in the foundation.

Deferred Outflows of Resources decreased by $3.8 million due to a decrease in deferred outflows related to pension liability of $ 3.7 million and a $300,000 decrease in deferred charges in bond refinancing. The deferred outflow related to Other Post Employment Benefit (OPEB) [GASB 75] liability increased by $200,000.

The College adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* as of July 1, 2017. This statement requires entities that provide other postemployment benefits other than pension plans (OPEB) to report a liability for its net liability as well as deferred inflows and outflows of resources related to those other postemployment liabilities. The College's OPEB liability is $ 1.8 million as of June 30, 2020, $ 1.6 million as of June 30, 2019 and $ 1.5 million as of June 30, 2018.

Current liabilities for 2020 increased by $ 1.7 million due to an increase in Accounts Payable, Deposits held in custody for others and unearned revenue of $ 1.9 million and a decrease of $ 200,000 in current portion of long-term liabilities.

The noncurrent liabilities decreased by $ 16.4 million. This was a result of a $ 9.8 million principal pay-down on the College's long-term debt, a $ 4.9 million decrease of proportionate share of net pension liability associated with the Public School Employees' Retirement System (PSERS) and Pennsylvania State Employee's Retirement System (SERS) defined benefit plans and a $1.6 million decrease in combined accrued vacation and sick pay.

The College adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 68 *Accounting and Financial Reporting for Pensions,* as of July 1, 2014. This statement requires entities that participate in pension plans to report a liability for its proportionate share of the net pension liability as well as deferred inflows and outflows of resources related to those pension liabilities. The College's proportionate share of net pension liability of the combined PSERS and SERS defined benefit pension plans was $ 29.8 million as of June 30, 2020, $ 34.7 million as of June 30, 2019, and $ 29.9 million as of June 30, 2018. The College's proportionate share of net pension liability from the SERS plan was $ 18.2 million as of June 30, 2020. The PSERS retirement code mandates the Commonwealth of Pennsylvania (Commonwealth) fund 50 percent of the College's retirement expense directly to the plan. This arrangement meets the criteria of a special funding situation in accordance with GASB standards, which mandates the College record 50 percent of the net pension liability of the PSERS plan. The College's total PSERS net pension liability is $ 11.6 million, which is equally allocated to the College and Commonwealth.

In addition, a deferred inflow, representing the difference between projected and actual investment earnings for the above net pension liability, was recorded as a decrease to total liabilities of $ 2.0 million. See Notes to Financial Statements, Note 10, for additional information.

Net position as of June 30, 2020 increased to $ 164.7 million, from $ 161.1 million as of June 30, 2019. The largest portion of the net position, $ 86.1 million, reflects the College's net investment in capital assets, which showed a $ 2.3 million increase over 2019. The College uses these capital assets to provide services to students, faculty, and staff and they cannot be easily liquidated for future spending. Therefore, resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities. The Restricted –expendable and Restricted – nonexpendable decreased by $ 3.0 million over 2019 due to a decrease in contributions and in the market value of the Foundation endowment. The unrestricted net position balance of $ 42.6 million is available to use for any lawful purpose of the College and the Foundation.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statement of revenues, expenses, and changes in net position shows the College's financial results for the fiscal year. The statement includes the College's revenues and expenses, both operating and non-operating.

Operating revenues are those received by the College for directly providing goods and services. Non-operating revenues are those that exclude a direct exchange of goods and services. State and local (school district) appropriations are classified as non-operating revenues since these governmental agencies do not directly receive goods or services for the revenue.

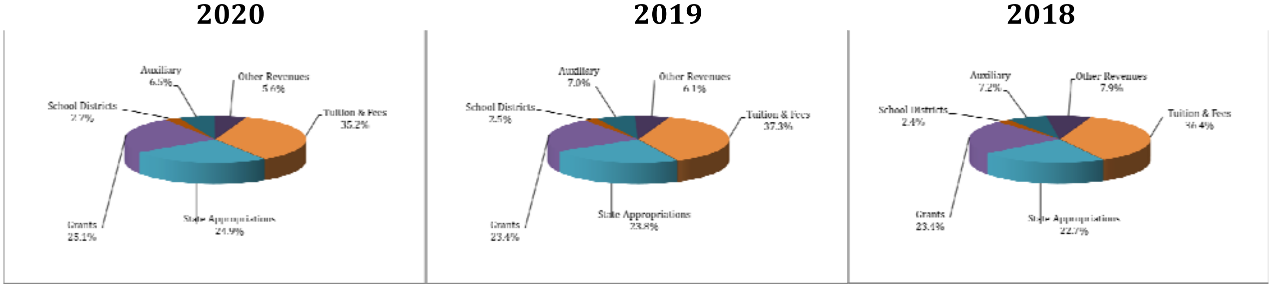
The following is a summarized version of the College's revenues, expenses, and changes in net position for years ending June 30, 2020, 2019 and 2018, as well as graphical representations of revenues and expenses by category.

Revenues, Expenses and Changes in Net Position
(In millions)

	2020	2019	Increase (Decrease) 2020-2019	2018	Increase (Decrease) 2019-2018
Operating Revenues	$ 116.3	$ 126.0	$ (9.7)	$ 126.3	$ (0.3)
Operating Expenses	162.6	172.3	(9.7)	170.8	1.5
Operating Income (Loss)	(46.3)	(46.3)	-	(44.5)	(1.8)
Nonoperating Revenues (Net)	41.2	40.7	0.5	38.0	2.7
Net Income (Loss) Before Capital Contributions	(5.1)	(5.6)	0.5	(6.5)	0.9
Capital Contributions	8.6	9.5	(0.9)	9.8	(0.3)
Increase (Decrease) in Net Position	$ 3.5	$ 3.9	$ (0.4)	$ 3.3	$ 0.6

Total Operating and Non-Operating Revenues

2020 **2019** **2018**



In 2020, operating revenues of $ 116.3 million were $ 9.7 million lower than $ 126.0 million in 2019. In 2020, tuition and fees decreased by $ 4.1 million due to a decrease in student enrollment of 5.2%. Scholarship allowances and discounts increased by $ 1.1 million resulting in a total tuition and fee decrease of $ 5.2 million. In addition, the College experienced an overall increase of $ 1.4 million in grants and contracts mainly due to the addition of $ 4.5 million in CARES Act funding, which is offset by decreases of $ 2.1 million in PELL Grants, $ 300,000 in Trade Act funding, $ 300,000 in Emergency

Response grants, $ 400,000 in miscellaneous other grants and awards. Auxiliary enterprise revenue decreased by $ 1.1 million, driven by a $ 900,000 decrease in bookstore revenue and a decrease in food service revenue in Harrisburg campus of $ 200,000 due to the closure of on campus activities in response to COVID 19. Other operating revenues, which includes income from institutional fees decreased by $ 900,000, driven by the 5.2% decrease in enrollment. For the Foundation, Contributions decreased by $ 1.8 million from 2019 due to a decrease in contributions pledged. Foundation investment income decreased by $ 300,000 due to decreasing interest rates, while realized and unrealized gains increased by $ 1.8 million due to volatile market conditions.

Tuition Per Credit Hour Comparison

	2020	2019	2018
Sponsored	$ 180.25	$ 180.25	$ 174.25
Non Sponsored	222.00	217.00	211.00
Out of State	267.00	262.00	256.00
Dual Enrolled	125.00	125.00	100.00
Veteran	174.25	174.25	174.25
College in the High School	75.00	75.00	50.00

In 2020, operating expenses decreased by $ 9.7 million for a total of $ 162.6 million. Overall labor expenses decreased by $ 9.2 million. Salaries and Wages decreased by $ 6.0 million due to the college wide reorganization efforts, furloughs during COVID 19 and open positions. Fringe benefits cost decreased $ 3.2 million due to position eliminations, furloughs during COVID 19, a decrease to PSERS, SERS and OPEB Liabilities. Professional and purchased services remained consistent with 2019 spending, as did Utilities. Scholarships increased by $ 1.6 million due mainly to the emergency financial aid grants distributed to students as part of the CARES Act funding. Supplies and other expenses decreased by $ 2.2 million as a direct result of the switch to remote learning and working remotely due to COVID 19. Depreciation and amortization are consistent with the previous year.

Non-operating revenues (expenses) increased by $ 500,000, which includes increases of $ 600,000 in state appropriations. Local appropriations (school district allocations) increased $ 200,000 due to the sponsoring school districts contractual agreement. Gifts decreased $ 200,000 due to a decrease in private scholarships and investment income decreased $ 400,000 driven by lower interest rates, while interest expense decreased $ 300,000.

The total capital contributions for fiscal year 2020 amounted to $ 8.6 million. This was a decrease of $ 900,000 compared to 2019, which was attributable to a decrease of $ 500,000 in local appropriations and an $ 300,000 increase in Capital Grants and Gifts. On the Foundation side the Capital Contributions to permanent endowments decreased by $ 700,000.

The Increase (Decrease) in net position as reported in the Statement of Revenues, Expenses, and Changes in Net Position reflects an overall decrease of $ 400,000 when compared to the Increase (Decrease) in net position reported as of June 30, 2019.

STATEMENT OF CASH FLOWS

The final statement presented by the College is the statement of cash flows. The statement of cash flows presents information about the cash activity of the College identifying the major sources and uses of cash during the year. The following summary shows the College's liquidity as of June 30, 2020 increased $ 11.3 million compared to the prior year's increase of $ 4.8 million. The following is a summary of the statement of cash flows for the years ending June 30, 2020, 2019 and 2018.

Cash Flows
(In millions)

	2020	2019	Increase (Decrease) 2020-2019	2018	Increase (Decrease) 2019-2018
Cash Provided (Used) By:					
Operating Activities	$ (68.9)	$ (68.9)	$ -	$ (69.0)	$ 0.1
Noncapital Financing Activities	79.1	80.3	(1.2)	77.7	2.6
Capital Financing Activities	(9.9)	(10.2)	0.3	(15.0)	4.8
Investing Activities	11.0	3.6	7.4	0.3	3.3
Net Increase (decrease) in Cash and Cash Equivalents	11.3	4.8	6.5	(6.0)	10.8
			-		
Cash and Cash Equivalents - Beginning of Year	54.9	50.1	4.8	56.1	(6.0)
Cash and Cash Equivalents - End of Year	$ 66.2	$ 54.9	$ 11.3	$ 50.1	$ 4.8

CAPITAL ASSET AND DEBT ADMINISTRATION

During the year ending June 30, 2020 the College had capital additions of $ 5.7 million. This included roof replacements for North Hall, Hall Technology Building, and Overholt Bookstore on Harrisburg campus ($ 1.1) million, roof repair and coating for the Evans Physical Ed Center on Harrisburg campus ($ 713) thousand, the Lancaster campus deceleration lane ($ 585) thousand, renovations to Harrisburg campus dental clinic ($ 477) thousand, a refresh for Harrisburg campus McCormick Library ($ 412) thousand, and a chiller replacement for Harrisburg campus Whitaker Hall ($ 219) thousand. Other capital assets include equipment purchases, classroom upgrades, and smaller renovation projects.

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

CAPITAL PLAN

For fiscal year 2021, the College has several capital projects planned. Significant ongoing work began in fiscal year 2020 that includes a redesign and renovation of the third floor at the Lebanon campus, a cloud computing and virtual desktop project, and a Foundation-funded Banner One College transformation project. Some larger initiatives planned to begin in fiscal year 2021 are supporting the new Learning Commons, repairing and restoring the McCormick Library roof, replacing collegewide data switches, and updating the ceiling in a Select Medical classroom to address sound issues. Other smaller projects planned across the college include replacing and repairing equipment, maintaining parking lots and service roads, improving security, and upgrading/renovating classrooms.

ECONOMIC FACTORS THAT WILL IMPACT THE FUTURE

The College's financial position is closely tied to the economy, the Pennsylvania State budget, and its ability to maintain accreditation. Changes in the economy, unemployment rates in Central Pennsylvania, high school graduating yield rates, competition and retention efforts all have an impact on student enrollment.

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

State and local funding through annual appropriations remained nearly flat for 2020 as the College received an additional $ 700 thousand in state funding and received $ 300 thousand less in local funding. During 2017, the College amended the sponsorship agreement with the local sponsors (school districts) increasing their operating support each year based on the PA Act 1 index, from $ 4.0 million in fiscal year 2017-18 to an estimated $ 4.4 million in fiscal year 2021-22. In fiscal year 2019-20, local sponsors contributed nearly $ 4.3 million in operating support. The overall contributions including operating and capital are down $ 300 thousand because the local sponsors agreed to decrease the annual capital contributions by $ 500 thousand per year and eliminating capital contributions after fiscal year 2019-20. The college will seek to amend the sponsorship agreement in the coming year as the end of the amended agreement nears.

As the higher education landscape continues to rapidly change, HACC implemented an enterprise risk management program, a tool to identify and manage potential risks, and seize opportunities related to the achievement of its strategic goals and objectives. As part of that process, HACC had identified market risks and completed a reorganization of its operations on June 30, 2020 to focus on student needs and to better manage labor costs. The reorganization came at an opportune time as the COVID-19 global pandemic impacted countries around the world and required most higher education institutions to deliver education remotely to students during the spring 2020. The reorganization included a reduction in the labor force and realignment of departments to be student focused and to be more nimble. This change allowed the College to quickly transition to remote learning and finish the spring semester with the least amount of impact to students.

As part of the reorganization activities over the past two years, the College evaluated and analyzed six core business functions to determine if they should be considered for outsourcing. The goal of the evaluation was to determine if the college could receive the same level or better of service from an outside entity at a material savings compared to existing costs. As of September 30, 2020, the College had completed five of the six evaluations and determined that is was more economical to retain those business functions in-house. The College will complete the final evaluation of the bookstore by the end of next fiscal year.

The College remains focused on student retention and fostering growth through the pursuit of alternative sources of revenue, including funding through grants, major gift campaigns, and partnerships with local businesses, hospitals, and state agencies to meet our ongoing purpose to provide learning for all, learning for life. The College continues to be innovative during these uncertain times caused by the pandemic by reviewing and improving our programs and methods of instruction to our students and strengthening our online course offerings. The College continues to invest in our non-credit offerings through our work force development group by offering new programs that help business and industry fill the employee-training gap. One such example of our focus on meeting the needs of our community includes our new contact tracing program that was implemented in response to the pandemic and the need for trained individuals to fill those positions.

Prior to the pandemic, the College was evaluating how we deliver our services through our campus locations. As a result of those reviews, the College identified several opportunities to sell or lease our real estate and reduce our leased space. The College is currently in the process of consolidating spaces across multiple campuses to most effectively utilize our real estate. These efforts will continue over the next several years as we align our physical infrastructure to meet the market demand. We continue to explore options at all locations including the potential sale or lease of real estate. In the past year we have moved forward with plans to not renew our lease of a large building and will complete the move out of 275,000 square feet by June 30, 2022.

Overall, the College's current financial position remains strong as is evident by the 2019-20 financial statements. However, the College realizes that the changes introduced by the COVID-19 global pandemic are still unfolding and that it needs to monitor the market and make changes necessary to serve the market and ensure a positive impact on the College's future financial position. The College structure has been aligned to streamline operations, create efficiencies, leverage technology, and eliminate redundancies as evidenced in improving financial position of the college. We are committed to advancing fiscal stability and providing a high quality, low cost education where students come first.

HARRISBURG AREA COMMUNITY COLLEGE
Statements of Net Position
June 30, 2020 and 2019

	Primary Institution		Component Unit Foundation		Total	
	2020	2019	2020	2019 As Restated	2020	2019 As Restated
ASSETS						
Current Assets						
Cash and cash equivalents	$ 64,360,690	$ 53,028,398	$ 1,789,730	$ 1,638,726	$ 66,150,420	$ 54,667,124
Restricted cash and cash equivalents	94,361	228,369	-	-	94,361	228,369
Short-term investments	14,963,598	24,243,054	-	-	14,963,598	24,243,054
Accounts receivable, net	8,205,435	6,784,640	227,299	367,930	8,432,734	7,152,570
Loans receivable - current portion	-	358	-	-	-	358
Other assets	673,008	661,542	-	4,789	673,008	666,331
Inventories	1,659,485	2,083,504	-	-	1,659,485	2,083,504
Internal balances	974,817	20,580	(974,817)	(20,580)	-	-
Total current assets	90,931,394	87,050,445	1,042,212	1,990,865	91,973,606	89,041,310
Noncurrent Assets						
Long-term investments	3,284,281	2,473,795	38,950,916	40,383,315	42,235,197	42,857,110
Accounts receivable - long term portion	-	-	382,637	539,386	382,637	539,386
Loans receivable - long term portion	-	8,188	-	-	-	8,188
Capital assets not being depreciated	12,086,963	13,071,889	-	-	12,086,963	13,071,889
Capital assets, net of accumulated depreciation	177,293,440	183,731,760	-	-	177,293,440	183,731,760
Total noncurrent assets	192,664,684	199,285,632	39,333,553	40,922,701	231,998,237	240,208,333
Total assets	283,596,078	286,336,077	40,375,765	42,913,566	323,971,843	329,249,643
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pension liability	4,886,798	8,574,747	-	-	4,886,798	8,574,747
Deferred outflows related to OPEB liability	294,050	178,620	-	-	294,050	178,620
Deferred charge on bond refunding	1,382,064	1,676,728	-	-	1,382,064	1,676,728
Total deferred outflows of resources	6,562,912	10,430,095	-	-	6,562,912	10,430,095
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 290,158,990	$ 296,766,172	$ 40,375,765	$ 42,913,566	$ 330,534,755	$ 339,679,738
LIABILITIES						
Current Liabilities						
Accounts payable and accrued expenses	$ 13,949,735	$ 12,651,130	$ -	$ -	$ 13,949,735	$ 12,651,130
Deposits held in custody for others	2,703,362	2,499,386	-	-	2,703,362	2,499,386
Unearned revenue	3,861,094	3,422,674	-	-	3,861,094	3,422,674
Current portion of long-term liabilities	10,449,392	10,577,081	-	-	10,449,392	10,577,081
Total current liabilities	30,963,583	29,150,271	-	-	30,963,583	29,150,271
Noncurrent Liabilities						
Long-term liabilities	99,339,453	111,001,528	-	-	99,339,453	111,001,528
Net pension liability	29,752,158	34,754,579	-	-	29,752,158	34,754,579
OPEB liability	1,770,931	1,599,326	-	-	1,770,931	1,599,326
Total noncurrent liabilities	130,862,542	147,355,433	-	-	130,862,542	147,355,433
Total liabilities	161,826,125	176,505,704	-	-	161,826,125	176,505,704
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pension liability	3,568,280	1,505,481	-	-	3,568,280	1,505,481
Deferred inflows related to OPEB liability	437,987	494,077	-	-	437,987	494,077
Total deferred inflows of resources	4,006,267	1,999,558	-	-	4,006,267	1,999,558
NET POSITION						
Net investment in capital assets	86,124,531	83,809,117	-	-	86,124,531	83,809,117
Restricted - expendable	-	-	13,708,930	14,893,883	13,708,930	14,893,883
Restricted - nonexpendable	-	-	22,323,982	24,143,886	22,323,982	24,143,886
Unrestricted	38,202,067	34,451,793	4,342,853	3,875,797	42,544,920	38,327,590
Total net position	124,326,598	118,260,910	40,375,765	42,913,566	164,702,363	161,174,476
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 290,158,990	$ 296,766,172	$ 40,375,765	$ 42,913,566	$ 330,534,755	$ 339,679,738

HARRISBURG AREA COMMUNITY COLLEGE
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2020 and 2019

	Primary Institution		Component Unit Foundation		Total	
	2020	2019	2020	2019	2020	2019
REVENUES						
Operating Revenues						
Student tuition and fees	$ 74,589,912	$ 78,663,174	$ -	$ -	$ 74,589,912	$ 78,663,174
Scholarship allowance and discounts	(19,350,398)	(18,246,842)	-	-	(19,350,398)	(18,246,842)
Federal grants	32,440,569	30,783,132	-	-	32,440,569	30,783,132
State and local grants	6,832,655	7,046,880	-	-	6,832,655	7,046,880
Nongovernmental grants	701	15,436	-	-	701	15,436
Sales and services of auxiliary enterprises	10,254,571	11,383,321	-	-	10,254,571	11,383,321
Other operating revenues	10,714,011	11,671,122	-	-	10,714,011	11,671,122
Contributions	-	-	1,014,619	2,782,465	1,014,619	2,782,465
Investment income, net of investment expenses	-	-	953,686	1,189,749	953,686	1,189,749
Realized and unrealized gains (losses) on investments	-	-	(1,123,219)	745,625	(1,123,219)	745,625
Total operating revenues	115,482,021	121,316,223	845,086	4,717,839	116,327,107	126,034,062
EXPENSES						
Operating Expenses						
Salaries and wages	73,572,073	79,192,097	843,792	1,244,283	74,415,865	80,436,380
Benefits and payroll taxes	27,578,771	30,561,644	360,494	505,254	27,939,265	31,066,898
Supplies and other expense	22,009,766	24,220,158	83,244	107,303	22,093,010	24,327,461
Professional and purchased services	4,175,867	4,185,975	104,779	125,328	4,280,646	4,311,303
Utilities	3,026,857	2,977,626	-	-	3,026,857	2,977,626
Depreciation and amortization	11,851,128	11,824,782	-	-	11,851,128	11,824,782
Scholarships	18,976,378	17,435,985	-	-	18,976,378	17,435,985
Total operating expenses	161,190,840	170,398,267	1,392,309	1,982,168	162,583,149	172,380,435
Operating income (loss)	(45,708,819)	(49,082,044)	(547,223)	2,735,671	(46,256,042)	(46,346,373)
NON-OPERATING REVENUES (EXPENSES)						
State appropriations	38,963,402	38,429,022	-	-	38,963,402	38,429,022
Local appropriations	4,198,765	4,084,855	-	-	4,198,765	4,084,855
Gifts	733,814	910,046	-	-	733,814	910,046
Gain (loss) on sale of assets	(25,552)	(72)	-	-	(25,552)	(72)
Investment income, net of investment expenses	1,210,609	1,587,665	-	-	1,210,609	1,587,665
Interest expense	(3,898,757)	(4,249,782)	-	-	(3,898,757)	(4,249,782)
Total non-operating revenues, net	41,182,281	40,761,734	-	-	41,182,281	40,761,734
Net gain (loss) before capital contributions, additions to permanent endowments and transfers	(4,526,538)	(8,320,310)	(547,223)	2,735,671	(5,073,761)	(5,584,639)
CAPITAL CONTRIBUTIONS, ADDITIONS TO PERMANENT ENDOWMENTS AND TRANSFERS						
Capital appropriations - local sources	500,000	1,000,000	-	-	500,000	1,000,000
Capital appropriations - state sources	7,346,858	7,341,618	-	-	7,346,858	7,341,618
Capital grants and gifts	687,533	378,612	-	-	687,533	378,612
Contributions to permanent endowments	-	-	67,257	781,558	67,257	781,558
Transfers in	3,264,712	2,641,244	1,206,877	1,774,650	4,471,589	4,415,894
Transfers out	(1,206,877)	(1,774,650)	(3,264,712)	(2,641,244)	(4,471,589)	(4,415,894)
Total Capital Contributions, Additions to Permanent Endowments and Transfers	10,592,226	9,586,824	(1,990,578)	(85,036)	8,601,648	9,501,788
Change in net position	6,065,688	1,266,514	(2,537,801)	2,650,635	3,527,887	3,917,149
Net position - beginning of year	118,260,910	116,994,396	42,913,566	40,262,931	161,174,476	157,257,327
Net position - end of year	$ 124,326,598	$ 118,260,910	$ 40,375,765	$ 42,913,566	$ 164,702,363	$ 161,174,476

HARRISBURG AREA COMMUNITY COLLEGE
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	Primary Institution		Component Unit Foundation		Total	
	2020	2019	2020	2019	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments received for tuition and fees	$ 56,632,317	$ 60,977,757	$ -	$ -	$ 56,632,317	$ 60,977,757
Payments received from auxiliary enterprise charges	10,275,017	11,392,030	-	-	10,275,017	11,392,030
Payments received from other revenues	10,594,849	11,671,235	1,322,890	3,002,293	11,917,739	14,673,528
Payments to and on behalf of employees	(99,981,392)	(107,729,031)	-	-	(99,981,392)	(107,729,031)
Payments to suppliers for goods and services	(28,563,466)	(30,674,632)	(136,204)	(115,725)	(28,699,670)	(30,790,357)
Payments for financial aid and scholarships	(19,020,075)	(17,435,861)	-	-	(19,020,075)	(17,435,861)
Net cash provided (used) by operating activities	(70,062,750)	(71,798,502)	1,186,686	2,886,568	(68,876,064)	(68,911,934)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Grants and contracts	37,214,563	38,908,983	-	-	37,214,563	38,908,983
State appropriations	36,937,336	36,379,715	-	-	36,937,336	36,379,715
Local appropriations	4,136,607	4,070,924	-	-	4,136,607	4,070,924
Gifts received	763,841	979,439	-	-	763,841	979,439
Transfer to/(from) other funds	2,310,475	2,710,708	(2,310,475)	(2,710,708)	-	-
Net cash provided (used) by noncapital financing activities	81,362,822	83,049,769	(2,310,475)	(2,710,708)	79,052,347	80,339,061
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES						
State and local appropriations	7,846,858	8,341,618	-	-	7,846,858	8,341,618
Capital grants and gifts received	661,681	341,612	-	-	661,681	341,612
Purchases of capital assets	(5,015,060)	(5,138,909)	-	-	(5,015,060)	(5,138,909)
Proceeds from sale of capital assets	443,961	9,722	-	-	443,961	9,722
Capital debt refinancing payment	18,474	61,013	-	-	18,474	61,013
Principal paid on debt and capital leases	(9,623,801)	(9,528,848)	-	-	(9,623,801)	(9,528,848)
Interest paid on debt and capital leases	(4,221,869)	(4,310,696)	-	-	(4,221,869)	(4,310,696)
Net cash provided (used) by capital financing activities	(9,889,756)	(10,224,488)	-	-	(9,889,756)	(10,224,488)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	(50,480,447)	(31,177,784)	309,180	(3,036,721)	(50,171,267)	(34,214,505)
Proceeds from sale/maturities of investments	58,949,417	34,383,680	-	-	58,949,417	34,383,680
Investment income	1,318,998	1,520,012	965,613	1,937,553	2,284,611	3,457,565
Net cash provided (used) by investing activities	9,787,968	4,725,908	1,274,793	(1,099,168)	11,062,761	3,626,740
Increase(Decrease) in cash and cash equivalents	11,198,284	5,752,687	151,004	(923,308)	11,349,288	4,829,379
Cash and cash equivalents - beginning of year	53,256,767	47,504,080	1,638,726	2,562,034	54,895,493	50,066,114
Cash and cash equivalents - end of year	$ 64,455,051	$ 53,256,767	$ 1,789,730	$ 1,638,726	$ 66,244,781	$ 54,895,493
AS REPORTED ON STATEMENT OF NET POSITION						
Cash and cash equivalents	$ 64,360,690	53,028,398	$ 1,789,730	$ 1,638,726	$ 66,150,420	$ 54,667,124
Restricted cash and cash equivalents	94,361	228,369	-	-	94,361	228,369
Total cash and cash equivalents	$ 64,455,051	$ 53,256,767	$ 1,789,730	$ 1,638,726	$ 66,244,781	$ 54,895,493

HARRISBURG AREA COMMUNITY COLLEGE
Statements of Cash Flows (Continued)
Years Ended June 30, 2020 and 2019

	Primary Insitution		Component Unit Foundation		Total	
	2020	2019	2020	2019	2020	2019
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES						
Operating (loss)	$ (45,708,819)	$ (49,082,044)	$ (547,223)	$ 2,735,671	$ (46,256,042)	$ (46,346,373)
Adjustments to reconcile net operating loss to net cash used in operating activities:						
Depreciation and amortization	11,851,128	11,824,782	-	-	11,851,128	11,824,782
Grants classified as operating revenues	(39,273,925)	(37,845,448)	-	-	(39,273,925)	(37,845,448)
Miscellaneous nonoperating revenues	1,991,000	2,007,909	-		1,991,000	2,007,909
Investment income	-	-	(953,686)	(1,189,749)	(953,686)	(1,189,749)
Realized and unrealized (gains) losses on investments	-	-	1,123,219	(745,625)	1,123,219	(745,625)
Contributions to permanent endowments	-	-	67,257	781,558	67,257	781,558
Transfers to/(from) other funds	(1,206,877)	(1,774,648)	1,206,877	1,774,648	-	-
(Increase) Decrease in:		-				
Accounts receivable	662,413	672,158	285,453	(468,630)	947,866	203,528
Inventory	424,019	66,260	-	-	424,019	66,260
Other assets	(42,416)	181,399	4,789	(1,305)	(37,627)	180,094
Increase (Decrease) in:						
Unearned revenue	321,445	178,080	-	-	321,445	178,080
Accounts payable and accrued expenses	1,589,332	207,338		-	1,589,332	207,338
Compensated absences	(1,622,436)	(265,820)	-	-	(1,622,436)	(265,820)
Other postemployment benefits	81	50,752	-	-	81	50,752
Net pension liability and related items	748,329	1,804,996	-	-	748,329	1,804,996
Deposits held in custody for others	203,976	175,784	-	-	203,976	175,784
Net cash provided (used) by operating activities	$ (70,062,750)	$ (71,798,502)	$ 1,186,686	$ 2,886,568	$ (68,876,064)	$ (68,911,934)
NONCASH INVESTING, CAPITAL AND NONCAPITAL FINANCING TRANSACTIONS						
Capital gifts of equipment and buildings	$ 25,852	$ 37,000	$ -	$ -	$ 25,852	$ 37,000
Transfers of salaries, benefits, professional services, and other in-kind contributions	$ (1,206,877)	$ (1,851,150)	$ 1,206,877	$ 1,851,150	$ -	$ -
Unrealized gains (losses) on investments	$ (228,140)	$ 136,760	$ 372,397	$ 931,761	$ 144,257	$ 1,068,521

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Basis of Presentation

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

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

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

Reporting Entity

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

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

Measurement Focus and Basis of Accounting

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

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

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

Net Position

Net position is classified in the following categories:

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

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

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

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

Management's Use of Estimates

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

Cash and Cash Equivalents

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

Restricted Cash and Cash Equivalents

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

Investments

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Total Return Policy - HACC Foundation

The Foundation follows PA Act 141, "Investment of Trust Funds," and has adopted a total return policy for its permanently restricted (nonexpendable) endowment funds. Based on the PA Act 141 guidelines, the policy has been set into place where income for permanently restricted (nonexpendable) funds has been redefined to mean a percentage of the value of the trust. This percentage is determined annually by the Foundation Board and applied to the previous three years' average of the market value of the trust as a whole. The percentage must legally fall within the range of 2% to 7% and was approved to be 4% for the years ended June 30, 2020 and 2019. Actual investment return, net of the 4% spending policy, is added back to the permanently restricted (nonexpendable) corpus. The purpose of this policy is to smooth out the spending of the funds while maintaining the long-term preservation of the fund as a whole under the assumption that in the long run, the actual income and growth of the fund will be greater than the spending of the fund.

Inventories

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

Capital Assets

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

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

Deferred Outflows and Inflows of Resources

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources (Continued)

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

Long-Term Obligations

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

Income Taxes

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

Compensated Absences

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Revenues

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

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

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

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

Accounts Receivable

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

Allowance for Doubtful Accounts

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

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

Scholarship Allowances

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Scholarship Allowances (Continued)

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties and the Federal Direct Loan Program (FDLP) is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as either operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a College-wide basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

Pension Plans

Employees of the College are provided pension benefits through one of three available multiple-employer retirement plans. The College follows the provisions of GASB standards for the measurement, recognition, and display of the net pension liability, deferred outflows and inflows of resources, pension expense, and note disclosures associated with their proportionate share of the pension plan.

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

Other Postemployment Benefits Other Than Pension

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

College Health Care Plan

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Postemployment Benefits Other Than Pension (Continued)

PSERS Health Insurance Premium Assistance Program

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

Reclassifications

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

Risks and Uncertainties

Recent economic and government reactions to the COVID-19 pandemic have resulted in temporary reductions or shutdowns of operations for some businesses and created many economic uncertainties. These uncertainties include but are not limited to disruption of the College's revenue sources derived from the ability of students to pay for services provided. In addition, these uncertainties include but are not limited to the disruption of the Foundation's income levels of contributions, and number of contributions. These events could impact the entities financial investment market conditions and operating results. However, the financial impact and duration cannot be reasonably estimated at this time.

NOTE 2 DEPOSITS AND INVESTMENTS

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

- U.S. Treasury obligations which carry the full faith and credit guarantee of the United States government and are considered to be the most secure instruments available;
- U.S. government agency and instrumentality obligations that have a liquid market with a readily determinable market value;
- Investment-grade obligations of state, provincial and local governments and public authorities;
- Repurchase agreements whose underlying purchased securities consist of the U.S. Treasury obligations or U.S. government agency and instrumentality obligations as outlined above;
- Certificates of deposit and other evidences of deposit at financial institutions;
- Bankers' acceptances;
- Commercial paper;

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

- Shares of a portfolio of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933; provided that all of the following are met: (a) the only investments of that portfolio are in the authorized investments listed above, (b) the portfolio is managed so as to maintain its shares at a constant net asset value in accordance with 17 CFR 270 2a-7 (relating to money market funds); and (c) the portfolio is rated in the highest category by a nationally recognized rating agency.
- Shares of a portfolio of a local government investment pool, either state-administered or developed through State Law, also known as the Intergovernmental Cooperation Act, provided that the following are met: (a) the only investments of that portfolio are in the authorized investments listed above, (b) the portfolio is managed so as to maintain its shares at a constant net asset value in accordance with 17 CFR 270 2a-7 (relating to money market funds); and (c) the portfolio is rated in the highest category by a nationally recognized rating agency.

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

Custodial Credit Risk – Deposits and Investments

Custodial credit risk is the risk that in the event of a bank failure, the College's or the Foundation's deposits may not be returned. The College and the Foundation have separate deposits and therefore have separate credit risk. Neither the College nor the Foundation has a written policy for custodial credit risk. As of June 30, 2020, $ 26,299,376 of the College's bank balance of $ 64,335,668 was exposed to custodial credit risk but collateralized under Pennsylvania Act 72. As of June 30, 2019, $ 18,130,957 of the College's bank balance of $ 54,359,255 was exposed to custodial credit risk but collateralized under Pennsylvania Act 72. Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledger of the assets.

Based on the standards outlined in Act 72, the various banks utilized by the College have pledged collateral on a pooled basis on behalf of the College and all other governmental depositors in the respective financial institutions.

As of June 30, 2020, $ 1,539,690 of the Foundation's bank balance of $ 1,789,690 was exposed to custodial credit risk, all of which was uninsured and uncollateralized. As of June 30, 2019, $ 1,443,219 of the Foundation's bank balance of $ 1,637,829 was exposed to custodial credit risk, all of which was uninsured and uncollateralized. In addition, the Foundation has investments of $ 38,950,916 and $ 40,383,315 as of June 30, 2020 and 2019, respectively, which are exposed to custodial credit risk because the investments are held on behalf of the Foundation by an investment manager, not in the name of the Foundation. All of these investments are uninsured and uncollateralized.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk - Investments

Credit risk is the risk that an issuer of debt securities or other counterparty to an investment will not fulfill its obligations.

Included on the statement of net position of the College are pooled investments in the Pennsylvania School District Liquid Asset Fund (PSDLAF) of $ 535,497 and $ 529,141 (classified as cash equivalents) at June 30, 2020 and 2019, respectively. These funds are basically mutual funds that consist of short-term money market instruments and seek to maintain a constant net asset value of $ 1 per share. Portfolio securities are valued at amortized cost, which approximates market value. At June 30, 2020 and 2019, the College's investment in PSDLAF was rated AAAm by Standard and Poor's.

PSDLAF is not registered with the Securities and Exchange Commission (SEC); however, PSDLAF follows investment procedures similar to those followed by SEC registered money market funds. There is no regulatory oversight for the pool which is governed by the PSDLAF Board of Trustees. The College's investment in PSDLAF is valued at amortized cost, which approximates fair value and is determined by the pools' share price.

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

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

As of June 30, 2020, the Foundation's investments were rated as follows:

	2020		2019	
Investment Type	**Fair Value**	**S+P Credit Quality Rating**	**Fair Value**	**S+P Credit Quality Rating**
Stocks, options, and ETF's	$ 17,193,648	N/A	$ 18,691,225	N/A
Fixed income securities	2,951,908	AAA to BBB-	2,642,790	AAA to BBB-
Mutual funds	18,805,360	N/A	19,049,300	N/A
	$ 38,950,916		$ 40,383,315	

The Foundation's investment policy limits fixed income securities to investment grade bonds.

Interest Rate Risk - Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments in PSDLAF are not subject to interest rate risk as the funds are accessible on a daily basis and the interest rates change daily based on market conditions.

As of June 30, 2020, the College had the following investments subject to interest rate risk:

		Investment Maturities (in Years)		
	Fair Value	**Less than 1**	**1-5**	**6-10**
Negotiable CD's	$ 9,311,512	$ 7,897,231	$ 1,414,281	$ -
Commercial paper	6,090,564	6,090,564	-	-
Municipal Bonds	2,320,072	450,072	-	1,870,000

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk – Investments (Continued)

As of June 30, 2020, the Foundation had the following investments subject to interest rate risk:

		Investment Maturities (in Years)			
	Fair Value	**Less than 1**	**1-5**	**6-10**	**Thereafter**
Fixed income securities	$ 2,951,908	$ -	$ 431,506	$ 1,065,399	$ 1,455,003

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

Market Risks

The entities invest in various investment securities, which are exposed to various risks, such as interest rate, market, currency and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could be material.

In addition, economic uncertainty and market events as a result of COVID-19 pandemic and other market forces have led to unprecedented volatility in currency, commodity, credit and equity markets. These events underscore the level of investment risk associated with the current economic environment, and accordingly the level of risk in the Foundation's investment securities.

Investments – Fair Value Measurements

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

The following is a description of the valuation methodologies used for instruments measured at fair value on the Statement of Net Position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Negotiable Certificates of Deposit

The fair value of negotiable certificates of deposit are estimated using a discounted cash flow calculation that applies to interest rates currently being offered for deposits of similar remaining maturities to a schedule of aggregated expected maturities of such deposits. Such investments are classified within Level 2 of the valuation hierarchy.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Commercial Paper

Commercial paper consists of various corporations. These investments are generally valued at the most recent price of the equivalent quotes yield for such securities, or those comparable to maturity, quality, and type. Such investments are generally classified within Level 2 of the valuation hierarchy.

Municipal Bonds

The fair value of municipal bonds is estimated using similar bonds available on the open market. Such investments are generally classified as Level 2 of the valuation hierarchy.

Equity Securities and Mutual Funds

Equity securities and mutual funds listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the mean of the last bid and ask prices on such exchange. The Foundation's interests in mutual funds are categorized by type as equity, fixed income, or alternative investments. Such securities are classified within Level 1 of the valuation hierarchy.

Government Obligations and Corporate Bonds

Government obligations consisting of U.S. Treasury bonds and notes, agency securities, mortgage backed securities and corporate debt obligations consisting of bonds are generally valued at the most recent price of the equivalent quotes yield for such securities, or those comparable maturity, quality, and type. Such investments are generally classified within Level 2 of the valuation hierarchy.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

The following table sets forth by level within the fair value hierarchy, the financial assets that were accounted for at fair value on a recurring basis as of June 30, 2020 and 2019:

2020	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
College:				
Negotiable certificates of deposit	$ 9,311,512	$ -	$ 9,311,512	$ -
Commercial paper	6,090,564	-	6,090,564	-
Municipal bonds	2,320,072		2,320,072	
Foundation:				
Mutual funds	18,805,360	18,805,360	-	-
Equities	17,193,648	17,193,648	-	-
US Government obligations	990,367	-	990,367	-
US Treasury bonds	331,883	-	331,883	
Municipal bonds	262,853	-	262,853	-
Corporate bonds	1,366,805	-	1,366,805	-
Total investments by fair value category	$ 54,352,992	$ 35,999,008	$ 12,263,420	$ -

2019	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
College:				
Negotiable certificates of deposit	$ 14,553,483	$ -	$ 14,553,483	$ -
Commercial paper	10,620,891	-	10,620,891	-
Foundation:				
Mutual funds	19,049,300	19,049,300	-	-
Equities	18,691,225	18,691,225	-	-
US Government obligations	952,940	-	952,940	-
Fixed income exchange traded funds	309,600	-	309,600	-
Foreign bonds	212,106	-	212,106	
Corporate bonds	1,168,144	-	1,168,144	-
Total investments by fair value category	$ 65,557,689	$ 37,740,525	$ 17,196,273	$ -

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

	College		HACC Foundation		Total	
	2020	2019	2020	2019	2020	2019
Student Tuition and fees	$ 5,434,925	$ 6,531,633	$ -	$ -	$ 5,434,925	$ 6,531,633
Allowance for doubtful accounts	(1,456,000)	(1,822,000)	-	-	(1,456,000)	(1,822,000)
Grants and contracts receivable	2,841,559	757,621	-	-	2,841,559	757,621
State appropriations receivable	852,856	816,306	-	-	852,856	816,306
Other receivables	532,095	501,080	60,002	71,929	592,097	573,009
Contributions receivable (net of discount)	-	-	607,103	889,618	607,103	889,618
Allowance for doubtful accounts	-	-	(57,169)	(54,231)	(57,169)	(54,231)
Total	$ 8,205,435	$ 6,784,640	$ 609,936	$ 907,316	$ 8,815,371	$ 7,691,956

Contributions receivable of the Foundation, representing donor promises to give, have been discounted to their present value assuming their respective terms and a discount rate of 0.29% - 2.73% at June 30, 2020 and 2019. In addition to the contributions receivable noted above, the Foundation also has pledges outstanding for permanently restricted (nonexpendable) endowments that are not reflected in these financial statements. In accordance with GASB standards, contributions are considered voluntary nonexchange transactions which are not recorded as receivable and revenue until all eligibility requirements are met. In the case of contributions where the principal amount must be maintained in perpetuity, the time eligibility requirement related to permanently holding the assets cannot be met until the assets are received. Therefore, receivables are not recorded for these transactions and revenues are not recorded until assets are received. The amount of permanently restricted (nonexpendable) pledges, net of allowance, that are being maintained and tracked internally are $ 33,793 as of June 30, 2020 and $ 68,864 as of June 30, 2019.

NOTE 4 ENDOWMENTS

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

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

NOTE 4 ENDOWMENTS (CONTINUED)

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

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

Total Return Policy

Based on the Total Return Policy described in Note 1, $ 930,782 and $ 871,829 was designated as spendable income within the restricted nonexpendable funds during the years ended June 30, 2020 and 2019, respectively. The remaining amount of accumulated spendable income which is included in restricted expendable net position is $ 2,280,820 and $ 2,196,890 at June 30, 2020 and 2019, respectively.

NOTE 5 CAPITAL ASSETS

The following is a summary of capital asset transactions of the College for the years ended June 30, 2020 and 2019:

2020

	Beginning Balance	Additions	Retirements	Ending Balance
Cost:				
Capital assets not being depreciated				
Land	$ 11,368,181	$ -	$ (144,600)	$ 11,223,581
Construction in progress	1,703,708	797,723	(1,638,049)	863,382
Total capital assets not being depreciated	13,071,889	797,723	(1,782,649)	12,086,963
Capital assets being depreciated				
Building	156,376,053	-	(421,242)	155,954,811
Improvements - land	14,678,100	637,474		15,315,574
Improvements - building	91,456,550	3,108,098		94,564,648
Improvements - leasehold	17,427,316	20,380		17,447,696
Instructional equipment	40,009,405	1,220,753	(68,453)	41,161,705
Non-instructional equipment	35,094,705	712,206	(48,924)	35,757,987
Total capital assets being depreciated	355,042,129	5,698,911	(538,619)	360,202,421
Less accumulated depreciation:				
Building	(57,232,692)	(3,536,584)	100,076	(60,669,200)
Improvements - land	(3,868,806)	(710,657)		(4,579,463)
Improvements - building	(39,551,017)	(4,101,916)		(43,652,933)
Improvements - leasehold	(10,770,611)	(871,486)		(11,642,097)
Instructional equipment	(28,294,401)	(864,972)	66,812	(29,092,561)
Non-instructional equipment	(31,592,842)	(1,726,704)	46,819	(33,272,727)
Total accumulated depreciation	(171,310,369)	(11,812,319)	213,707	(182,908,981)
Total capital assets being depreciated, net	183,731,760	(6,113,408)	(324,912)	177,293,440
Total capital assets, net	$ 196,803,649	$ (5,315,685)	$ (2,107,561)	$ 189,380,403

2019

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

NOTE 6 OTHER ASSETS

Other assets of the College at June 30 consist of:

	2020	2019
Prepaid expenses	$ 338,761	$ 288,486
Prepaid bond insurance	585,970	617,031
Accumulated amortization - prepaid bond insurance	(251,723)	(243,975)
	$ 673,008	$ 661,542

NOTE 7 BORROWINGS AND COMPENSATED ABSENCES

Long-term liabilities had the following activity during the year ended June 30, 2020 and 2019:

2020

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Long-term Portion
Leases and bonds payable:						
Capital lease obligations	$ 265,847	$ 18,476	$ (103,801)	$ 180,522	$ 79,144	$ 101,378
SPSBA and LHEA College Revenue Bonds payable:						
Series of 2011	36,955,000	-	(2,150,000)	34,805,000	2,265,000	32,540,000
Series of 2012	11,325,000	-	(650,000)	10,675,000	670,000	10,005,000
Series of 2013	2,210,000	-	(1,060,000)	1,150,000	1,080,000	70,000
Series of 2014	15,200,000	-	(1,820,000)	13,380,000	1,900,000	11,480,000
Series of 2015	3,135,000	-	(530,000)	2,605,000	470,000	2,135,000
Series of 2015A	12,530,000	-	(830,000)	11,700,000	870,000	10,830,000
Series of 2016	15,945,000	-	(685,000)	15,260,000	720,000	14,540,000
Series of 2016A	13,485,000	-	(1,795,000)	11,690,000	1,200,000	10,490,000
Bond premium	3,976,718	-	(575,839)	3,400,879	533,773	2,867,106
Bond discount	(127,943)	-	13,836	(114,107)	(13,836)	(100,271)
Total leases and bonds payable	114,899,622	18,476	(10,185,804)	104,732,294	9,774,081	94,958,213
Other liabilities:						
Compensated absences:						
Vacation leave	3,777,256	1,498,858	(2,550,184)	2,725,930	353,054	2,372,876
Sick leave	2,901,731	1,406,111	(1,977,221)	2,330,621	322,257	2,008,364
Total other liabilities	6,678,987	2,904,969	(4,527,405)	5,056,551	675,311	4,381,240
Total long-term liabilities	$ 121,578,609	$ 2,923,445	$ (14,713,209)	$ 109,788,845	$ 10,449,392	$ 99,339,453

2019

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

NOTE 7 BORROWINGS AND COMPENSATED ABSENCES (CONTINUED)

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

College Revenue Bonds Payable

College revenue bonds payable at June 30, 2020 and 2019 consist of the following:

	2020	2019
2011, issued $51,010,000 in December 2011; at a fixed rate of 2.00%-5.00%; interest and principal payable semi-annually through October 2031.	34,805,000	36,955,000
2012, issued $14,860,000 in October 2012; at a fixed rate of 0.90%-3.75%; interest and principal payable semi-annually through October 2032.	10,675,000	11,325,000
2013, issued $8,185,000 in April 2013; at a fixed rate of 1.00%-2.50%; interest and principal payable semi-annually through October 2021.	1,150,000	2,210,000
2014, issued $22,510,000 in June 2014; at a fixed rate of 0.30%-3.50%; interest and principal payable semi-annually through October 2027.	13,380,000	15,200,000
2015, issued $5,720,000 in February 2015; at a fixed rate of 0.30%-2.46%; interest and principal payable semi-annually through October 2024.	2,605,000	3,135,000
2015A, issued $14,245,000 in February 2015; at a fixed rate of 0.50%-3.11%; interest and principal payable semi-annually through October 2030.	11,700,000	12,530,000
2016, issued $18,000,000 in July 2016; at a fixed rate of 0.75%-3.00%; interest and principal payable semi-annually through October 2036.	15,260,000	15,945,000
2016A, issued $13,620,000 in July 2016; at a fixed rate of 0.78%-2.7%; interest and principal payable semi-annually through October 2029.	11,690,000	13,485,000
Total College revenue bonds payable	$ 101,265,000	$ 110,785,000

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

Line of Credit

In addition to the above bonds payable, the College also has a line of credit, which was authorized on December 16, 2015, available in the amount of $ 10,000,000, with a variable interest rate of LIBOR plus 0.85%. There were no draws on the line of credit during the fiscal year and the ending balance as of June 30, 2020 and 2019 is $ 0.

NOTE 7 BORROWINGS AND COMPENSATED ABSENCES (CONTINUED)

Future Maturities

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

Year Ending	State Share		College Share		Total	Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Total
2021	$ 4,096,500	$ 1,626,266	$ 5,078,500	$ 2,174,979	$ 9,175,000	$ 3,801,245	$ 12,976,245
2022	3,750,500	1,459,884	4,784,500	1,954,956	8,535,000	3,414,840	11,949,840
2023	3,871,500	1,303,666	4,948,500	1,756,154	8,820,000	3,059,820	11,879,820
2024	4,031,250	1,143,511	5,153,750	1,556,913	9,185,000	2,700,424	11,885,424
2025	3,733,500	987,780	4,891,500	1,357,505	8,625,000	2,345,285	10,970,285
2026 - 2030	17,120,000	2,916,778	21,825,000	4,303,778	38,945,000	7,220,556	46,165,556
2031 - 2035	5,677,500	274,642	11,117,500	951,142	16,795,000	1,225,783	18,020,783
2036 - 2037	-	-	1,185,000	35,550	1,185,000	35,550	1,220,550
Total	$ 42,280,750	$ 9,712,526	$ 58,984,250	$ 14,090,978	$ 101,265,000	$ 23,803,503	$ 125,068,503

NOTE 8 LEASES

Capital Leases

The College has entered into capital leases for certain vehicles. At June 30, 2020 and 2019, the leased assets are as follows:

	2020	2019
Capitalized equipment	$ 575,989	$ 557,647
Accumulated amortization	(397,040)	(299,132)
Net book value	$ 178,949	$ 258,515

The amortization expense for the years ended June 30, 2020 and 2019 was $ 97,908 and $ 97,648 and is included with depreciation expense for the respective years.

The future minimum lease payments under capital leases as of June 30, 2020 are as follows:

2021	$ 92,181
2022	62,506
2023	38,922
2024	16,199
2025	1,742
	211,550
Less interest	(31,028)
	$ 180,522

NOTE 8 LEASES (CONTINUED)

Operating Leases

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

2021	$ 3,933,641
2022	3,452,747
2023	237,503
2024	122,730
Total minimum lease payments	$ 7,746,621

The total rent expenses under operating leases for the years ended June 30, 2020 and 2019 was $ 3,333,810 and $ 3,438,336, respectively.

NOTE 9 RISK MANAGEMENT

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

The College has purchased commercial insurance to cover general and professional liability, cyber liability, directors and officers liability, worker's compensation, accident insurance, flood, unemployment compensation, and employees' health coverage. For these insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

The College is self-insured for dental coverage and a prescription drug plan. The liability for estimated claims at June 30, 2020 and 2019 represents three months of claims paid. Changes in the College's claims liability amount for the years ended June 30 were:

	2020	2019
Beginning balance	$ 138,215	$ 150,353
Claims made/Changes in estimates	208,261	583,372
Claims paid	(277,180)	(595,510)
Ending balance	$ 69,296	$ 138,215

NOTE 10 PENSION BENEFITS

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

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

General Information about the Pension Plans

Plan Descriptions

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

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

Benefits Provided

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

NOTE 10 PENSION BENEFITS (CONTINUED)

General Information about the Pension Plans (Continued)

Benefits Provided (Continued)

Act 5 of 2017 (Act 5) introduced a hybrid benefit plan with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC).

Class T-G and Class T-H members qualify for a defined benefit normal retirement benefit must work until age 67with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 97 with a minimum 35 years of service.

Defined benefits for T-G and T-H are 1.25% or 1.00%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. A members' right to a defined benefit is vested in 10 years.

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

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

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

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

NOTE 10 PENSION BENEFITS (CONTINUED)

General Information about the Pension Plans (Continued)

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

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

Contributions

Public School Employees' Retirement System (PSERS)

Member Contributions:

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

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

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

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

Members who joined the System after June 30, 2019, are defaulted into Membership Class T-G rate of 8.25% (base rate) of the member's qualifying compensation. Members may elect Class T-H which has a rate of 7.50%. Each of these classes are a hybrid of defined benefit and defined contribution plans. Members may also elect Class DC, which is a defined contribution plan with a rate of 7.50%.

NOTE 10 PENSION BENEFITS (CONTINUED)

General Information about the Pension Plan (Continued)

Contributions (Continued)

Members are always 100% vested in their own mandatory before-tax, after-tax, and rollover contributions made to the defined contribution plan. Members with at least three eligibility points become vested and eligible for employer defined contributions made on their behalf.

Employer Contributions:

The College's contractually required contribution rate for fiscal years ended June 30, 2020 and 2019 was 33.45% and 32.60%, respectively, of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the employer were $ 1,048,555 and $ 1,104,870 for the years ended June 30, 2020 and 2019, respectively.

State Funding:

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

Pennsylvania State Employees' Retirement System (SERS)

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

The general membership contribution rate for all Class A and Class AA members is 5% and 6.25% of salary, respectively. The general membership contribution rate under Act 2010-120 for A-3 and A-4 members is 6.25% and 9.3% of salary, respectively. All employee contributions are recorded in individually identified accounts that are credited with interest, calculated at 4% per annum, as mandated by statute.

NOTE 10 PENSION BENEFITS (CONTINUED)

General Information about the Pension Plan (Continued)

Contributions (Continued)

Accumulated employee contributions are credited interest vest immediately and are returned to the employee upon termination of service if the employee is not eligible for other benefits.

At December 31, 2019 and 2018, the actuarially determined rate including the Benefits Completion Plan (BCP) was 33.59% and 32.93%, respectively.

Employer rates are computed based on SERS full year ended December 31 and applied to the Commonwealth based on its fiscal year end of June 30; therefore, the employer contribution rates, in effect for SERS full year ended December 31, reflect a blended average of calculated rates. As of December 31, 2019 and 2018, the blended contribution rates were 33.26% and 33.09%, respectively. Contributions to the pension plan from the employer were $ 2,020,730 and $ 2,182,733 for the years ended June 30, 2020 and 2019.

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

Public School Employees' Retirement System (PSERS)

At June 30, 2020 and 2019, the College reported a liability for its proportionate share of the net pension liability that reflected a reduction for Commonwealth pension support provided directly to the Plan. The amount recognized by the employer as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the College were as follows:

	2020	2019
College's proportionate share of the net pension liability	$ 11,555,304	$ 11,857,225
Commonwealth's proportionate share of the net pension liability associated with the College	11,555,304	11,857,225
Total	$ 23,110,608	$ 23,714,450

The net pension liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019 and June 30, 2017 to June 30, 2018. The College's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the College's proportion was 0.0247, which did not change from its proportion measured as of June 30, 2018. At June 30, 2018, the College's proportion was 0.0247 percent, which was an increase of 0.0022 percent from its proportion measured as of June 30, 2017.

NOTE 10 PENSION BENEFITS (CONTINUED)

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

Pennsylvania State Employees' Retirement System (SERS)

At June 30, 2020 and 2019, the College reported a liability of $ 18,196,854 and $ 22,897,354, respectively, for its proportionate share of the net pension liability. The net pension liability and the total pension liability were measured and actuarially determined as of December 31, 2019, and December 31, 2018. The College's proportion of the net pension liability was calculated utilizing the employer's projected contributions as it relates to the total projected contributions. At December 31, 2019, the College's proportion was 0.1001 percent, which was a decrease of 0.0098 percent from its proportion measured as of December 31, 2018. At December 31, 2018, the College's proportion was 0.1099 percent, which was a increase of 0.0011 percent from its proportion measured as of December 31, 2017.

For the year ended June 30, 2020, the College recognized pension expense and related revenue for defined benefit plans as follows:

	PSERS	SERS	Total
Pension expense	$ 4,018,707	$ 1,757,917	$ 5,776,624
Revenue for support provided by the Commonwealth	1,955,000	-	1,955,000

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

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

At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PSERS		SERS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 64,000	$ 383,000	$ 226,888	$ 123,251	$ 290,888	$ 506,251
Changes in assumptions	110,000	-	701,214	-	811,214	-
Net difference between projected and actual investment earnings	-	33,000	-	1,297,780	-	1,330,780
Changes in proportions	957,000	-	413,668	1,730,300	1,370,668	1,730,300
Difference between employer contributions and proportionate share of total contributions	207,550	939	54,177	10	261,727	949
Contributions subsequent to the measurement date	1,048,555	-	1,103,746	-	2,152,301	-
	$ 2,387,105	$ 416,939	$ 2,499,693	$ 3,151,341	$ 4,886,798	$ 3,568,280

NOTE 10 PENSION BENEFITS (CONTINUED)

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

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

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

Amounts of $ 1,048,555 and $ 1,103,744 are reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020 related to the PSERS and SERS plans, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	PSERS	SERS	Total
2021	$ 761,960	$ (430,345)	$ 331,615
2022	255,963	(369,680)	(113,717)
2023	(116,314)	(50,620)	(166,934)
2024	20,002	(841,542)	(821,540)
2025	-	(63,207)	(63,207)
	$ 921,611	$ (1,755,394)	$ (833,783)

Actuarial Assumptions

Public School Employees' Retirement System (PSERS)

The total pension liability as of June 30, 2019 was determined by rolling forward the System's total pension liability as of the June 30, 2018 actuarial valuation to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level of % pay.
- Investment return – 7.25% includes inflation at 2.75%.
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

NOTE 10 PENSION BENEFITS (CONTINUED)

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

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

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

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

The target allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2019 are as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0%	5.6%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	(20.0%)	0.7%
	100.0%	

NOTE 10 PENSION BENEFITS (CONTINUED)

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

Actuarial Assumptions (Continued)

Pennsylvania State Employees' Retirement System (SERS)

The actuarial assumptions used in the December 31, 2019 valuation were based on the experience study that was performed for the five-year period ending December 31, 2015. The actuary made recommendations with respect to the actuarial assumptions and methods based on their analysis.

SERS reviews its investment return assumptions in light of economic conditions every year as part of its annual valuation. In June 2019, the SERS Board approved a reduction in the Defined Benefit Plan investment rate of return to 7.125% for 2019 from 7.25% in 2018.

The total pension liability as of December 31, 2019 was determined using the following actuarial assumptions incorporating the changes noted above:

- Actuarial cost method - Entry Age.
- Investment return - 7.125%, includes inflation at 2.60%, net of expenses.
- Salary increases – Average of 5.60% with a range of 3.70% - 8.90%, includes inflation at 2.60%.
- Mortality rates were based on the RP-2000 Mortality Tables adjusted for actual plan experience and future improvement.

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

The target allocation and best estimates of geometric real rates of return for each major asset class as of December 31, 2019 are as follows:

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

NOTE 10 PENSION BENEFITS (CONTINUED)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.25% and 7.125% for PSERS and SERS, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined, and set by statute for each respective plan. Based on those assumptions, the pension plans' fiduciary net positions were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability, for each respective plan.

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

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

Public School Employees' Retirement System (PSERS) – June 30, 2020

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
College's proportionate share of the net pension liability	$ 14,393,401	$ 11,555,304	$ 9,152,133

The following presents the net pension liability, for the SERS plan, calculated using the discount rate of 7.125%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.125%) or 1-percentage point higher (8.125%) than the current rate:

Pennsylvania State Employees' Retirement System (SERS) – June 30, 2020

	1% Decrease 6.125%	Current Discount Rate 7.125%	1% Increase 8.125%
College's proportionate share of the net pension liability	$ 23,122,079	$ 18,196,854	$ 13,980,274

Pension Plans Fiduciary Net Position

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

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

NOTE 10 PENSION BENEFITS (CONTINUED)

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

Payables to the Pension Plan

As of June 30, 2020 and 2019, the College has $ 265,105 and $ 283,802 included in accounts payable and accrued wages for the contractually required contribution for the second quarter of 2020 and 2019, respectively, related to the PSERS plan.

Defined Contribution Pension Plan

The Teachers Insurance and Annuity Association-College Retirement and Equity Fund (TIAA-CREF) is a cost-sharing, multiple-employer defined contribution plan in which employees are eligible to participate. In a defined contribution plan, benefits depend on amounts contributed to the plan plus investment earnings. Employer and employee contribution rates are established by statute. The contribution policy, as established by statute, requires contributions by active members and employers. Active members contribute at a rate of 5 percent of their qualifying compensation; the College's contribution rates for the year ended June 30, 2020 was 8 percent and for the years ending June 30, 2019, and 2018 was 10 percent of qualifying compensation. In addition, employees may contribute to TIAA-CREF through the Supplemental Retirement Annuity.

The contributions to TIAA-CREF for the years ended June 30 were as follows:

	2020	2019
College	$ 4,289,134	$ 4,647,654

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN

Plan Descriptions and Benefits Provided

College Plan

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

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

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Plan Descriptions and Benefits Provided (Continued)

PSERS

In addition to the other postemployment benefit detailed above, the Public School Employees' Retirement System (PSERS) also provides a health insurance premium assistance program for all eligible employees, which is a governmental cost-sharing multiple employer defined benefit plan. Employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of $ 100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. Healthcare cost trends were applied to retirees receiving less than $ 1,200 in annual premium assistance. The annual premium assistance reimbursement for qualifying retirees is capped at a maximum of $ 1,200. As of June 30, 2017, there were no assumed future benefit increases to participating eligible retirees.

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

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

Plan Membership

Membership in the College's plan consisted of the following at July 1, 2019, the date of the latest actuarial valuation:

Active participants	577
Retired participants	68
Total	645

Contributions

College Plan

The contribution requirements of plan members and the College are established and may be amended by the College. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the College. For fiscal year 2020, the estimated contribution was $ 126,963 in the form of additional premiums for active employees based on implicit rates for retired employees to the plan.

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Contributions (Continued)

PSERS

The College's contractually required contribution rate for the fiscal years ended June 30, 2020 and 2019 was 0.84% and 0.83%, 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 the unfunded accrued liability. Contributions to the OPEB plan from the employer were $ 26,331 and $ 28,130 for the years ended June 30, 2020 and 2019, respectively.

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

College Plan

The College's total OPEB liability for June 30, 2020 was measured as of July 1, 2019, and the total OPEB liability was determined by rolling forward the total liability from July 1, 2018 to July 1, 2019 based on an actuarial valuation as of July 1, 2019, which was based on census information as of July 2017. The plan has no assets that are accumulated in a trust that meets the criteria established in GASB Statement No. 75. At June 30, 2020, the College reported a total OPEB liability of $ 1,245,601.

For the year ended June 30, 2020, the College recognized OPEB expense of $ 111,864.

PSERS

At June 30, 2020 and 2019, the College reported a liability of $ 525,330 and $ 514,879, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019 and 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019 and June 30, 2017 to June 30, 2018. The College's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the College's proportion was 0.0247, which did not change from its proportion measured as of June 30, 2018. At June 30, 2018, the College's proportion was 0.0247 percent, which was an increase of 0.0022 percent from its proportion measured as of June 30, 2017.

For the years ended June 30, 2020 and 2019, the College recognized OPEB expense of $ 36,011 and $ 72,038, respectively, and revenue from support from the Commonwealth of $ 36,000 and $ 33,338, respectively, due to the special funding situation.

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

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

The table below summarizes the combined OPEB liability for the years ended June 30, 2020 and 2019:

Total OPEB/ Net OPEB Liability	2020	2019
College plan	$ 1,245,601	$ 1,084,447
PSERS	525,330	514,879
Total	$ 1,770,931	$ 1,599,326

Changes in the Total OPEB Liability

College Plan

Total OPEB Liability	2020	2019
Beginning Balance	$ 1,084,447	$ 1,004,047
Changes for the year:		
Service cost	110,015	105,756
Interest	34,610	33,723
Differences between expected and actual experience	77,527	-
Changes in assumptions	-	733
Benefit payments	(60,998)	(59,812)
Net changes	161,154	80,400
Ending Balance	$ 1,245,601	$ 1,084,447

At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	College Plan		PSERS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 71,989	$ 181,739	$ 3,000	$ -	$ 74,989	$ 181,739
Changes in assumptions	629	240,125	17,000	16,000	17,629	256,125
Net difference between projected and actual investment earnings	-	-	1,000	-	1,000	-
Changes in proportions - plan	-	-	47,000	-	47,000	-
Difference between employer contributions and proportionate share of total contributions	-	-	138	123	138	123
Contributions subsequent to the measurement date	126,963	-	26,331	-	153,294	-
	$ 199,581	$ 421,864	$ 94,469	$ 16,123	$ 294,050	$ 437,987

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Changes in the Total OPEB Liability (Continued)

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

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

Amounts of $ 126,963 and $ 26,331 are reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date and will be recognized as a reduction in the total/net OPEB liability in the year ended June 30, 2020 related to the College and PSERS plans, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

	College	PSERS	Total
Year ended June 30:			
2021	$ (32,761)	$ 10,011	$ (22,750)
2022	(32,761)	10,011	(22,750)
2023	(32,761)	10,011	(22,750)
2024	(32,761)	10,011	(22,750)
2025	(32,761)	9,976	(22,785)
Thereafter	(185,441)	1,995	(183,446)
Total	$ (349,246)	$ 52,015	$ (297,231)

Actuarial Methods and Assumptions

College Plan

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

PSERS

The total OPEB liability for the College as of June 30, 2020, was determined by rolling forward the System's Total OPEB liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement.

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

	College Plan	PSERS
Actuarial Cost Method	Entry age normal – level % of pay.	Entry age normal – level % of pay.
Investment Rate of Return	3.36% - S&P 20-year AA rated municipal bond rate.	2.79% - S&P 20-year municipal bond rate.
Salary	An assumption for salary increases of 3.50%.	Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
Mortality	Based on the SOA RP-2014 Total Dataset Mortality with Scale MP-2014 and SOA Scale MP-2019.	Based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
Percentage of Eligible Employees Electing Coverage in Plan	25% of future retirees are assumed to continue medical coverage. 40% of those are assumed to elect spousal coverage.	Eligible retirees will elect to participate pre-age 65 at 50% and eligible retirees will elect to participate post-age 65 at 70%.
Health Care Cost Trend Rate	6.00% in 2019 and 2020, 5.5% in 2021 and 2022. Rates gradually decrease from 5.4% in 2023 to 3.8% in 2077.	Applied to retirees with less than $ 1,200 in premium assistance per year. Benefit is capped at $ 1,200 per year.
Per Capita Claims Cost	Developed the projected claim costs from the fully insured renewals from 2019 and 2020. Calculated to be 86.3% of the fully insured premiums, with the other 13.7% assumed to be fixed costs. Claims costs then adjusted for age/gender factors.	N/A

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

PSERS

Investment Return

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

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

OPEB – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	13.2%	0.2%
US Core Fixed Income	83.1%	1.0%
Non-US Developed Fixed	3.7%	0.0%
	100.0%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

Discount Rate

The discount rate used to measure the OPEB liability was 3.36% and 2.79% for the College's Plan and PSERS, respectively. The College Plan is not funded, therefore, the S&P 20-year AA rated municipal bond rate of 3.36% as of June 30, 2019 is the applicable discount rate. Under the PSERS plan's funding policy, contributions are structured for short term funding of premium assistance. The funding policy sets contribution rates necessary to assure solvency of premium assistance through the third fiscal year after the actuarial valuation date. The premium assistance account is funded to establish reserves that are sufficient or the payment of premium assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB's plan fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.79% which represents the S&P 20-year municipal bond rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

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

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

	1% Decrease 2.36%	Current Discount Rate 3.36%	1% Increase 4.36%
College Plan - Total OPEB liability	$ 1,325,149	$ 1,245,601	$ 1,171,349

	1% Decrease 1.79%	Current Discount Rate 2.79%	1% Increase 3.79%
PSERS -College's proportionate share of the net OPEB liability	$ 598,000	$ 525,330	$ 465,000

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

College Plan

	1% Decrease (5.0% decreasing to 2.8%)	Healthcare Cost Trend Rate (6.0% decreasing to 3.8%)	1% Increase (7.0% decreasing to 4.8%)
College Plan - Total OPEB Liability	$ 1,148,013	$ 1,245,601	$ 1,356,972

PSERS

	1% Decrease (Between 4% to 6.5%)	Healthcare Cost Trend Rate (Between 5% to 7.5%)	1% Increase (Between 6% to 8.5%)
PSERS - School District's proportionate share of the net OPEB liability	$ 525,000	$ 525,330	$ 526,000

OPEB Plan Fiduciary Net Position

PSERS

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

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Payables to the OPEB Plan

College Plan

As of June 30, 2020 and 2019, the College had no amounts payable to the College OPEB Plan.

PSERS

As of June 30, 2020 and 2019, the College has $ 6,657 and $ 7,226 included in accounts payable and accrued wages for the contractually required contribution for the second quarter of 2020 and 2019, respectively, related to the PSERS plan.

NOTE 12 CONTINGENCIES AND COMMITMENTS

Contingencies

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

Commitments

The College has signed contracts for various projects with commitments in the amount of $ 901,653, of which $ 282,349 has been incurred as of June 30, 2020.

NOTE 13 STATE APPROPRIATIONS

The following shows the detail of state appropriations earned for the years ended June 30, 2020 and 2019:

	2020	2019
Included in non-operating revenue:		
Retirement contribution	$ 1,991,000	$ 1,994,162
Social security reimbursement	2,744,256	2,905,462
Tuition reimbursement	34,228,146	33,529,398
Subtotal	38,963,402	38,429,022
Included in capital contributions:		
Debt reimbursement	6,102,400	6,095,675
Lease reimbursement	1,244,458	1,245,943
Subtotal	7,346,858	7,341,618
Total	$ 46,310,260	$ 45,770,640

NOTE 14 NET POSITION

College

The following shows the details of net investment in capital assets at June 30, 2020 and 2019:

	2020	2019
Capital assets, net	$ 189,380,403	$ 196,803,649
Bonds and notes payable (net of premium, discount and deferred charge on bond refunding) and capital leases	(103,350,233)	(113,222,901)
Unspent bond proceeds	94,361	228,369
Total	$ 86,124,531	$ 83,809,117

The remaining net position of the College is considered unrestricted.

HACC Foundation

The Foundation's board of directors has chosen to place the following limitations on unrestricted net position at June 30:

	2020	2019
Designated for endowment purposes	$ 2,071,373	$ 1,962,097
Undesignated	2,271,480	1,913,700
	$ 4,342,853	$ 3,875,797

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

	2020	2019
Scholarships and awards	$ 5,276,632	$ 5,424,017
Academic support	1,733,361	2,417,811
Capital improvements	3,183,460	3,591,379
Other	3,515,477	3,460,676
	$ 13,708,930	$ 14,893,883

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

	2020	2019
Scholarships and awards	$ 20,493,478	$ 22,195,994
Academic support	879,573	937,400
Other	950,931	1,010,492
	$ 22,323,982	$ 24,143,886

NOTE 15 INTERFUND ACTIVITY

At June 30, 2020 and 2019, the Foundation owes the College $ 974,817 and $ 20,580 for expenses paid for by the College that were not yet reimbursed by June 30 of the respective year and for unpaid amounts related to the allocation of expenses for operational support to the College.

In addition, there were transfers made in 2020 and 2019 between the College and the Foundation. The College directly pays the salaries of College employees that provide services to the Foundation and for contracted services. The allocation of employee salaries between the College and the Foundation varies based on their roles and responsibilities. Thus, the Foundation's share of the expenses is reflected in these financial statements as salaries, wages, benefits and payroll taxes totaling $ 1,206,877 and $ 1,774,650 for the years ended June 30, 2020 and 2019, respectively. During the years ended June 30, 2020 and 2019, the Foundation provided the College with the following funding:

	2020	2019
Scholarship and awards	$ 1,220,985	$ 966,683
Capital related support	710,897	402,158
Debt service	884,130	773,950
Other endowments	448,700	498,453
	$ 3,264,712	$ 2,641,244

NOTE 16 RESTATEMENT

During the fiscal year ending June 30, 2020, a restatement was necessary to properly reflect the classification of net position for certain endowments. This had no impact on total net position or change in net position. The following are the effects of the net position reclassifications:

Component Unit Foundation

	2019 As Originally Reported	Effect of Restatement	2019 As Restated
Net Position			
Restricted - expendable	$ 14,514,170	$ 379,713	$ 14,893,883
Restricted - nonexpendable	24,508,559	(364,673)	24,143,886
Unrestricted	3,890,837	(15,040)	3,875,797
Total net position	$ 42,913,566	$ -	$ 42,913,566

Total

	2019 As Originally Reported	Effect of Restatement	2019 As Restated
Net Position			
Net investment in capital assets	$ 83,809,117	$ -	$ 83,809,117
Restricted - expendable	14,514,170	379,713	14,893,883
Restricted - nonexpendable	24,508,559	(364,673)	24,143,886
Unrestricted	38,342,630	(15,040)	38,327,590
Total net position	$ 161,174,476	$ -	$ 161,174,476

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of College's Proportionate Share of the Net Pension Liability

Public School Employees' Retirement System (PSERS)

For the Fiscal Year Ended June 30	College's proportion of the net pension liability (asset)	College's proportionate share of the net pension liability (asset)	Commonwealth's proportionate share of the net pension liability (asset) associated with the College	Total share of the net pension liability (asset)	College's covered payroll - measurement period	College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.0247%	$ 11,555,304	$ 11,555,304	$ 23,110,608	$ 6,810,376	169.67%	55.66%
2019	0.0247%	11,857,225	11,857,225	23,714,450	6,659,678	178.05%	54.00%
2018	0.0225%	11,112,390	11,112,390	22,224,780	6,002,302	185.14%	51.84%
2017	0.0214%	10,605,161	10,605,161	21,210,322	5,547,636	191.17%	50.14%
2016	0.0186%	8,056,648	8,056,648	16,113,296	4,797,798	167.92%	54.36%
2015	0.0174%	6,887,045	6,887,045	13,774,090	4,440,330	155.10%	57.24%

State Employees' Retirement System (SERS)

For the Fiscal Year Ended June 30	College's proportion of the net pension liability (asset)	College's proportionate share of the net pension liability (asset)	College's covered payroll - measurement period	College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.1001%	$ 18,196,851	$ 6,381,057	285.17%	63.10%
2019	0.1099%	22,897,354	7,047,937	324.88%	56.39%
2018	0.1088%	18,811,095	6,812,472	276.13%	62.97%
2017	0.1046%	20,150,811	6,407,146	314.51%	57.81%
2016	0.1090%	19,827,130	6,783,607	292.28%	58.90%
2015	0.1320%	19,613,942	7,852,744	249.77%	64.79%

NOTES

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

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

CHANGES IN ACTUARIAL ASSUMPTIONS

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

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

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

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

The following actuarial assumptions were changed during the 2020 fiscal year for the SERS plan:

- Investment return - 7.125%, includes inflation at 2.60%, net of expenses.

HARRISBURG AREA COMMUNITY COLLEGE
Schedule of College's Contributions – Pension Plans
Last 10 Fiscal Years

Public School Employees' Retirement System (PSERS)

For the Fiscal Year Ended June 30	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	College's covered payroll - fiscal year	Contributions as a percentage of covered payroll
2020	$ 1,048,555	$ 1,048,555	$ -	$ 6,260,617	16.75%
2019	1,104,870	1,104,870	-	6,810,376	16.22%
2018	1,434,602	1,434,602	-	6,659,678	21.54%
2017	883,862	883,862	-	6,002,302	14.73%
2016	705,816	705,816	-	5,547,636	12.72%
2015	502,931	502,931	-	4,797,798	10.48%
2014	361,260	361,260	-	4,440,330	8.14%
2013	245,381	245,381	-	N/A	N/A
2012	204,713	204,713	-	N/A	N/A
2011	116,871	116,871	-	N/A	N/A

State Employees' Retirement System (SERS)

For the Fiscal Year Ended June 30	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	College's covered payroll - fiscal year	Contributions as a percentage of covered payroll
2020	$ 2,182,733	$ 2,182,733	$ -	$ 6,208,926	35.15%
2019	2,182,733	2,182,733	-	6,895,104	31.66%
2018	2,501,280	2,501,280	-	6,881,612	36.35%
2017	1,793,907	1,793,907	-	6,373,459	28.15%
2016	1,585,540	1,585,540	-	6,710,811	23.63%
2015	1,345,915	1,345,915	-	6,867,547	19.60%
2014	978,634	978,634	-	N/A	N/A
2013	672,241	672,241	-	N/A	N/A
2012	565,062	565,062	-	N/A	N/A
2011	310,224	310,224	-	N/A	N/A

COLLEGE PLAN

	2020	2019	2018
Total OPEB liability			
Service cost	$ 110,015	$ 105,756	$ 146,848
Interest	34,610	33,723	38,332
Differences between expected and actual experience	77,527	-	(231,304)
Changes in assumptions	-	733	(305,615)
Benefit payments	(60,998)	(59,812)	(80,348)
Net change in total OPEB liability	161,154	80,400	(432,087)
Total OPEB liability - beginning	1,084,447	1,004,047	1,436,134
Total OPEB liability - ending	$ 1,245,601	$ 1,084,447	$ 1,004,047
Covered employee payroll	$ 42,840,625	$ 48,960,678	$ 48,960,678
Total OPEB liability as a percentage of covered employee payroll	2.91%	2.21%	2.05%

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

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

HARRISBURG AREA COMMUNITY COLLEGE
Schedule of College's Proportionate Share of Net OPEB Liability - PSERS

For the Fiscal Year Ended June 30	College's Proportion of the Net OPEB Liability (Asset)	College's Proportionate Share of the Net OPEB Liability (Asset)	Commonwealth's Proportionate Share of the Net OPEB Liability (Asset) associated with the College	Total Share of the Net OPEB Liability (Asset)	College's Covered Payroll - measurement period	College's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	0.0247%	$ 525,330	$ 525,330	$ 1,050,660	$ 6,810,376	7.71%	5.56%
2019	0.0247%	$ 514,879	$ 514,879	$ 1,029,758	6,659,678	7.73%	5.56%
2018	0.0225%	458,418	$ 458,418	$ 916,836	6,002,302	7.64%	5.73%

Notes

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

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

Schedule of College's OPEB Contributions - PSERS

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll - Fiscal Year	Contributions as a Percentage of Covered Employee Payroll
2020	$ 26,331	$ 26,331	$ -	$ 6,260,617	0.42%
2019	28,811	28,811	-	6,810,376	0.33%
2018	37,515	37,515	-	6,659,678	0.56%

Notes

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

OTHER SUPPLEMENTARY INFORMATION

HARRISBURG AREA COMMUNITY COLLEGE
Schedule of Expenses by Functional Classification - Primary Institution
Years Ended June 30, 2020 and 2019

2020

Functional Classification	Natural Classification							
	Salaries and Wages	Fringe Benefits	Supplies & Other Expense	Professional & Purchased Services	Utilities	Depreciation	Scholarships	Total
Instruction	$ 44,492,796	$ 13,631,929	$ 2,476,558	$ 653,869	$ 39,563	$ -	$ 5,047	$ 61,299,762
Research	-	-	-	-	-	-	-	-
Public Support	324,097	62,651	32,762	37,519	-	-	-	457,029
Academic Support	6,327,843	2,600,728	1,049,285	129,591	97	-	-	10,107,544
Student Services	9,044,798	4,068,797	324,860	476,121	-	-	-	13,914,576
Institutional Support	8,819,825	5,270,311	4,112,947	2,395,820	-	1,693,451	-	22,292,354
Operation and Maintenance of Plant	2,661,212	1,528,615	5,446,716	482,462	2,987,197	10,157,677	-	23,263,879
Student Aid	719,248	347,622	49,000	-	-	-	18,971,331	20,087,201
Auxiliary Enterprises	1,182,254	68,118	8,517,638	485	-	-	-	9,768,495
Total operating expenses	$ 73,572,073	$ 27,578,771	$ 22,009,766	$ 4,175,867	$ 3,026,857	$ 11,851,128	$ 18,976,378	161,190,840
Interest expense								3,898,757
Total expenses								$ 165,089,597

2019

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Harrisburg Area Community College
Harrisburg, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Harrisburg Area Community College, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Harrisburg Area Community College's basic financial statements, and have issued our report thereon dated October 19, 2020. The financial statements of the Harrisburg Area Community College Foundation, the blended component unit, were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Harrisburg Area Community College Foundation.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Harrisburg Area Community College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Harrisburg Area Community College' internal control. Accordingly, we do not express an opinion on the effectiveness of Harrisburg Area Community College's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harrisburg Area Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
October 19, 2020