

COMMUNITY COLLEGE OF BEAVER COUNTY

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FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

**COMMUNITY COLLEGE  
OF BEAVER COUNTY**  
MONACA, PENNSYLVANIA

FINANCIAL STATEMENTS

AND

OTHER INFORMATION REQUIRED BY  
GOVERNMENT AUDITING STANDARDS AND  
UNIFORM GUIDANCE

WITH REPORTS OF  
CERTIFIED PUBLIC ACCOUNTANT

**FOR THE YEARS ENDED  
JUNE 30, 2016 AND 2015**

**COMMUNITY COLLEGE OF BEAVER COUNTY**

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**To the Management and Board of Trustees  
Community College of Beaver County**

## **Independent Auditor's Report**

### **Report on Financial Statements**

I have audited the accompanying financial statements of the Community College of Beaver County, a component unit of the County of Beaver, and its discretely presented component unit as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Community College of Beaver County'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**

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my 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. Those standards require that I 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 Community College of Beaver County'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 Community College of Beaver County's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community College of Beaver County and its discretely presented component unit as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows for the year 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 iv-xi and the defined benefit pension plan information on page 22, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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.

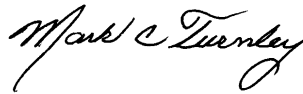
### ***Other Information***

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Community College of Beaver County's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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 my opinion, the schedule of expenditures of federal awards 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*, I have also issued my report dated October 31, 2016 on my consideration of the Community College of Beaver County's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Community College of Beaver County's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Mark C. Turnley". The signature is written in a cursive style with a large initial "M" and a long, sweeping underline.

Mark C. Turnley, CPA

October 31, 2016  
New Brighton, Pennsylvania

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**Management's Discussion and Analysis (MD&A)**  
**Required Supplementary Information (RSI)**  
**Fiscal Year Ending June 30, 2016**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**Introduction**

The following represents management's discussion and analysis of the financial activity of Community College of Beaver County for the fiscal year ended June 30, 2016. It addresses transition during the year, current activities, resulting change, and currently known facts. It should be read in conjunction with the accompanying financial statements, including the notes.

On July 1, 2002, Beaver County assumed sponsorship of the College. Under GASB requirements, the Community College of Beaver County is considered a component unit of the County.

The financial statements also include the activities of the CCBC Foundation as a component unit of the College. The financial statements included in this audit report present the College as the primary entity.

**Using This Annual Report**

In fiscal year 2002-2003, the College adopted Government Accounting Standard Board Statement No. 35. The resulting financial statement presentation focuses on the College as a whole, and is designed to emulate corporate presentation models. Comparisons between 2015-2016 and 2014-2015 are presented.

This annual report consists of a series of three financial statements. The Statement of Net Position is designed to be similar to a corporation's Balance Sheet, and it reports current financial resources and liabilities, including capital assets. The Statement of Revenues, Expenses, and Changes in Net Position, similar to a corporate Income Statement, reports the cost of the College's activities, which are primarily supported by revenue from Pennsylvania appropriations, Beaver County appropriations, and tuition and fees. The information in this statement explains how the College's net position changed during the fiscal year. The Statement of Cash Flows provides information about cash receipts and payments as they relate to operating, capital, and investing activities.

**Financial Highlights**

The Community College of Beaver County is in a strong financial position as of June 30, 2016. The College closed the year ending June 30, 2016 with a surplus of \$109,248. This represents a positive change in net income of \$1.787M over the year ended June 30, 2015. At June 30, 2016, CCBC's "Net Position", defined as the difference between total assets and total liabilities, is \$2.353M. This is an increase of \$109K over the prior year's net position of \$2.244M.

The following table represents CCBC's condensed statement of net position by major category for fiscal years ending June 30, 2016 and 2015. More detailed discussion on CCBC's statement of net position is provided later in this document.

|                                  | <b>Condensed Net Position As of June 30 (In Thousands)</b> |                  |                                              |
|----------------------------------|------------------------------------------------------------|------------------|----------------------------------------------|
|                                  | <b>2016</b>                                                | <b>2015</b>      | <b>Increase<br/>(Decrease)<br/>2015-2016</b> |
| Net Investment in Capital Assets | \$ 5,530                                                   | \$ 6,048         | -\$ 518                                      |
| Reserve Fund                     | \$ 200                                                     | \$ 0             | \$ 200                                       |
| Unrestricted                     | <u>-\$ 3,376</u>                                           | <u>-\$ 3,804</u> | <u>\$ 428</u>                                |
| Total Net Position               | <u>\$ 2,354</u>                                            | <u>\$ 2,244</u>  | <u>\$ 109</u>                                |

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**Management's Discussion and Analysis (MD&A)**  
**Required Supplementary Information (RSI)**  
**Fiscal Year Ending June 30, 2016**

**Enrollment**

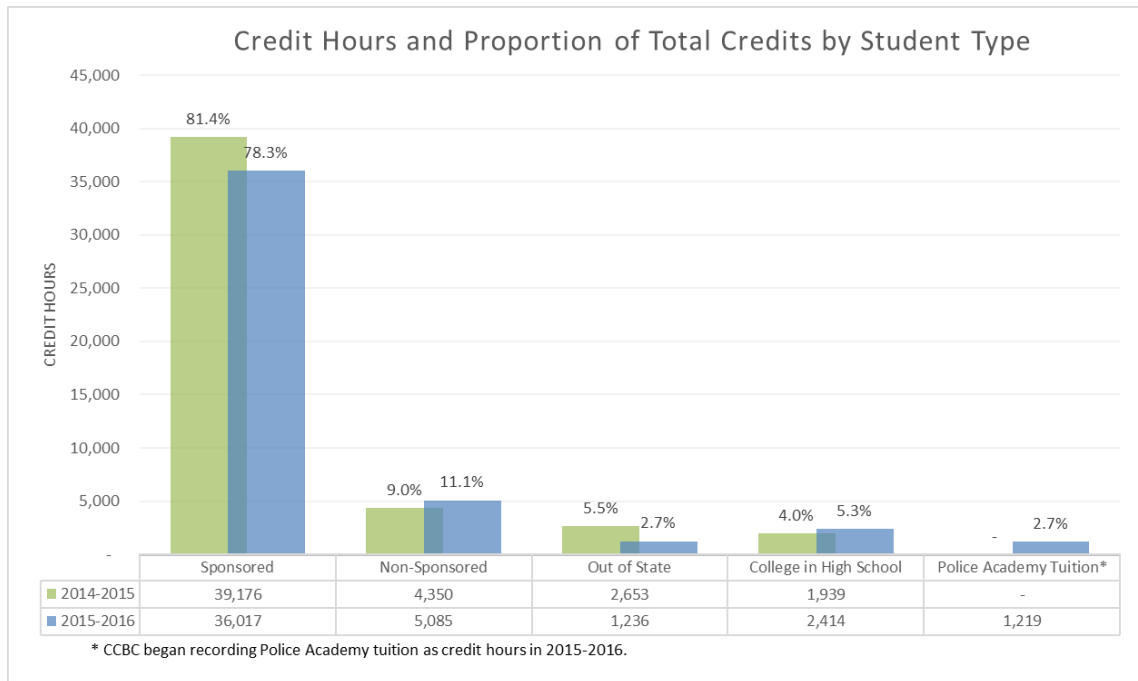
Despite a small increase in headcount enrollment, the College saw a decrease in total enrollment of 4.5% (2,147 credit hours) in 2016 and 7.9% (4,146 credit hours) in 2015 due in part to a continuing trend from full-time to part-time enrollment. Total credit hours went from 48,118 in 2015 to 45,971 in 2016. These cumulative reductions are due to a combination of factors including the continued decline in the number of high school graduates within Beaver County, the economy, and residual effects from recent changes in the FAA hiring policy that removed specific hiring advantages for graduates of college-based air traffic control programs. CCBC expects to see continued enrollment increases since the FAA reversed this decision, which should improve the College's revenue outlook as nearly 75% of the students enrolled in the Air Traffic Control program have historically been from outside Pennsylvania and pay three times the sponsored tuition rate. Moreover, the implementation of the first High School Academy in 2015 helped offset the downward FTE enrollment trend. The College is excited to report that 18 of the 22 Aviation Academy graduates from the first cohort have gone on to matriculate full time at CCBC. In Fall 2016, the Health Academy entered its inaugural year with 54 registered students. The College expects increased full-time enrollments as the Aviation and Health Academies have continued success and the new STEM Academy is rolled out in Fall 2017.

In 2016, sponsored student credit hours decreased by 8.1% (3,159 credit hours) despite an additional 698 credit hours from High School Academy enrollments. Out of state credit hours decreased from 5.5% to 2.7% of total enrollment (1,417 credit hours). Non-sponsored student credit hours increased by 16.9% (735 credit hours) due to the successful implementation of the Aviation High School Academy as well as increased enrollment in the Aviation Sciences Programs. College in high school credit hours increased by 24.5% due to the successful implementation of a targeted recruitment strategy focused on the high school market.

The College's strategic response to the external factors influencing total enrollment resulted in shifts of the overall proportion of total enrollment by student type. In 2016, the percentage of non-sponsored student credit hours increased to 11.1% of total enrollments, up from 9% in 2015. The percentage of sponsored student credit hours decreased to 78.3% of total enrollments in 2016, down from 81.4% in 2015. Non-sponsored in-state students paid tuition and fees of \$284 per credit hour in 2016. Sponsored students paid \$142 per credit hour. Out of state tuition and fees were \$426 per credit hour in 2016. The following graph illustrates the increases and decreases of credit hours and the percentage of total student credit hours for each tuition type. Beginning in 2016, the College stopped recording police academy credit hours as non-credit and began recording them as credit hours.



**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**Management's Discussion and Analysis (MD&A)**  
**Required Supplementary Information (RSI)**  
**Fiscal Year Ending June 30, 2016**



**Statement of Net Position**

The statement of net position reports all of the College’s assets (current and noncurrent), liabilities (current and noncurrent), deferred outflows and inflows of resources, and net position (assets minus liabilities) as of June 30, 2016. Net position presents a fiscal snapshot of the College and serves as a useful benchmark of its financial position over time.

CCBC’s “Net Position” is divided into three major categories. The first category, net investment in capital assets, consists of CCBC’s equity in or ownership of capital assets. The second category, designated (Board Action), is commonly known as a “General Reserve Fund.” The “General Reserve Fund” represents retained earnings from the College’s profits. During the year ended June 30, 2016, CCBC created the general reserve fund and funded it with \$200K from profits. Funds set aside in the general reserve fund are held in a separate interest bearing account. The third category, unrestricted, are available to use for any lawful purpose of the College. CCBC’s unrestricted balance as of June 30, 2016 is \$-3.4M which is \$427K better than the unrestricted balance as of June 30, 2015. Factoring out liabilities totaling \$3.2M that fall outside of the College’s control, such as net pension liability, accrued retirement benefits, and accrued compensated absences, the unrestricted balance would only be \$-163K.

The following table highlights CCBC’s increased net position and strong overall financial position.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**Management's Discussion and Analysis (MD&A)**  
**Required Supplementary Information (RSI)**  
**Fiscal Year Ending June 30, 2016**

**Summary Statement of Net Position (In Millions)**

|                                                           | <u>2016</u>          | <u>2015</u>          | <u>Increase<br/>(Decrease)<br/>2015-2016</u> |
|-----------------------------------------------------------|----------------------|----------------------|----------------------------------------------|
| <b>Assets</b>                                             |                      |                      |                                              |
| Current Assets:                                           | \$ 6.4               | \$ 2.7               | \$ 3.7                                       |
| Non-Current Assets:                                       | 33.6                 | 31.6                 | 2.0                                          |
| <b>Total Assets</b>                                       | <u>40.0</u>          | <u>34.3</u>          | <u>5.7</u>                                   |
| Deferred Outflows                                         | 0.3                  | 0.3                  | (0.0)                                        |
| <b>Total Assets &amp; Deferred Outflows</b>               | <u><b>40.3</b></u>   | <u><b>34.6</b></u>   | <u><b>5.7</b></u>                            |
| <b>Liabilities</b>                                        |                      |                      |                                              |
| Current Liabilities                                       | 5.5                  | 4.1                  | 1.4                                          |
| Noncurrent Liabilities                                    | 32.4                 | 28.2                 | 4.2                                          |
| <b>Total Liabilities</b>                                  | <u>37.9</u>          | <u>32.3</u>          | <u>5.6</u>                                   |
| Deferred Inflows of Resources                             | 0.1                  | 0.1                  | -                                            |
| <b>Total Liabilities &amp; Deferred Inflows Resources</b> | <u><b>38.0</b></u>   | <u><b>32.4</b></u>   | <u><b>5.6</b></u>                            |
| <b>Net Position:</b>                                      |                      |                      |                                              |
| Net Investment in Capital Assets                          | 5.5                  | 6.0                  | (0.5)                                        |
| Designated Reserve Fund                                   | 0.2                  | -                    | 0.2                                          |
| Unrestricted                                              | (3.3)                | (3.8)                | 0.5                                          |
| <b>Total Net Position</b>                                 | <u><b>\$ 2.4</b></u> | <u><b>\$ 2.2</b></u> | <u><b>\$ 0.2</b></u>                         |

Current assets increased by \$3.7M over 2015. Cash and cash equivalents increased by \$3.2M. The College saw a \$900K increase in total receivables, which includes a \$185K increase in accounts receivables, \$731K in grants receivables, and a modest reduction in other receivables. Noncurrent assets increased by \$2.0M in 2016 from the prior year. This increase is primarily due to fixed asset purchases and improvements including the purchase of 13 acres of land adjacent to the main campus, HVAC replacements, and installing a new roof on the Learning Resources Center.

Current liabilities for 2016 increased by \$1.4M due primarily to borrowing \$759K against a loan to finance the RCAP grant to bridge the gap between incurring expense and full reimbursement from the state. The remaining increase is attributable to \$288K in accounts payable, \$418K increase in unearned revenues that is mainly the result of deferred revenue for the Summer 2 term, \$25K increase in payroll tax liabilities, and \$250K in the current portion of bonds payable. The majority of the \$250K increase in the current portion of bonds payable is the result of the series 2015 bond payment. The \$1.3M net increase in current liabilities also includes reductions in accrued salaries and benefits (\$139K), accrued retirement benefits (\$132K) and the elimination of lease obligations (\$179K).

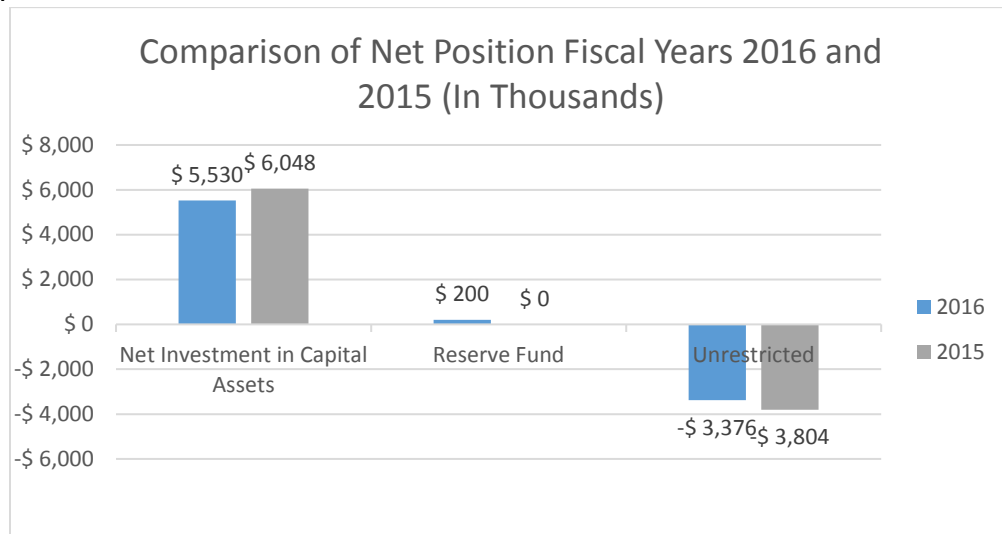
Noncurrent liabilities increased by \$4.2M over June 30, 2015. This increase was due to a net \$4.5M increase in long-term notes payable as the College issued the series 2015 bond for \$5.63M and paid down on existing debt instruments, reduced accrued retirement benefits by \$116K, and reduced net pension liabilities plus accrued compensated absences by \$100K.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**Management's Discussion and Analysis (MD&A)**  
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**Fiscal Year Ending June 30, 2016**

For the 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 additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. CCBC's deferred outflows and inflows net to a \$185K increase in total liabilities. See notes to financial statements page 16 for additional information.

As a direct result of these factors, net position increased to \$2.4M as of June 30, 2016, a net \$200K increase over June 30, 2015. The largest portion of the net position is \$5.5M for College's net investment in capital assets, which are fixed in nature and not available for future spending. The unrestricted balance sheet account increased by \$428K over 2015. Reserve funds totaling \$200K were funded from College profits.

The following graph compares CCBC's categories of total net position for fiscal years ending June 30, 2016 and 2015.



**Statement of Revenues, Expenses, and Changes in Net Position**

The statement of revenues, expenses, and changes in net position present the revenues earned and expenses incurred over the course of the fiscal year. Activities are reported as either operating or non-operating. Operating revenues are generated from the services provided to students and other customers of the College. Operating expenses, including depreciation and amortization, are paid to produce goods and services and to carry out the mission of the College. Non-operating revenues exclude a direct exchange of goods and services to include revenue associated with state and county appropriations as well as interest earned on investments.

In 2016, the College's net position increased by \$1.7M over 2015. This was achieved by increasing total revenue by \$600K and reducing total expenses by \$1.1M. The following table summarizes the College's revenues, expenses, and changes in net position for years ending June 30, 2016 and 2015.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**Management's Discussion and Analysis (MD&A)**  
**Required Supplementary Information (RSI)**  
**Fiscal Year Ending June 30, 2016**

**Summary Revenues, Expenses, and Changes in Net Position (In Millions)**

|                                     | <u>2016</u>   | <u>2015</u>     | <u>Increase<br/>(Decrease)<br/>2015-2016</u> |
|-------------------------------------|---------------|-----------------|----------------------------------------------|
| Operating Revenues                  | \$ 17.0       | \$ 16.5         | \$ 0.5                                       |
| Operating Expenses                  | 25.7          | 26.8            | (1.1)                                        |
| Operating Income (Loss)             | (8.7)         | (10.3)          | 1.6                                          |
| Non operating Revenues (Net)        | 8.8           | 8.7             | 0.1                                          |
| Increase (Decrease) in Net Position | <u>\$ 0.1</u> | <u>\$ (1.6)</u> | <u>\$ 1.7</u>                                |

Total operating revenues increased by \$500K in 2016 compared to 2015. The major factors contributing to this increase are noted below.

- In 2016, student tuition and fees increased \$302K over 2015 despite a decrease in FTE student enrollment of 4.5%. The increase is driven primarily by price increases in tuition per credit hour, general student fees, and technology fees. A \$488K increase in credit hour driven revenue was offset by a \$184K reduction in capital fees, lab fees, non-credit tuition & fees, academic enhancement fees, and miscellaneous student fees subsequent to decreased enrollment. Increases and decreases in tuitions and fees in 2016 over 2015 are summarized in the table below.

**Increase (Decrease) in Tuition and Fee Revenues 2015-2016 (In Millions)**

|                               | <u>2016</u>    | <u>2015</u>    | <u>Increase<br/>(Decrease)<br/>2015-2016</u> |
|-------------------------------|----------------|----------------|----------------------------------------------|
| Student Tuition-Credit        | \$ 7.3         | \$ 7.0         | \$ 0.31                                      |
| Student Tuition-Non Credit    | 0.3            | 0.5            | \$ (0.15)                                    |
| General Student Fee           | 0.6            | 0.5            | \$ 0.04                                      |
| Technology Fee                | 1.1            | 0.9            | \$ 0.14                                      |
| Capital Fee                   | 0.1            | 0.2            | \$ (0.05)                                    |
| Lab Fee                       | 0.1            | 0.1            | \$ (0.01)                                    |
| Academic Enhancement Fee      | 0.3            | 0.3            | \$ 0.01                                      |
| Miscellaneous Student Fees    | 1.0            | 1.0            | \$ 0.02                                      |
| Total Tuition and Fee Revenue | <u>\$ 10.9</u> | <u>\$ 10.6</u> | <u>\$ 0.30</u>                               |

- Government grants increased by \$607K over 2015. In November 2015, the College was awarded a \$1M Redevelopment Assistance Capital Program (RCAP) grant to fund the construction of an air traffic controller tower simulation laboratory at the college. With the funder's approval, the College repurposed the grant to make improvements to the HVAC systems and infrastructure improvements at the Aviation Sciences Center. The project generated \$759K in revenue in 2016 with the remainder of the project scheduled for completion in 2017. Additional 2016 revenue generated by this new government grant was offset by revenue reductions on the TAACCCT (\$69K), Wednet (\$39K), KEYS Program (\$33K), and PA Key (\$16K) grants.
- Federal and state student grant revenue decreased by \$366K over 2015. The reduction is related to the 4.5% FTE enrollment reduction and is spread across PELL, SEOG, Work study, and PHEAA student financial aid programs. Students utilize these funds to pay tuition and fees as well as other costs of attending college.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**Management's Discussion and Analysis (MD&A)**  
**Required Supplementary Information (RSI)**  
**Fiscal Year Ending June 30, 2016**

- Auxiliary enterprise revenue and other operating revenue combined for a \$57K revenue reduction over FY15. A \$3K increase in room and dome rental fees was offset by reductions in Barnes & Nobel and AVI commissions, PHEAA work study match, and miscellaneous income.

Operating expenses decreased by \$1.1M in 2016. What follows is a summary of operating expense increases and decreases by function and natural source.

| Operating Expenses by Function (In Millions) |                |                |                                     | Operating Expenses by Natural Source (In Millions) |                |                |                                     |
|----------------------------------------------|----------------|----------------|-------------------------------------|----------------------------------------------------|----------------|----------------|-------------------------------------|
|                                              | 2016           | 2015           | Increase<br>(Decrease)<br>2015-2016 |                                                    | 2016           | 2015           | Increase<br>(Decrease)<br>2015-2016 |
| Instruction                                  | \$ 7.7         | \$ 8.2         | \$ (0.5)                            | Salaries and Benefits                              | \$ 13.1        | \$ 13.6        | \$ (0.5)                            |
| Academic Support                             | 2.2            | 2.4            | (0.2)                               | Contracted Services                                | 0.8            | 0.8            | 0.0                                 |
| Student Services                             | 1.6            | 1.5            | 0.1                                 | Professional Services                              | 0.5            | 0.6            | (0.1)                               |
| Institutional Support                        | 5.4            | 5.4            | -                                   | Operational                                        | 3.2            | 3.2            | 0.0                                 |
| Operations and Facilities                    | 2.1            | 2.0            | 0.1                                 | Supplies                                           | 1.2            | 1.3            | (0.1)                               |
| Government and Student Grants                | 5.1            | 5.6            | (0.5)                               | Athletics                                          | 0.1            | 0.1            | 0.1                                 |
| Other                                        | 1.6            | 1.7            | (0.1)                               | Government Grants                                  | 0.8            | 0.9            | (0.1)                               |
| <b>Total Expenses</b>                        | <b>\$ 25.7</b> | <b>\$ 26.8</b> | <b>\$ (1.1)</b>                     | Federal and State Student Grants                   | 4.3            | 4.6            | (0.4)                               |
|                                              |                |                |                                     | Depreciation                                       | 1.6            | 1.7            | (0.1)                               |
|                                              |                |                |                                     | <b>Total Expense</b>                               | <b>\$ 25.7</b> | <b>\$ 26.8</b> | <b>\$ (1.1)</b>                     |

Major factors contributing to the \$1.1M decrease in operating expenses are noted below.

- Reductions in salaries and benefit costs totaled \$489K over 2015. These savings were achieved through a variety of strategies. First, cost savings resulting from the early retirement program offered in 2015 were fully realized in 2016. Second, staff attrition created open positions that were not immediately filled or were eliminated through role restructuring. Third, work furloughs were accepted by two employees to help the College conserve resources during the state budget impasse. Finally, one full-time Dean of the School of Business, Arts, Sciences and Technology was created to take the place of two full time positions—Director of Business & Technology and Director of Liberal Arts.
- The College's contracted services expenses decreased by \$50K due primarily to expense reductions in occupational education, IT, and institutional assessment departments. Some of these cost savings were offset by increases in physical plant, public safety, and negotiation services as the College looked externally to continue business processes during staff transitions.
- Expenses related to the athletics program increased by \$75K over 2015 as the basketball program was reestablished after being cancelled in 2015.
- Spending on government grants was reduced by \$131K as many projects reached their planned conclusion.
- Expenses related to federal and state student grants were \$366K lower than 2015 due to declining enrollment.
- Generally accepted accounting principles require that fixed assets be depreciated over the expected life of the asset. Depreciation is the process of reducing the value of an asset as it is utilized in day-to-day operations and the expense is recorded annually. The value of fixed assets less depreciation was \$33,643M at June 30, 2016 compared to \$31,626M at June 30, 2015. This is reflected under Noncurrent Assets on the Statement of Net Position. Depreciation expense for 2016 was \$1.644M compared to \$1.716M in 2015. Annual depreciation expenses decreased by \$72K over 2015. A \$2.017M increase in the value of net fixed assets is a result of the annual depreciation of the College's fixed assets, offset by capital purchases of \$3.7M for land, HVAC and roof replacements, paving, landscape and design, door locking systems, digital signage, new cameras in the dome, and pedestrian bridge.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**Management's Discussion and Analysis (MD&A)**  
**Required Supplementary Information (RSI)**  
**Fiscal Year Ending June 30, 2016**

Non-operating revenues (expenses) increased by \$204K over 2015 levels. A summary of the increases and decreases in revenue and expense is provided below.

- In 2016, the College received approximately \$5.8M in support from the Commonwealth of Pennsylvania. This \$46K increase over 2015 is net of a \$187K increase in state operating revenue and a \$141K reduction in capital funding. The decrease in capital funding is due to a \$116K reduction in reimbursements on debt payments that came off the debt schedule and \$25K in plane rental returns from 2015 mandated state capital.
- In 2016, the appropriation from the College's local sponsor, the County of Beaver, was \$4.449M as compared to \$3.994M in 2015, an increase of \$455K. This reflects a \$300K increase in the annual appropriation and a one-time capital payment of \$155K to fund the new pedestrian bridge.
- Interest expenses increased by \$310K over 2015. This includes a \$212K increase in amortization expenses related to debt issuance costs related to financing the series 2015 bond. GASB 65 requires all debt issuance costs be recognized as expense in the fiscal year in which they are incurred. It also includes \$98K in additional interest costs related to financing operating activities during the state budget impasse (\$20K), interest only payments on the series 2015 bond (\$77K), and interest on the line of credit used to fund expenses related to the RCAP grant (\$17K) while we wait for the state to fully reimburse the College.

**Statement of Cash Flows**

The statement of cash flows presents the College's cash inflows and outflows summarized by operating, noncapital financing, and capital and related financing activities. For the period ending June 30, 2016 the College's liquidity increased by \$3.2M compared to the prior year. The following table summarizes CCBC's cash flows for the years ending June 30, 2016 and 2015.

**Summary Cash Flows (In Millions)**

|                                                             | <u>2016</u>   | <u>2015</u>   | <u>Increase<br/>(Decrease)<br/>2015-2016</u> |
|-------------------------------------------------------------|---------------|---------------|----------------------------------------------|
| Cash Provided (Used) By                                     |               |               |                                              |
| Operating Activities                                        | \$ (7.4)      | \$ (8.3)      | \$ 0.9                                       |
| Noncapital Financing Activities                             | 10.2          | 9.7           | 0.5                                          |
| Net Cash Flow from Capital and Related Financing Activities | 0.4           | (2.2)         | 2.6                                          |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b> | <b>3.2</b>    | <b>(0.8)</b>  | <b>4.0</b>                                   |
| <b>Cash and Cash Equivalents - Beginning of Year</b>        | <b>1.1</b>    | <b>1.9</b>    | <b>(0.8)</b>                                 |
| <b>Cash and Cash Equivalents - End of Year</b>              | <b>\$ 4.3</b> | <b>\$ 1.1</b> | <b>\$ 3.2</b>                                |

**Capital Asset and Debt Administration**

The College acquired capital additions of approximately \$3.675M in fiscal year 2016. These include HVAC replacements in the Learning Resources Center and Aviation Sciences Center; the purchase of 13 acres of land adjacent to the campus; replacement of the pedestrian walking bridge leading to the Learning Resources Center; installing new digital monitors across the campus; landscape and pavement improvements at both campus locations and the newly opened CCBC at Parkway West; and new hardware and technology such as video cameras, automatic locking door systems, and firewall software to ensure the safety and security of the CCBC community.

The College used a variety of debt instruments to finance capital projects and to continue college operations during the state budget impasse. Pennsylvania Finance Authority Bonds totaling \$5.630M were issued in November 2015. The proceeds from this bond issue were used to fund the land acquisition

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**Management's Discussion and Analysis (MD&A)**  
**Required Supplementary Information (RSI)**  
**Fiscal Year Ending June 30, 2016**

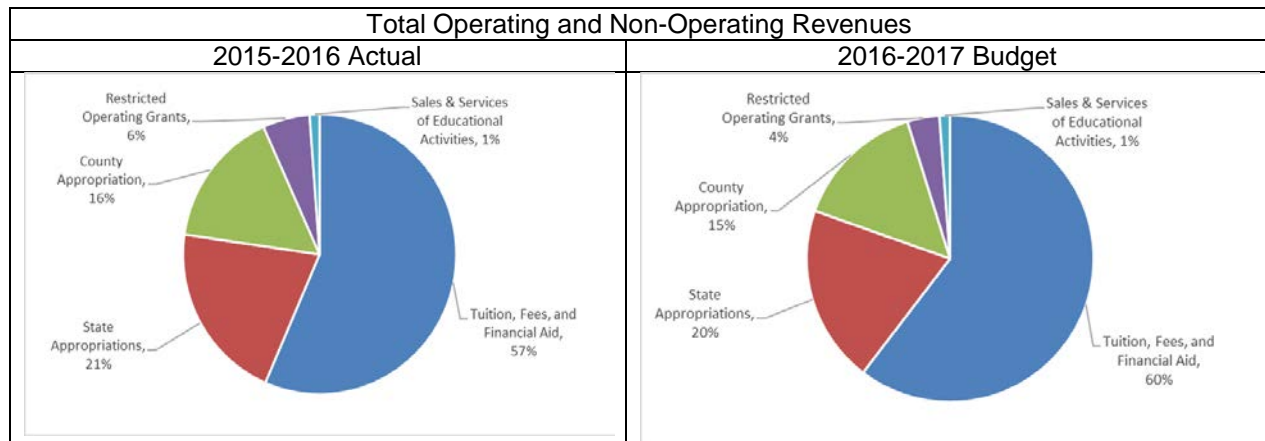
and capital improvements. The bonds are a 20-year issue with final payment due in June 2036. During the state budget impasse, the College subsidized a significant portion of operating costs including federal and state grant programs and financial aid. To ensure uninterrupted business CCBC added a \$3.5M term-note to the \$1.5M standing line of credit. During 2016 the College borrowed \$3.495M against these debt instruments and paid back a total of \$3.516M including interest before June 30, 2016. The College also established a short-term bank note for \$1.0M to finance the RCAP grant, while we wait for the state payment due in February 2017. CCBC used \$759K of the \$1.0M line of credit for the RCAP grant, which remains outstanding as of June 30, 2016. The College also paid off \$179K in capital lease obligations.

**Component Unit - CCBC Foundation**

The College has included the financials of the Foundation in its financial reporting as a component unit. See Notes 1, 2, and 12 to the Financial Statements for further detail. Separate audited financial statements for the Foundation are available through the Foundation office.

**Economic Outlook**

CCBC's financial health is inextricably linked to the overall health of the economy, the financial health of the state of Pennsylvania, and the financial health of Beaver County. Moreover, enrollments are affected by unemployment rates in Western Pennsylvania, high school graduation rates in Beaver County and surrounding school districts, and the performance of the economy. The College and its state and local partners work exceedingly well together to address the educational challenges facing the Commonwealth. However, the uncertainties in this fiscal climate lead to unpredictable revenue, which impacts CCBC's ability to leverage these funds for growth. The distribution of funding across revenue categories continues to put increasing pressure on tuition and fees to fund operations. The current proportions of the three revenue sources are quite different from the 1/3-1/3-1/3 split as originally intended when Pennsylvania's Community Colleges were established. The charts below show the proportion of total revenue by source for 2015-2016 and budgeted for 2016-2017.



The College seeks to address this risk is by focusing on strategic enrollment management and diversification to grow enrollment. The President's Executive Council will continue to use real data to inform decisions on programs and class offerings to align with our target audience. The College will have aggressive enrollment growth targets that we expect to meet. The success of the Aviation and Health High School Academies leave us confident that these targets will be met. Fall 2016 enrollment numbers show increases in total student headcount (5%) and total student credits (1%) over the same time in fall 2015. Enrollment in the Aviation Academy increased by 64 students over last year (66 students in 2015 to 130 students in 2016).

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130 students in 2016). The College is also excited to report that 18 of the 22 Aviation Academy graduates from last year have gone on to matriculate at CCBC. The CCBC Health Academy entered its inaugural year with 54 registered students. We are thrilled about these successful enrollment numbers from both academies as well as the continued impact each will have on our future. We also look forward to the grand opening of our STEM Academy in the fall of 2017 followed by the roll-out of Business and Entrepreneurship (2018), Criminal Justice (2019), Fine and Performing Arts (2020), and Online Learning (2021) academies. The College also looks to new target markets including Adult and Online education markets where we are positioned well to compete. Both offer CCBC major opportunities to grow enrollment.

Strategic use of articulation agreements is another strategy CCBC will employ to grow enrollment. The College will add to its already robust roster of articulation agreements with local colleges and universities to offer a seamless transition for CCBC students to go from associates degrees to bachelor's degrees and beyond. In 2016-2017, new articulation agreements will be signed with Robert Morris University, Geneva College, Southern Illinois University, Carlow University, Chamberlin University, and Clarion University. In addition, Franklin University continues to offer bachelor degree programs on CCBC's main campus.

Shell and the downstream impact of the new ethane cracker plant facility is another growth opportunity for CCBC. Shell's decision to invest an estimated \$7 billion in the new cracker plant in Potter Township creates an immediate need for a highly trained workforce in Beaver County. In addition to the many residual jobs that will be created in other parts of the economy resulting from an operational plant, Shell estimates the project will need nearly 6,000 construction workers to build the new facility and an expected 600 permanent employees once it is complete. The College is perfectly positioned to address this need and improve the lives of thousands by working hand in hand with local businesses, foundations, and members of the educational community. The launch of the CCBC Foundation's comprehensive gift campaign in May 2017 will further the College's network and partnerships across the region. The \$12M goal will provide funding to support CCBC's overall mission and address the opportunities offered by Shell and the downstream shale economy.

In addition to partnering with corporations like Shell and local partners in the business community, the College looks to other funding strategies to release the mounting pressure on student tuition while continuing to meet CCBC's mission of transforming lives through personalized education, dynamic partnerships and high impact practices. These include pursuing federal and state grant opportunities and collaborations with local and regional agencies. For example, in the Fall of 2016 CCBC was asked by the Allegheny Conference to be the lead institution on a \$6M Department of Labor (DOL) America's Promise Grant to provide 1,100 people with full scholarship opportunities to train for mid-and high skill manufacturing job opportunities now emerging from shale gas processing across the tri-state region. CCBC collaborated with over 40 partnering organizations in PA, Ohio, and West Virginia to submit the application in August and we expect to hear from the DOL by mid-November 2016.

To help advance these strategies the College is pleased to have added new members to the Board of Trustees and the President's Executive Council in 2016 and 2017. The CCBC board of trustees welcomed Mr. Zachery Saunders in September 2016 and reappointed Mr. Edward Palombo, Mr. Frederick Retsch, and Mr. Stephen Robinson for additional terms. Roger Davis joined CCBC as Executive Vice President and Provost and Mr. Glenn Natali started his role as Vice President for Finance and Operations. Mr. Scott Monit joined CCBC as the new Associate Vice President and Director of Facilities and Grounds. The College also welcomed Col. Bill Pinter to his new role as Dean of High School Academies and Dual Enrollment as well as Captain Dana Donati who will serve CCBC well as the new Dean of the School of Aviation Sciences.



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In 2016-2017, the College will work to finalize the Society of Faculty collective bargaining agreement which expired on August 31, 2016. Shortly thereafter the College will begin working on the ESPA staff union contract, which ends on June 30, 2017. The College included modest assumptions for rate increases, overload pay, and contributions to health insurance during the 2017 budget process. Actual resolution to contractual items and the financial implications will impact the College in the future and CCBC continues to focus on the Middle States accreditation process and ongoing continuous improvement of its operations and student success agendas.

These financial statements reinforce CCBC's strong financial position heading into the future. The strategic initiatives described here, continued support from the College's sponsors, and the implementation of organizational changes designed to streamline and strengthen operations provide opportunities for CCBC to grow, increase its financial strength, and continue the delivery of high quality, affordable education to its students.

Any questions regarding this annual report and the information contained herein should be directed to the Community College of Beaver County, Attn. Business Office, 1 Campus Dr., Monaca, PA 15061. The Business Office may also be contacted at (724) 480-3357.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**STATEMENTS OF NET POSITION**  
**JUNE 30,**

|                                                              | PRIMARY<br>INSTITUTION | COMPONENT<br>UNIT<br>FOUNDATION | 2016<br>TOTAL        | 2015<br>TOTAL        |
|--------------------------------------------------------------|------------------------|---------------------------------|----------------------|----------------------|
| <b>ASSETS:</b>                                               |                        |                                 |                      |                      |
| <b>CURRENT ASSETS:</b>                                       |                        |                                 |                      |                      |
| Cash and Cash Equivalents                                    | \$ 1,359,924           | \$ 213,644                      | \$ 1,573,568         | \$ 1,800,508         |
| Cash and Cash Equivalents - restricted (construction)        | 2,936,557              | -                               | 2,936,557            | -                    |
| Accounts Receivable - Students (Net)                         | 708,272                | -                               | 708,272              | 523,127              |
| Grants Receivable                                            | 1,084,018              | -                               | 1,084,018            | 352,522              |
| Other Receivables                                            | 79,603                 | -                               | 79,603               | 100,541              |
| Due from Component Unit                                      | 9,741                  | (9,741)                         | -                    | -                    |
| Inventories                                                  | 26,896                 | -                               | 26,896               | 27,883               |
| Prepaid Expenses                                             | 221,133                | -                               | 221,133              | 573,713              |
| <b>TOTAL CURRENT ASSETS</b>                                  | <b>\$ 6,426,144</b>    | <b>\$ 203,903</b>               | <b>\$ 6,630,047</b>  | <b>\$ 3,378,294</b>  |
| <b>NONCURRENT ASSETS:</b>                                    |                        |                                 |                      |                      |
| Investments                                                  | \$ -                   | \$ 1,324,416                    | \$ 1,324,416         | \$ 704,901           |
| Fixed Assets, Net                                            | 33,643,334             | -                               | 33,643,334           | 31,626,208           |
| <b>TOTAL NONCURRENT ASSETS</b>                               | <b>\$ 33,643,334</b>   | <b>\$ 1,324,416</b>             | <b>\$ 34,967,750</b> | <b>\$ 32,331,109</b> |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>                       |                        |                                 |                      |                      |
| Deferred Interest on Refunding                               | \$ 73,145              | \$ -                            | \$ 73,145            | \$ 103,412           |
| Deferred Outflows Related to Pension                         | 206,797                | -                               | 206,797              | 188,673              |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                  | <b>\$ 279,942</b>      | <b>\$ -</b>                     | <b>\$ 279,942</b>    | <b>\$ 292,085</b>    |
| <b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>     | <b>\$ 40,349,420</b>   | <b>\$ 1,528,319</b>             | <b>\$ 41,877,739</b> | <b>\$ 36,001,488</b> |
| <b>LIABILITIES:</b>                                          |                        |                                 |                      |                      |
| <b>CURRENT LIABILITIES:</b>                                  |                        |                                 |                      |                      |
| Accounts Payable                                             | \$ 972,413             | \$ 11,410                       | \$ 983,823           | \$ 685,292           |
| Accrued Salaries and Benefits                                | 1,263,301              | -                               | 1,263,301            | 1,377,684            |
| Payroll Tax Liabilities                                      | 24,938                 | -                               | 24,938               | 24,835               |
| Accrued Retirement Benefits - Current Portion                | 159,045                | -                               | 159,045              | 132,851              |
| Accrued Compensated Absences - Current Portion               | 20,000                 | -                               | 20,000               | 20,000               |
| Accrued Interest                                             | 98,631                 | -                               | 98,631               | 87,666               |
| Other Accrued Liabilities                                    | 176,072                | -                               | 176,072              | 176,002              |
| Unearned Revenues                                            | 967,947                | 1,500                           | 969,447              | 550,590              |
| Due to Student Groups                                        | 23,940                 | -                               | 23,940               | 22,952               |
| Notes Payable - Current Portion                              | 759,092                | -                               | 759,092              | 179,155              |
| Bonds Payable - Current Portion                              | 1,075,000              | -                               | 1,075,000            | 825,000              |
| <b>TOTAL CURRENT LIABILITIES</b>                             | <b>\$ 5,540,379</b>    | <b>\$ 12,910</b>                | <b>\$ 5,553,289</b>  | <b>\$ 4,082,027</b>  |
| <b>NONCURRENT LIABILITIES:</b>                               |                        |                                 |                      |                      |
| Bonds Payable (Net)                                          | \$ 29,215,708          | \$ -                            | \$ 29,215,708        | \$ 24,676,995        |
| Accrued Retirement Benefits                                  | 154,774                | -                               | 154,774              | 429,207              |
| Net Pension Liability                                        | 2,339,000              | -                               | 2,339,000            | 2,335,000            |
| Accrued Compensated Absences                                 | 560,830                | -                               | 560,830              | 658,189              |
| <b>TOTAL NONCURRENT LIABILITIES</b>                          | <b>\$ 32,270,312</b>   | <b>\$ -</b>                     | <b>\$ 32,270,312</b> | <b>\$ 28,099,391</b> |
| <b>TOTAL LIABILITIES</b>                                     | <b>\$ 37,810,691</b>   | <b>\$ 12,910</b>                | <b>\$ 37,823,601</b> | <b>\$ 32,181,418</b> |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                        |                        |                                 |                      |                      |
| Deferred Inflows Related to Pension                          | \$ 185,000             | \$ -                            | \$ 185,000           | \$ 167,000           |
| <b>Total Deferred Inflows of Resources</b>                   | <b>\$ 185,000</b>      | <b>\$ -</b>                     | <b>\$ 185,000</b>    | <b>\$ 167,000</b>    |
| <b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b> | <b>\$ 37,995,691</b>   | <b>\$ 12,910</b>                | <b>\$ 38,008,601</b> | <b>\$ 32,348,418</b> |
| <b>NET POSITION:</b>                                         |                        |                                 |                      |                      |
| Net Investment in Capital Assets                             | \$ 5,530,091           | \$ -                            | \$ 5,530,091         | \$ 6,048,470         |
| Restricted                                                   | -                      | 1,463,505                       | 1,463,505            | 1,342,420            |
| Designated (Board Action)                                    | 200,000                | -                               | 200,000              | -                    |
| Unrestricted - Component Unit                                | -                      | 51,904                          | 51,904               | 66,169               |
| Unrestricted (Deficit)                                       | (3,376,362)            | -                               | (3,376,362)          | (3,803,989)          |
| <b>TOTAL NET POSITION</b>                                    | <b>\$ 2,353,729</b>    | <b>\$ 1,515,409</b>             | <b>\$ 3,869,138</b>  | <b>\$ 3,653,070</b>  |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>  | <b>\$ 40,349,420</b>   | <b>\$ 1,528,319</b>             | <b>\$ 41,877,739</b> | <b>\$ 36,001,488</b> |

The accompanying notes are an integral part of these financial statements

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30,**

|                                               | PRIMARY<br>INSTITUTION | COMPONENT<br>UNIT<br>FOUNDATION | 2016<br>TOTAL         | 2015<br>TOTAL         |
|-----------------------------------------------|------------------------|---------------------------------|-----------------------|-----------------------|
| <b>OPERATING REVENUES:</b>                    |                        |                                 |                       |                       |
| Student Tuition and Fees                      | \$ 10,920,172          | \$ -                            | \$ 10,920,172         | \$ 10,618,549         |
| Government Grants                             | 1,635,350              | -                               | 1,635,350             | 1,027,527             |
| Federal and State Student Grants              | 4,261,402              | -                               | 4,261,402             | 4,627,958             |
| Auxiliary Enterprises Revenues                | 91,451                 | -                               | 91,451                | 87,781                |
| Contributions                                 | -                      | 261,732                         | 261,732               | 629,631               |
| Other Operating Revenues                      | 149,261                | 64,388                          | 213,649               | 277,446               |
| <b>TOTAL OPERATING REVENUES</b>               | <b>\$ 17,057,636</b>   | <b>\$ 326,120</b>               | <b>\$ 17,383,756</b>  | <b>\$ 17,268,892</b>  |
| <b>OPERATING EXPENSES:</b>                    |                        |                                 |                       |                       |
| Instruction                                   | \$ 7,756,735           | \$ -                            | \$ 7,756,735          | \$ 8,281,066          |
| Academic Support                              | 2,166,247              | -                               | 2,166,247             | 2,374,372             |
| Student Services                              | 1,603,835              | -                               | 1,603,835             | 1,520,527             |
| Institutional Support                         | 5,423,818              | 30,134                          | 5,453,952             | 5,395,036             |
| Operation and Facilities                      | 2,104,891              | -                               | 2,104,891             | 2,040,912             |
| Government Grants                             | 792,572                | -                               | 792,572               | 923,489               |
| Federal and State Student Grants              | 4,261,402              | -                               | 4,261,402             | 4,627,958             |
| Scholarships                                  | -                      | 124,284                         | 124,284               | 94,072                |
| Fundraising                                   | -                      | 62,641                          | 62,641                | 88,692                |
| Depreciation                                  | 1,644,020              | -                               | 1,644,020             | 1,716,437             |
| <b>TOTAL OPERATING EXPENSES</b>               | <b>\$ 25,753,520</b>   | <b>\$ 217,059</b>               | <b>\$ 25,970,579</b>  | <b>\$ 27,062,562</b>  |
| <b>OPERATING INCOME (LOSS)</b>                | <b>\$ (8,695,884)</b>  | <b>\$ 109,061</b>               | <b>\$ (8,586,823)</b> | <b>\$ (9,793,670)</b> |
| <b>NONOPERATING REVENUES (EXPENSES):</b>      |                        |                                 |                       |                       |
| Interest Income                               | \$ 3,130               | \$ 17,390                       | \$ 20,520             | \$ 15,534             |
| Gain <Loss> on Investments                    | -                      | (25,501)                        | (25,501)              | 22,798                |
| Refund of Prior Years Expenditures            | -                      | 5,870                           | 5,870                 | -                     |
| State Appropriations                          | 5,782,268              | -                               | 5,782,268             | -                     |
| County Appropriations                         | 4,449,243              | -                               | 4,449,243             | 3,994,500             |
| Interest Expense                              | (1,429,509)            | -                               | (1,429,509)           | (1,132,782)           |
| <b>TOTAL NONOPERATING REVENUES (EXPENSES)</b> | <b>\$ 8,805,132</b>    | <b>\$ (2,241)</b>               | <b>\$ 8,802,891</b>   | <b>\$ 2,900,050</b>   |
| <b>INCREASE (DECREASE) IN NET POSITION</b>    | <b>\$ 109,248</b>      | <b>\$ 106,820</b>               | <b>\$ 216,068</b>     | <b>\$ (6,893,620)</b> |
| <b>NET POSITION - JULY 1</b>                  | <b>2,244,481</b>       | <b>1,408,589</b>                | <b>3,653,070</b>      | <b>4,811,243</b>      |
| <b>NET POSITION - JUNE 30</b>                 | <b>\$ 2,353,729</b>    | <b>\$ 1,515,409</b>             | <b>\$ 3,869,138</b>   | <b>\$ (2,082,377)</b> |

The accompanying notes are an integral part of these financial statements

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30,**

|                                                                                                                                     | PRIMARY<br>INSTITUTION | COMPONENT<br>UNIT<br>FOUNDATION | 2016<br>TOTAL         | 2015<br>TOTAL         |
|-------------------------------------------------------------------------------------------------------------------------------------|------------------------|---------------------------------|-----------------------|-----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                                                                        |                        |                                 |                       |                       |
| Student Tuition and Fees                                                                                                            | \$ 10,749,928          | \$ -                            | \$ 10,749,928         | \$ 10,641,353         |
| Government Grants                                                                                                                   | 903,854                | -                               | 903,854               | 1,193,381             |
| Federal and State Student Grants                                                                                                    | 4,261,402              | -                               | 4,261,402             | 4,627,958             |
| Auxiliary Enterprise Receipts                                                                                                       | 91,451                 | -                               | 91,451                | 87,781                |
| Contributions                                                                                                                       | -                      | 261,732                         | 261,732               | 629,631               |
| Other Operating Receipts                                                                                                            | 149,261                | 62,888                          | 212,149               | 309,159               |
| Payments to Employees for Wages and Benefits                                                                                        | (13,944,924)           | -                               | (13,944,924)          | (13,816,725)          |
| Payments for Grants and Scholarships                                                                                                | (4,261,402)            | (124,284)                       | (4,385,686)           | (4,722,030)           |
| Other Program Disbursements                                                                                                         | (5,331,894)            | (75,769)                        | (5,407,663)           | (6,745,243)           |
| <b>NET CASH PROVIDED BY (USED IN)<br/>OPERATING ACTIVITIES</b>                                                                      | <b>\$ (7,382,324)</b>  | <b>\$ 124,567</b>               | <b>\$ (7,257,757)</b> | <b>\$ (7,794,735)</b> |
| <b>CASH FLOWS FROM NONCAPITAL AND RELATED<br/>FINANCING ACTIVITIES:</b>                                                             |                        |                                 |                       |                       |
| State Appropriations                                                                                                                | \$ 5,782,268           | \$ -                            | \$ 5,782,268          | \$ 5,735,447          |
| County Appropriations                                                                                                               | 4,449,243              | -                               | 4,449,243             | 3,994,500             |
| <b>NET CASH PROVIDED BY NONCAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>                                                         | <b>\$ 10,231,511</b>   | <b>\$ -</b>                     | <b>\$ 10,231,511</b>  | <b>\$ 9,729,947</b>   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES:</b>                                                                |                        |                                 |                       |                       |
| Capital Acquisitions                                                                                                                | \$ (3,645,696)         | \$ -                            | \$ (3,645,696)        | \$ (94,365)           |
| Net Proceeds - Bond Issue Series of 2015                                                                                            | 5,415,446              | -                               | 5,415,446             | -                     |
| Proceeds -Short Term Note Obligations                                                                                               | 4,654,092              | -                               | 4,654,092             | -                     |
| Interest Paid on Capital Related Debt                                                                                               | (1,170,198)            | -                               | (1,170,198)           | (1,140,769)           |
| Principal Payments on Short Term Note Obligations                                                                                   | (3,895,000)            | -                               | (3,895,000)           | -                     |
| Principal Payments on Note Obligations                                                                                              | (825,000)              | -                               | (825,000)             | (795,000)             |
| Principal Payments on Capital Lease Obligations                                                                                     | (179,155)              | -                               | (179,155)             | (176,135)             |
| <b>NET CASH (USED IN) CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>                                                              | <b>\$ 354,489</b>      | <b>\$ -</b>                     | <b>\$ 354,489</b>     | <b>\$ (2,206,269)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                                                                        |                        |                                 |                       |                       |
| Interest Income/loss on investments                                                                                                 | \$ 3,130               | \$ (8,112)                      | \$ (4,982)            | \$ 15,534             |
| Sale <Purchase> of Investments                                                                                                      | -                      | (619,514)                       | (619,514)             | 142,755               |
| Other Adjustments                                                                                                                   | -                      | 5,870                           | 5,870                 | -                     |
| <b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>                                                                          | <b>\$ 3,130</b>        | <b>\$ (621,756)</b>             | <b>\$ (618,626)</b>   | <b>\$ 158,289</b>     |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                                                         | <b>\$ 3,206,806</b>    | <b>\$ (497,189)</b>             | <b>\$ 2,709,617</b>   | <b>\$ (112,768)</b>   |
| CASH AND CASH EQUIVALENTS - JULY 1,                                                                                                 | 1,089,675              | 710,833                         | 1,800,508             | 1,913,276             |
| <b>CASH AND CASH EQUIVALENTS - JUNE 30,</b>                                                                                         | <b>\$ 4,296,481</b>    | <b>\$ 213,644</b>               | <b>\$ 4,510,125</b>   | <b>\$ 1,800,508</b>   |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH<br/>PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>                        |                        |                                 |                       |                       |
| Operating Income (Loss)                                                                                                             | \$ (8,695,884)         | \$ 109,061                      | \$ (8,586,823)        | \$ (10,278,826)       |
| <b>Adjustments to Reconcile Net Increase (Decrease) in Net Position to Net<br/>Cash Provided by (Used In) Operating Activities:</b> |                        |                                 |                       |                       |
| Depreciation                                                                                                                        | 1,644,020              | -                               | 1,644,020             | 1,716,437             |
| Provision for Bad Debt Expense                                                                                                      | 24,222                 | -                               | 24,222                | 24,207                |
| Accrual of GASB 68 Pension Expense                                                                                                  | 3,876                  | -                               | 3,876                 | 64,792                |
| (Increase) Decrease in Accounts Receivable                                                                                          | (169,186)              | -                               | (169,186)             | 170,454               |
| (Increase) Decrease in Grants Receivable                                                                                            | (764,976)              | -                               | (764,976)             | -                     |
| (Increase) Decrease in Inventories                                                                                                  | 987                    | -                               | 987                   | 11,380                |
| (Increase) Decrease in Prepaid Expenses                                                                                             | 352,580                | -                               | 352,580               | (45,280)              |
| Increase (Decrease) in Account Payable                                                                                              | 288,104                | 10,427                          | 298,531               | 69,855                |
| Increase (Decrease) in Accrued Salaries and Benefits                                                                                | (459,878)              | -                               | (459,878)             | (167,034)             |
| Increase (Decrease) in Accrued and Other Liabilities                                                                                | 392,753                | 5,079                           | 397,832               | 262,026               |
| Increase (Decrease) in Unearned Revenues                                                                                            | 1,058                  | -                               | 1,058                 | (135,670)             |
| <b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>                                                                          | <b>\$ (7,382,324)</b>  | <b>\$ 124,567</b>               | <b>\$ (7,257,757)</b> | <b>\$ (8,307,659)</b> |

The accompanying notes are an integral part of these financial statements

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**ORGANIZATION**

The Community College of Beaver County (CCBC), established in 1966, is a publicly supported two-year community college located on a 66-acre campus in Center Township, Pennsylvania. CCBC offers various degree and certificate programs in the areas of Business, Technologies, Science and Mathematics, Education, Allied Health, Arts and Humanities. In accordance with the Community College Act of the Commonwealth of Pennsylvania, CCBC is to receive approximately one-third of its operating income from Commonwealth appropriations, one-third from its local sponsor (County of Beaver), and approximately one-third from students in the form of tuition. This funding plan for Pennsylvania's Community Colleges has never been realized, however. Like most of Pennsylvania's community colleges, CCBC students provide a majority of the college's revenue through tuition and fees while state and county appropriations fall significantly below the originally prescribed 33% level.

The local sponsor is also obligated, under the Community College Act, to pay up to one-half of CCBC annual capital expenses with the Commonwealth responsible for the remaining one-half. In addition, CCBC receives various state and federal grants to supplement the College's basic curriculum, and other miscellaneous program fees to defray general operating costs.

Effective July 1, 2002, the County of Beaver became the local sponsor of CCBC pursuant to the Community College Act of 1963. The County and CCBC entered into an Articles of Agreement that establish the guidelines surrounding the County's local sponsorship. The Articles of Agreement are to remain in effect for a period of twenty (20) years, and in 2014-2015 the commissioners extended CCBC's sponsoring agreement to 2042. The Commissioners of the County of Beaver appoint all members of the governing board of CCBC. As a result of this agreement, CCBC is considered a component unit of the County of Beaver.

Community College of Beaver County prepares its financial statements in accordance with generally accepted accounting principles (GAAP) for public colleges and universities as outlined by the Governmental Accounting Standards Board (GASB). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). During 2015-2016 year, the College adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 72, 'Fair Value Measurement and Application' and Statement No. 76, 'The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments'. The most significant of CCBC's accounting policies are as follows:

**REPORTING ENTITY**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "Financial Reporting Entity" and GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", management has evaluated all potential component units for inclusion in the accompanying financial statements. In accordance with this guidance, a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**REPORTING ENTITY (Continued)**

- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Based on the application of the above criteria, the accompanying financial statements include the activity of the College's sole component unit, the CCBC Foundation. The CCBC Foundation is a non-profit corporation established to provide financial support to assist CCBC in providing educational opportunities to the general student population, enhance the college facilities and resources, and promote partnerships with businesses and community leaders.

The Foundation is governed by a Board of Directors appointed by the College's Board of Trustees. The President, Executive Director of Marketing, Community Relations, and Advancement and two members of the Board of Trustees for the Community College of Beaver County are non-voting members of the Foundation Board of Directors. The financial statements of the Foundation are included as part of the accompanying financial statements.

**FINANCIAL STATEMENT PRESENTATION**

The Community College of Beaver County adheres to GASB Statement No. 35, "Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities". This statement establishes accounting and financial reporting standards for public colleges and universities within the framework of GASB Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments". The objective of this statement is to provide financial information that responds to the needs of a variety of third-parties interested in the financial operations of CCBC. The statement, as it applies to CCBC, requires the presentation of basic financial statements and required supplementary information (RSI), which for CCBC, consists of a management's discussion and analysis (MD&A) and information required by GASB Statement No. 68 related to accounting and financial reporting for pensions. In accordance with GASB Statement No. 35, CCBC elects to report its financial activity as 'Business-Type-Activities' only as defined by GASB.

**BASIS OF ACCOUNTING**

The Community College of Beaver County prepares its financial statements using the accrual basis of accounting. Under this method, revenue is recognized when earned and expenses are recognized when the obligation to pay is incurred.

**NET POSITION**

Net Position is classified into three categories according to external donor or legal restrictions or availability of assets to satisfy CCBC obligations. Net Position is classified as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of debt that is attributable to the acquisition, construction and improvement of the capital assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**NET POSITION (Continued)**

- Restricted – Net position subject to externally imposed conditions that can be fulfilled by the actions of CCBC or by the passage of time (temporarily restricted) or restrictions which are required to be maintained in perpetuity (permanently restricted).
- Unrestricted – Consists of all other net position that does not meet the definition of ‘restricted’ or ‘net investment in capital assets’.

When an expense is incurred that can be paid using either restricted or unrestricted resources, CCBC’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

The CCBC Foundation, as a non-profit organization, reports its financial activity under FASB standards, including SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. As a result, certain revenue recognition criteria and presentation features are different from those aspects as required by GASB. No modifications have been made to the Foundation’s revenue information for these differences. Net asset information of the Foundation has been conformed to the ‘Net Position’ categories as defined by GASB.

Temporarily restricted net position represents funds temporarily restricted by externally imposed conditions or the passage of time for expenses such as tuition, fees, books, programs, projects, facilities, and equipment. Unrestricted net position represents contributions to the Foundation for scholarship purposes with no restriction for maintaining the principal in perpetuity.

**UNEARNED REVENUE**

Unearned revenue arises when the College receives resources before it has legal claim to them. This occurs when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the College has a legal claim to the resources, the unearned revenue liability is removed and revenue is recognized.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include amounts in demand deposit accounts and any other highly liquid investments with original maturity terms of three months or less.

**INVESTMENTS**

The Public School Code Section 440.1 authorizes CCBC to invest in:

- I. Obligations of the U.S. Treasury.
- II. Deposits in savings accounts, time deposits and share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation and National Credit Union Share Insurance Fund.
- III. Obligations of the United States of America, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth of Pennsylvania, or any of their agencies or instrumentalities backed by the full faith and credit of these governmental units.
- IV. Shares of an investment company, registered under the Investment Company Act of 1940, are registered under the Securities Act of 1933.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**INVESTMENTS (Continued)**

Investments of the CCBC Foundation include equity and fixed income mutual funds and money market funds held by First National Bank Wealth Management. These investments are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that significant changes in risks in the near-term may materially affect the amounts reported in the financial statements. Investments are stated at fair value.

**RECEIVABLES- STUDENTS**

Accounts receivable - students is stated at net realizable value. The management of CCBC uses the allowance method of accounting for determining the annual provision for bad debt expense based on the methods and criteria established by the College's accounts receivable policy. Accounts receivable – students, as reflected in Exhibit A, of \$708,272 (June 30, 2016) and \$523,127 (June 30, 2015) is net of provision for doubtful accounts.

**ALLOWANCE FOR DOUBTFUL ACCOUNTS**

It is the College's policy to provide for future losses on uncollectible accounts based on an evaluation of the underlying account 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.

**INVENTORIES**

Inventory for the years ended June 30, 2016 and 2015 consists of expendable supplies of \$26,896 and \$27,883 respectively, held for general consumption. Inventory is stated at cost.

**PROPERTY AND EQUIPMENT**

Property and equipment purchased by the Community College of Beaver County is recorded at cost or estimated historical cost. Donations of property and equipment are recorded as support at their estimated fair value. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets as follows:

- Land Improvements 20 Years
- Buildings and Improvements 25-50 Years
- Equipment, Furniture and Fixtures 5-20 Years
- Library Reference Materials and Books 6 Years
- Vehicles 8-10 Years

Depreciation expense for year ended June 30, 2016 and 2015 was \$1,644,020 and \$1,716,437 respectively. Expenditures for the repair and maintenance of property and equipment are not capitalized, but rather shown as an expense in the period in which they are incurred.



**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**LONG-TERM DEBT FINANCING COSTS**

Bond issue costs are recorded as expenditures in the governmental fund financial statements in the year paid. The College incurred \$187,814 in bond issuance costs during the 2015-2016 fiscal year related to issuance of the Series of 2015 bonds.

**PENSIONS**

For the 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 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 (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment assets are reported at fair value. More information on pension activity is included in Note 9.

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

In addition to assets and liabilities, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows and/or inflows of resources. These separate financial statement elements represent a decrease and/or increase in net position that applies to a future period and so will not be recognized as an outflow and/or inflow of resources (expense/expenditure or income/revenue) in the current period.

**COMPENSATED ABSENCES**

The terms of the collective bargaining agreements between the College and the 'Community College of Beaver County Society of the Faculty' and 'Educational Support Personnel Association' provide for the accumulation of sick and vacation days for eligible personnel based on employment status and length of service. As of June 30, 2016 and 2015, accumulated compensated absences totaled \$580,830 and \$678,189 respectively.

**INCOME TAXES**

The CCBC Foundation is a not for profit organization exempt from federal income taxes as determined under Section 501(c)3 of the Internal Revenue Code (IRC). CCBC Foundation has been classified as an organization that is not a private foundation under (IRC) Section 509(a). The CCBC Foundation's Form 990 'Return of Organization Exempt from Income Tax' for the years ended June 30, 2016, 2015, and 2014 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

**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; (2) sales and services of auxiliary enterprises; (3) most federal, state local and nongovernmental grants and contracts; (4) sales and service of educational activities.

**Nonoperating Revenues** – Nonoperating revenues include federal, state and local appropriations and investment income.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 – CASH DEPOSITS AND INVESTMENTS**

**CASH DEPOSITS:**

Cash and cash equivalents are comprised of the following:

|                     | ----- June 30, 2016 ----- | ----- June 30, 2015 ----- |                         |                           |
|---------------------|---------------------------|---------------------------|-------------------------|---------------------------|
|                     | <b>Bank<br/>Balance</b>   | <b>Carrying<br/>Value</b> | <b>Bank<br/>Balance</b> | <b>Carrying<br/>Value</b> |
| Primary Institution | \$ 4,511,540              | \$ 4,296,229              | \$ 1,593,771            | \$ 1,089,675              |
| CCBC Foundation     | 212,821                   | 207,774                   | 718,888                 | 710,833                   |
|                     | <u>\$ 4,724,361</u>       | <u>\$ 4,504,003</u>       | <u>\$ 2,312,659</u>     | <u>\$ 1,800,508</u>       |

The difference between the bank balance and book balance represents year-end reconciling items such as deposits in transit and outstanding checks. The Federal Deposit Insurance Corporation (FDIC) coverage threshold for government accounts is \$250,000 per official custodian. This coverage includes checking and savings accounts, money market deposit accounts, and certificates of deposit.

**Custodial Credit Risk:**

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The College does not have a policy for custodial credit risk. As of June 30, 2016 and 2015, \$1,343,771 and \$1,343,771 respectively of the College's bank balance total is exposed to custodial credit risk as these amounts represent uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the College's name. In accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits, in excess of \$250,000, are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System. As of June 30, 2016 none of the CCBC Foundation's bank balance is exposed to custodial credit risk. As of June 30, 2015 \$468,888 of CCBC Foundation's bank balance total is exposed to custodial credit risk as this amount represents uninsured deposits in excess of the FDIC coverage threshold.

**INVESTMENTS:**

The fair value and maturity term of the Foundation's investments as of June 30, 2016 is as follows:

|                             | <b>Fair Value</b>   | <b>No Stated<br/>Maturity</b> |
|-----------------------------|---------------------|-------------------------------|
| Mutual Funds - fixed income | \$ 457,018          | \$ 457,018                    |
| Mutual Funds - equities     | 839,497             | 839,497                       |
| Money Market Funds          | 27,901              | 27,901                        |
|                             | <u>\$ 1,324,416</u> | <u>\$ 1,324,416</u>           |

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 2 – CASH DEPOSITS AND INVESTMENTS (Continued)**

**INVESTMENTS: (Continued)**

**Credit Risk:**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. CCBC Foundation has no formal investment policy that limits its investment choices based on credit ratings by nationally recognized rating organizations.

**Custodial Credit Risk:**

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, CCBC Foundation will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The investments in mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. CCBC Foundation does not have a formal investment policy for custodial credit risk.

**Interest Rate Risk:**

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. CCBC Foundation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Concentration of Credit Risk:**

CCBC Foundation places no limit on the amount it may invest in any one issuer.

**Fair Value Measurements:**

The CCBC Foundation's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future values.

U.S. generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes

Level 2 – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 2 – CASH DEPOSITS AND INVESTMENTS (Continued)**

**INVESTMENTS: (Continued)**

The following schedule presents the Investments of the Foundation by level within the fair value hierarchy:

|                             | <b>6/30/2016</b>    |                     | <b>6/30/2015</b>  |                   |
|-----------------------------|---------------------|---------------------|-------------------|-------------------|
|                             | <b>Fair Value</b>   | <b>Level 1</b>      | <b>Fair Value</b> | <b>Level 1</b>    |
| Mutual Funds - fixed income | \$ 457,018          | \$ 457,018          | \$ 238,486        | \$ 238,486        |
| Mutual Funds - equities     | 839,497             | 839,497             | 451,763           | 451,763           |
| Money Market Funds          | 27,901              | -                   | 14,652            | -                 |
|                             | <u>\$ 1,324,416</u> | <u>\$ 1,296,515</u> | <u>\$ 704,901</u> | <u>\$ 690,249</u> |

Money market funds included in the investment portfolio are not subject to provisions of fair value measurements as they are recorded at cost.

**NOTE 3 – GRANTS RECEIVABLE**

Grants receivable, as reflected in Exhibit A, is comprised of the following:

|                                   | <b>6/30/2016</b>    | <b>6/30/2015</b>  |
|-----------------------------------|---------------------|-------------------|
| Federal and State Grants          | \$ 1,082,265        | \$ 352,522        |
| Financial Aid Awards/Scholarships | 1,753               | -                 |
|                                   | <u>\$ 1,084,018</u> | <u>\$ 352,522</u> |

**NOTE 4 - FIXED ASSETS**

Fixed assets consisted of the following for the years ended June 30, 2016 and 2015:

|                            | <b>Balance<br/>7/1/2015</b> | <b>Additions</b>    | <b>Deletions</b> | <b>Balance<br/>6/30/2016</b> |
|----------------------------|-----------------------------|---------------------|------------------|------------------------------|
| Land                       | \$ 204,425                  | \$ 776,227          | \$ -             | \$ 980,652                   |
| Land Improvements          | 747,863                     | -                   | -                | 747,863                      |
| Buildings and Improvements | 46,712,220                  | 329,165             | -                | 47,041,385                   |
| Machinery and Equipment    | 10,258,232                  | 6,534               | -                | 10,264,766                   |
| Vehicles                   | 251,942                     | -                   | -                | 251,942                      |
| Books                      | 1,742,388                   | -                   | -                | 1,742,388                    |
| Work in Progress           | -                           | 2,549,220           | -                | 2,549,220                    |
|                            | <u>\$ 59,917,070</u>        | <u>\$ 3,661,146</u> | <u>\$ -</u>      | <u>\$ 63,578,216</u>         |
| Accumulated Depreciation   | (28,290,862)                | (1,644,020)         | -                | (29,934,882)                 |
|                            | <u>\$ 31,626,208</u>        | <u>\$ 2,017,126</u> | <u>\$ -</u>      | <u>\$ 33,643,334</u>         |

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 4 - FIXED ASSETS (Continued)**

|                            | <b>Balance<br/>7/1/2014</b> | <b>Additions</b>      | <b>Deletions</b> | <b>Balance<br/>6/30/2015</b> |
|----------------------------|-----------------------------|-----------------------|------------------|------------------------------|
| Land                       | \$ 204,425                  | \$ -                  | \$ -             | \$ 204,425                   |
| Land Improvements          | 747,863                     | -                     | -                | 747,863                      |
| Buildings and Improvements | 46,679,807                  | 32,413                | -                | 46,712,220                   |
| Machinery and Equipment    | 10,196,280                  | 61,952                | -                | 10,258,232                   |
| Vehicles                   | 251,942                     | -                     | -                | 251,942                      |
| Books                      | 1,742,388                   | -                     | -                | 1,742,388                    |
|                            | <u>\$ 59,822,705</u>        | <u>\$ 94,365</u>      | <u>\$ -</u>      | <u>\$ 59,917,070</u>         |
| Accumulated Depreciation   | (26,574,425)                | (1,716,437)           | -                | (28,290,862)                 |
|                            | <u>\$ 33,248,280</u>        | <u>\$ (1,622,072)</u> | <u>\$ -</u>      | <u>\$ 31,626,208</u>         |

**NOTE 5 – NOTES PAYABLE**

**PENNSYLVANIA FINANCE AUTHORITY**

**COLLEGE REVENUE BONDS – SERIES OF 2015**

In December of 2015, the Pennsylvania Finance Authority issued \$5,630,000 in College Revenue Bonds - Series of 2012. The bonds were issued to provide funds to the College for the purchase of land adjacent to the campus, to provide funds for college building renovations, and to pay for the costs of issuing the bonds. In connection with the issuance of the Bonds, the Authority entered into a Loan Agreement with the Community College of Beaver County (CCBC), whereby the Authority will loan the proceeds of the bonds to the College. The loan agreement requires the College to make loan repayments to the Authority in an amount sufficient to pay the debt service requirements of the Bonds. The obligation of the College under the loan agreement is evidenced by a signed general obligation promissory note dated as of December 2015. The Authority bonds were issued in denominations of \$5,000 with interest payable on June 1 and December 1 each year through maturity. The Interest rates on the bonds is 2%-3.75% with the bonds scheduled to mature June 1, 2036. The bonds provide for early redemption options as detailed in the official statement of issue.

**COLLEGE REVENUE BONDS – SERIES OF 2012**

In August of 2012, the Pennsylvania Finance Authority issued \$2,890,000 in College Revenue Bonds - Series of 2012. The bonds were issued to refund the outstanding amount of Community College Revenue Bonds – Series of 1998, and to pay for the costs of issuing the bonds. In connection with the issuance of the Bonds, the Authority entered into a Loan Agreement with the Community College of Beaver County (CCBC), whereby the Authority will loan the proceeds of the bonds to the College. The loan agreement requires the College to make loan repayments to the Authority in an amount sufficient to pay the debt service requirements of the Bonds. The obligation of the College under the loan agreement is evidenced by a signed general obligation promissory note dated as of August of 2012. The Authority bonds were issued in denominations of \$5,000 with interest payable on June 1 and December 1 each year through maturity. The Interest rate on the bonds is 2% with the bonds scheduled to mature December 1, 2019. The bonds provide for early redemption options as detailed in the official statement of issue.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 5 – NOTES PAYABLE (Continued)**

**PENNSYLVANIA FINANCE AUTHORITY (Continued)**

**COLLEGE REVENUE BONDS – SERIES OF 2007**

In April of 2007, the Pennsylvania Finance Authority issued \$27,780,000 in College Revenue Bonds - Series of 2007 to finance new construction, additions and renovations on the campus of the Community College of Beaver County (CCBC). In connection with the issuance of the Bonds, the Authority entered into a Loan Agreement with CCBC, whereby the Authority will loan the proceeds of the bonds to the College. The loan agreement requires the College to make loan repayments to the Authority in an amount sufficient to pay the debt service requirements of the Bonds. The obligation of the College under the loan agreement is evidenced by a signed general obligation promissory note dated as of April 15, 2007. The Authority bonds were issued in denominations of \$5,000 with interest payable on May 15 and November 15 each year through maturity. Interest rates range between 3.50% and 4.375% with the bonds scheduled to mature December 1, 2031. The bonds provide for early redemption options as detailed in the official statement of issue.

A summary of the Community College of Beaver County's general obligation promissory notes outstanding, due the Pennsylvania Finance Authority at June 30, 2016, is as follows:

| <b>YEAR END<br/>JUNE 30,</b> | <b>2015<br/>PRINCIPAL</b>  | <b>2012<br/>PRINCIPAL</b>  | <b>2007<br/>PRINCIPAL</b>   | <b>INTEREST</b>             | <b>TOTAL</b>                |
|------------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|
| 2017                         | \$ 225,000                 | \$ 270,000                 | \$ 580,000                  | \$ 1,183,566                | \$ 2,033,566                |
| 2018                         | 225,000                    | 275,000                    | 600,000                     | 1,151,341                   | 2,026,341                   |
| 2019                         | 235,000                    | 280,000                    | 620,000                     | 1,116,616                   | 2,016,616                   |
| 2020                         | 235,000                    | 285,000                    | 655,000                     | 1,079,991                   | 2,019,991                   |
| 2021                         | 245,000                    | -                          | 1,395,000                   | 1,031,341                   | 2,426,343                   |
| 2022-2026                    | 1,280,000                  | -                          | 7,915,000                   | 4,129,150                   | 12,044,150                  |
| 2027-2031                    | 1,470,000                  | -                          | 9,830,000                   | 2,030,180                   | 11,860,180                  |
| 2032-2036                    | 1,715,000                  | -                          | 2,235,000                   | 210,106                     | 2,445,106                   |
|                              | <b><u>\$ 5,630,000</u></b> | <b><u>\$ 1,110,000</u></b> | <b><u>\$ 23,830,000</u></b> | <b><u>\$ 11,932,291</u></b> | <b><u>\$ 36,872,293</u></b> |

**BOND DISCOUNT AND BOND PREMIUM**

In connection with the issuance of the College Revenue Bonds – Series of 2007 and Series of 2015, CCBC received an original issue discount of 452,585 which is being amortized over the life of the bond issue. Bond discount amortization for the years ended June 30, 2016 and 2015 was \$17,814 and \$17,034 respectively and is included as a component of interest expense on Exhibit B. The unamortized portion of the bond discount of \$297,082 at June 30, 2016 and \$288,156 at June 30, 2015 is deducted from the long-term portion of notes payable on Exhibit A.

In connection with the issuance of the College Revenue Bonds – Series of 2012, CCBC received an original issue premium of \$46,007 which is being amortized over the life of the bond issue. Bond premium amortization for the years ended June 30, 2016 and 2015 was \$7,361 respectively and is included as a component of interest expense on Exhibit B. The unamortized balance of \$17,789 at June 30, 2016 and \$25,151 at June 30, 2015 is added to the long-term portion of notes payable on Exhibit A.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 5 – NOTES PAYABLE (Continued)**

**ADVANCE REFUNDING OF DEBT**

In connection with the advance refunding of the Series A of 1994 Community College Revenue Bonds, the Pennsylvania Finance Authority entered into an irrevocable trust agreement with PNC Bank to purchase U.S. Government Securities in an amount sufficient to fully service the defeased 1994 Bond Issue debt as it matures or is called. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability for the College. The excess of the reacquisition price over the net carrying amount of refunded debt is recorded as a reduction to long-term debt on the statement of net position and amortized over the shorter of the term of the refunding issue or refunded bonds. CCBC incurred a deferred refunding loss of \$569,680 which is being amortized over the life of the refunding issue using the straight-line method. During the years ended June 30, 2016 and 2015, CCBC amortized \$30,267 respectively of this loss which is shown as part of interest expense on Exhibit B. The unamortized balance of \$73,145 and \$103,412 at June 30, 2016 and 2015 respectively, is reflected as 'deferred outflow of resources' in Exhibit A.

**NOTE 6 – CHANGES IN LONG-TERM LIABILITIES**

The following represents the changes in the College's long-term liabilities during the 2015-2016 and 2014-2015 fiscal years:

|                                | <b>Balance<br/>7/1/2015</b> | <b>Additions</b>    | <b>Reductions</b>   | <b>Balance<br/>6/30/2016</b> | <b>Due Within<br/>One Year</b> |
|--------------------------------|-----------------------------|---------------------|---------------------|------------------------------|--------------------------------|
| General Obligation Notes       | \$ 25,765,000               | \$ 9,525,000        | \$ 825,000          | \$ 34,465,000                | \$ 1,075,000                   |
| Capital Leases                 | 179,155                     | -                   | 179,155             | -                            | -                              |
| Compensated Absences           | 678,189                     | -                   | 97,359              | 580,830                      | 20,000                         |
| Net Pension Liability (Note 9) | 2,335,000                   | 4,000               | -                   | 2,339,000                    | -                              |
| Early Retirement Benefits      | 562,058                     | -                   | 248,239             | 313,819                      | 159,045                        |
|                                | <u>\$ 29,519,402</u>        | <u>\$ 9,529,000</u> | <u>\$ 1,349,753</u> | <u>\$ 37,698,649</u>         | <u>\$ 1,254,045</u>            |

|                                | <b>Balance<br/>7/1/2014</b> | <b>Additions</b>  | <b>Reductions</b> | <b>Balance<br/>6/30/2015</b> | <b>Due Within<br/>One Year</b> |
|--------------------------------|-----------------------------|-------------------|-------------------|------------------------------|--------------------------------|
| General Obligation Notes       | \$ 26,560,000               | \$ -              | \$ 795,000        | \$ 25,765,000                | \$ 825,000                     |
| Capital Leases                 | 355,290                     | -                 | 176,135           | 179,155                      | 179,155                        |
| Compensated Absences           | 685,819                     | -                 | 7,630             | 678,189                      | 20,000                         |
| Net Pension Liability (Note 9) | 2,335,000                   | -                 | -                 | 2,335,000                    | -                              |
| Early Retirement Benefits      | 401,439                     | 160,619           | -                 | 562,058                      | 132,851                        |
|                                | <u>\$ 90,275,127</u>        | <u>\$ 160,619</u> | <u>\$ 978,765</u> | <u>\$ 29,519,402</u>         | <u>\$ 1,157,006</u>            |

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
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**NOTE 7 – WORKING CAPITAL LINE NOTES**

During fiscal year 2015-2016, Community College of Beaver County issued promissory notes (Working Capital Line Notes) for \$1,500,000, \$3,500,000 and 1,000,000 to First National Bank. These funds were used for operating expenses due to the state budget impasse and various capital expenditures in advance of receiving federal grant funds and the issuance of bonds for the long-term financing of the College's capital projects. The terms of the notes call for a per annum rates of interest up to 3%. The general revenues of the College serve as collateral on the notes. The following schedule details the drawdowns, principal repayments, interest paid and balances due on the various promissory notes.

|                     | <u>Balance</u><br><u>7/1/2015</u> | <u>Additions</u>    | <u>Reductions</u>   | <u>Balance</u><br><u>6/30/2016</u> | <u>Interest Paid</u> |
|---------------------|-----------------------------------|---------------------|---------------------|------------------------------------|----------------------|
| FNB Acct #45434590  | \$ -                              | \$ 1,900,000        | \$ 1,900,000        | \$ -                               | \$ 10,720            |
| FNB Acct #45738775  | -                                 | 1,995,000           | 1,995,000           | -                                  | 9,828                |
| FNB Acct. #45685150 | -                                 | 759,092             | -                   | 759,092                            | 16,966               |
|                     | <u>\$ -</u>                       | <u>\$ 4,654,092</u> | <u>\$ 3,895,000</u> | <u>\$ 759,092</u>                  | <u>\$ 37,514</u>     |

**NOTE 8 – OPERATING LEASES – OFFICE EQUIPMENT**

The Community College of Beaver County currently leases copier equipment from Xerox for use in its publications department. The terms of the lease agreement dated July 1, 2015, call for monthly payments of \$12,587.61. Lease expense for the years ended June 30, 2016 and 2015 was \$151,200 and \$151,200 respectively. This lease renewed on June 1, 2015 will end on June 30, 2020. Minimum lease payments in future years are as follows:

|                              |                   |
|------------------------------|-------------------|
| 2017                         | \$ 151,200        |
| 2018                         | 151,200           |
| 2019                         | 151,200           |
| 2020                         | 151,200           |
| Total minimum lease payments | <u>\$ 302,400</u> |

**NOTE 9 - PENSION PLANS**

**PSERS**

The Community College of Beaver County participates in the Public School Employees' Retirement System (PSERS). PSERS is a component unit of the Commonwealth of Pennsylvania. A brief description of the plan, and summary of the plan's provisions, are as follows:

**Plan Description:**

PSERS is a governmental cost-sharing multiple-employer defined-benefit 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.state.pa.us](http://www.psers.state.pa.us).



**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 9 - PENSION PLANS (Continued)**

**PSERS**

**Authority:** The contribution policy is established in the Public School Employees' Retirement Code.

**Annual Financial Report:** The System issues a *Comprehensive Annual Financial Report (CAFR)* that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Beth Girman, Office of Financial Management, Public School Employees' Retirement System, 5 N 5<sup>th</sup> Street, Harrisburg PA 17101-1905 or by emailing Beth at [bgirman@pa.gov](mailto:bgirman@pa.gov). The CAFR is also available on the Publications page of the PSERS website, [www.psers.state.pa.us](http://www.psers.state.pa.us).

**Benefits Provided:**

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with a 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 three years of service or attain a total combination of age and service that is equal to or greater than ninety two with a minimum of thirty-five 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.

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.

**Health Insurance Premium Assistance Program**

In addition, PSERS provides a Health Insurance Premium Assistance Program (Premium Assistance) for all eligible annuitants who qualify and elect to participate. Under this program, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible annuitants are entitled to receive Premium Assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive Premium Assistance, eligible annuitants must obtain their health insurance through either their school employer or the PSERS' Health Options Program. Premium Assistance is not included in the calculation of the net pension liability as it does not qualify under the provisions of GASB Statement No. 68.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 9 - PENSION PLANS (Continued)**

**PSERS**

**Contribution Rates:**

**Member Contributions** - Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.5% (Membership Class TD) 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 6.25% (Membership Class TC) or at 7.5% (Membership Class TD) of the members qualifying compensation. Members who joined the System after June 30, 2001 and before June 1, 2011, contribute at 7.5% (automatic Membership Class TD). 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 10.30% (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 years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.30%.

**Employer Contributions** - Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2015, the rate of employer's contribution was 21.40% of covered payroll. The 21.40% is comprised of a pension contribution rate of 20.5% for pension benefits and .90% for healthcare insurance premium assistance.

Community College of Beaver County pension expense and employee contributions to PSERS, as well as, total covered (pension eligible) payroll for the three most recent fiscal years is as follows:

| <u>YEAR</u> | <u>COLLEGE<br/>EXPENSE</u> | <u>EMPLOYEE<br/>CONTRIBUTIONS</u> | <u>COVERED<br/>PAYROLL</u> |
|-------------|----------------------------|-----------------------------------|----------------------------|
| 2015-2016   | \$ 172,589                 | \$ 98,739                         | \$ 667,900                 |
| 2014-2015   | 148,208                    | 101,992                           | 692,700                    |
| 2013-2014   | 125,465                    | 110,127                           | 746,518                    |

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

At June 30, 2016, the College reported a liability of \$2,339,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014 to June 30, 2015. 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, 2015, the College's proportion was .0054%, which was a decrease of .0005% from its proportion measured as of June 30, 2014.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
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**NOTE 9 - PENSION PLANS (Continued)**

**PSERS**

For the year ended June 30, 2015, the College recognized pension expense of \$176,465. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                          | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Difference between expected and actual experience                                        | \$ -                                      | \$ 10,000                                |
| Changes in assumptions                                                                   | -                                         | -                                        |
| Net difference between projected and actual investment earnings                          | -                                         | 5,000                                    |
| Changes in proportions                                                                   | 25,000                                    | 170,000                                  |
| Difference between employer contributions and proportionate share of total contributions | 9,208                                     | -                                        |
| Contributions subsequent to the measurement date                                         | 172,589                                   | -                                        |
|                                                                                          | \$ 206,797                                | \$ 185,000                               |

The \$172,589 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows/outflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Reporting<br/>Date<br/>Year ended<br/>June 30,</b> | <b>Measurement<br/>Date<br/>Year ended<br/>June 30,</b> | <b>Amount</b> |
|-------------------------------------------------------|---------------------------------------------------------|---------------|
| 2017                                                  | 2017                                                    | \$ (57,208)   |
| 2018                                                  | 2018                                                    | (48,000)      |
| 2019                                                  | 2019                                                    | (48,000)      |
| 2020                                                  | 2020                                                    | (16,000)      |

**Actuarial assumptions**

The total pension liability as of June 30, 2015 was determined by rolling forward the System's total pension liability as of the June 30, 2014 to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.50%, includes inflation at 3%
- Salary increases – Effective average of 5.5%, which reflects an allowance for inflation of 3%, real wage growth of 1%, and merit or seniority increases of 1.5%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three (3) years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back seven (7) years for males and three (3) years for females

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**NOTE 9 - PENSION PLANS (Continued)**

**PSERS**

**Actuarial assumptions (Continued)**

The actuarial assumptions used in the June 30, 2014 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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

**Investment Asset Allocation**

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.

| <u>Asset Class</u>           | <u>Target<br/>Allocation</u> | <u>Long-Term<br/>Expected Real<br/>Rate of Return</u> |
|------------------------------|------------------------------|-------------------------------------------------------|
| Public markets global equity | 22.5%                        | 4.80%                                                 |
| Private markets (equity)     | 15.0%                        | 6.60%                                                 |
| Private real estate          | 12.0%                        | 4.50%                                                 |
| Global fixed income          | 7.5%                         | 2.40%                                                 |
| U.S. long treasuries         | 3.0%                         | 1.40%                                                 |
| TIPS                         | 12.0%                        | 1.10%                                                 |
| High yield bonds             | 6.0%                         | 3.30%                                                 |
| Cash                         | 3.0%                         | 0.07%                                                 |
| Absolute return              | 10.0%                        | 4.90%                                                 |
| Risk parity                  | 10.0%                        | 3.70%                                                 |
| MLPs/Infrastructure          | 5.0%                         | 5.20%                                                 |
| Commodities                  | 8.0%                         | 3.10%                                                 |
| Financing (LIBOR)            | -14.0%                       | 1.10%                                                 |
|                              | <u>100%</u>                  |                                                       |

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, 2015.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 9 - PENSION PLANS (Continued)**

**PSERS (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that 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. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate**

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

|                                                               | <b>1%<br/>Decrease<br/>6.50%</b> | <b>Current<br/>Discount<br/>Rate<br/>7.50%</b> | <b>1%<br/>Increase<br/>8.50%</b> |
|---------------------------------------------------------------|----------------------------------|------------------------------------------------|----------------------------------|
| College's proportionate share of<br>the net pension liability | \$ 2,883,000                     | \$ 2,339,000                                   | \$ 1,882,000                     |

**Pension plan 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.state.pa.us](http://www.psers.state.pa.us).

**TIAA-CREF**

The Community College of Beaver County established a Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF) under Section 403 (B) of the Internal Revenue Code for eligible College employees. Under the plan, individual contracts are entered into for covered employees. Employees are fully vested, and the contract fully funded, in accordance with the terms of the contract. Employee contributions are five percent (5%). College contributions are **1**) five percent (5%) on the first \$7,800 of salary for the staff **2**) ten percent (10%) on the remaining staff salary and **3**) ten percent (10%) for the faculty and administrators. During the years ended June 30, 2016, 2015 and 2014, the College contributed \$738,913, \$727,995, and \$705,700 respectively to this retirement plan.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10 – EARLY RETIREMENT BENEFITS**

Under the terms of previous collective bargaining agreements entered into between the Community College of Beaver County and its collective bargaining units, CCBC continues to provide post-retirement healthcare benefits, in addition to the pension benefits described in Note 9, for eligible employees, and their spouse, who elected early retirement under those previous agreements.

These early retirement program benefits were established by the authority of the various agreements between the College and its' collective bargaining units. The terms of the current collective bargaining agreement provide retired members with the option to pay his/her own Blue Cross/Blue Shield at group rates through the College.

In addition, the College provides special one-time early retirement incentives to eligible members of the Beaver County Society of the Faculty, the amounts of which are dependent upon the collective bargaining agreement under which the eligible member retired. Prior year collective bargaining agreements provided one-time retirement incentives of \$6,000 per year (commencing January 1, 2003), \$5,000 per year (commencing July 1, 2004) and \$6,000 per year (commencing January 1, 2007 and 2008) for a period of five years. The terms of the current collective bargaining agreement provide for the payment of graduated amounts per year toward health insurance, depending on retirement age, up to a maximum of \$7,000 per year for a period of three years (commencing August 31, 2010).

The above health and early retirement incentive amounts were calculated for each applicable participant through age 65 for health insurance and through June 30, 2017 for the early retirement incentives. The health insurance calculations were based on the application of projected inflationary increases, and both the health insurance and early retirement totals were discounted using present value techniques. The College has chosen to measure and recognize these accrued retirement benefits at June 30, 2016 and 2015 in accordance with the provisions of FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pension". Though no actuarial study was conducted, the College believes that the fixed nature of the early retirement incentives and the available premium rates for health insurance (adjusted for inflation) provide a reliable basis for calculation of this material liability in accordance with FASB Statement No. 106. The total calculated liability for retiree health insurance benefits and early retirement incentives as of June 30, 2016 totaled \$313,819. The total calculated liability for retiree health insurance benefits and early retirement incentives as of June 30, 2015 totaled \$562,058.

**NOTE 11 – COMMITMENTS AND CONTINGENT LIABILITIES**

**FEDERAL AND STATE GRANTS**

The Community College of Beaver County's state and federally funded programs are subject to audit by various governmental agencies. The college is potentially liable for any expenditure disallowed by the results of these audits. The Commonwealth of Pennsylvania Office of Labor, Education and Community Services conducts annual audits of the College's Claim for Subsidy Reimbursement submitted annually to the Commonwealth. Management is not aware of any items of noncompliance which would result in the disallowance of program expenditures.

**POLICE TECHNOLOGY PROGRAM**

The Community College of Beaver County is potentially liable for any costs of program noncompliance, not covered by commercial insurance, incurred by its Police Technology Program as a result of a program audit conducted by the Commonwealth of Pennsylvania. CCBC recorded an initial estimated liability of \$150,000 during the 2003-2004 fiscal year to cover these potential costs. As of June 30, 2016 and 2015, the remaining unused portion of this estimated liability was \$143,822.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

**DEFERRED COMPENSATION**

On June 30, 2009 (as amended), The Community College of Beaver County entered into a deferred compensation agreement with the College president. The terms of the deferred compensation agreement stipulated that the President would receive on June 30, 2011 \$12,000 and \$17,000 respectively, and \$25,000 on June 30, 2012 for services rendered during the years ended June 30, 2009 and June 30, 2011. The agreement was subsequently amended to provide the President deferred compensation on June 30, 2014 for services rendered to the College for fiscal years ended June 30, 2012 through June 30, 2014 totaling \$100,000, with \$35,000 of the total payable on June 30, 2013, and the balance of \$35,000 payable on June 30, 2014. As of June 30, 2015, \$24,463 per this agreement is still due and has been recorded as part of 'accrued salaries and benefits' (Exhibit A). In addition, \$4,000 has been accrued as a longevity bonus for the current College president, and is also recorded as part of 'accrued salaries and benefits'.

**NOTE 12 – RISK MANAGEMENT**

The Community College of Beaver County is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

**NOTE 13– HEALTH INSURANCE CONSORTIUM**

The Community College of Beaver County is one of forty-seven members of the Allegheny County Schools Health Insurance Consortium (ACSHIC) which purchases health benefits on behalf of participating public school districts and colleges. CCBC is billed monthly based on employee count and coverage information at rates established by the Consortium at the beginning of each fiscal year. As the Consortium is self-insured, rates are established with the objective of satisfying estimated claims and other costs, as well as maintaining working capital requirements. Contributions to the Consortium totaled \$1,872,781 for the year ended June 30, 2016.

Participating members are permitted to withdraw from the Consortium under terms specified in the agreement. Withdrawing participants are entitled to, or responsible for, a proportionate share of the Consortium's net assets, as determined on the fiscal year-end date after withdrawal. As of June 30, 2016, the net assets of the Consortium were \$43,916,293 of which \$337,101 is attributable to the Community College of Beaver County.

**NOTE 14 – PENDING GASB PRONOUNCEMENTS**

In March of 2016, the GASB issued Statement No. 82, 'Pension Issues'. The primary objective of this Statement is to address for certain issues that have been raised with respect to GASB Statements No. 67, 68 and 73. The provisions of this Statement are effective for CCBC's June 30, 2017 financial statements.

The effects of the implementation of this standard on CCBC's financial statements has not yet been determined.

**NOTE 15– SUBSEQUENT EVENTS**

The College evaluated its June 30, 2016 financial statements for any other subsequent events through the date of the Independent Auditors Report. The College is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY  
INFORMATION**



**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DEFINED BENEFIT PENSION PLAN**  
**JUNE 30, 2016**

**SCHEDULE OF COLLEGE CONTRIBUTIONS:**

| June 30,                                                            | <u>2016</u> | <u>2015</u> |
|---------------------------------------------------------------------|-------------|-------------|
| Contractually required contributions                                | \$ 172,589  | \$ 148,208  |
| Contribution in relation to the contractually required contribution | (172,589)   | (148,208)   |
| Contribution deficiency (excess)                                    | <u>\$ -</u> | <u>\$ -</u> |
| College's covered-employee payroll                                  | \$ 667,900  | \$ 692,700  |
| Contributions as a percentage of covered-employee payroll           | 25.84%      | 21.40%      |

**SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY:**

| As of the measurement date of June 30,                                                                     | <u>2015</u>  |
|------------------------------------------------------------------------------------------------------------|--------------|
| College's proportion of the net pension liability                                                          | 0.0054%      |
| College's proportionate share of the net pension liability                                                 | \$ 2,339,000 |
| College's covered-employee payroll                                                                         | \$ 692,700   |
| College's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 338.00%      |
| Plan fiduciary net position as a percentage of the total pension liability                                 | 57.24%       |

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

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

**COMMUNITY COLLEGE  
OF BEAVER COUNTY**

***AS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS  
AND UNIFORM GUIDANCE***

**Mark C. Turnley**

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Certified Public Accountant

**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**

**To the Management and Board of Trustees  
The Community College of Beaver County**

I 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 Standard* issued by the Comptroller General of the United States, the financial statements of the Community College of Beaver County, and its discretely presented component unit, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Community College of Beaver County's basic financial statements, and have issued my report thereon dated October 31, 2016.

**Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Community College of Beaver County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community College of Beaver County's internal control. Accordingly, I do not express an opinion on the effectiveness of Community College of Beaver County'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 Community College of Beaver County'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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

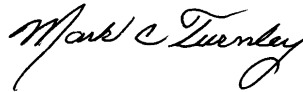
**To the Board of Trustees  
The Community College of Beaver County**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Community College of Beaver County's financial statements are free of material misstatement, I 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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



Mark C. Turnley  
Certified Public Accountant

October 31, 2016  
New Brighton, Pennsylvania

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**To the Board of Education  
Community College of Beaver County**

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

I have audited the Community College of Beaver County compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Community College of Beaver County major federal programs for the year ended June 30, 2016. The Community College of Beaver County major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of the Community College of Beaver County major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Community College of Beaver County compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination on the Community College of Beaver County compliance.

**Opinion on Each Major Federal Program**

In my opinion, Community College of Beaver County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

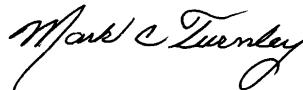
## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of Community College of Beaver County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Community College of Beaver County internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Community College of Beaver County internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Mark C. Turnley  
Certified Public Accountant

October 29, 2016  
New Brighton, Pennsylvania

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

| FEDERAL GRANTOR /<br>PROJECT TITLE                                         | FEDERAL<br>CFDA<br>NUMBER | PASS-THROUGH<br>GRANTOR<br>NUMBER | GRANT<br>PERIOD<br>BEGINNING /<br>ENDING DATE | PROGRAM<br>AWARD<br>AMOUNT | EXPENDITURES               |
|----------------------------------------------------------------------------|---------------------------|-----------------------------------|-----------------------------------------------|----------------------------|----------------------------|
| <b><u>U.S. Department of Education:</u></b>                                |                           |                                   |                                               |                            |                            |
| <b>Student Financial Aid Cluster:</b>                                      |                           |                                   |                                               |                            |                            |
| PELL Grants                                                                | 84.063                    | N/A                               | 7/1/15-6/30/16                                | N/A                        | \$ 3,392,857 (1)           |
| College Work Study                                                         | 84.033                    | N/A                               | 7/1/15-6/30/16                                | N/A                        | 42,444 (1)                 |
| SEOG Grant                                                                 | 84.007                    | N/A                               | 7/1/15-6/30/16                                | N/A                        | 63,603 (1)                 |
| Federal Direct Student Loans                                               | 84.268                    | N/A                               | 7/1/15-6/30/16                                | N/A                        | 5,844,394 (1)              |
| <b>Total Student Financial Aid Cluster</b>                                 |                           |                                   |                                               |                            | <b><u>\$ 9,343,298</u></b> |
| <b>Passed through Pa. Dept. of Education:</b>                              |                           |                                   |                                               |                            |                            |
| Carl Perkins                                                               | 84.048                    | FA-381-16-0001                    | 7/1/15-6/30/16                                | \$ 220,907                 | \$ 220,907                 |
| <b>TOTAL DEPARTMENT OF EDUCATION</b>                                       |                           |                                   |                                               |                            | <b><u>\$ 9,564,205</u></b> |
| <b><u>U.S. Department of Health and Human Services</u></b>                 |                           |                                   |                                               |                            |                            |
| <b>Passed through Inspiritec:</b>                                          |                           |                                   |                                               |                            |                            |
| KEYS - TANF                                                                | 93.558                    | N/A                               | 7/1/15-6/30/16                                | \$ 91,278                  | \$ 91,278                  |
| <b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                       |                           |                                   |                                               |                            | <b><u>\$ 91,278</u></b>    |
| <b><u>U.S. Department of Labor</u></b>                                     |                           |                                   |                                               |                            |                            |
| <b>Passed through Community College of Philadelphia:</b>                   |                           |                                   |                                               |                            |                            |
| Trade Adjustment Assistance Community<br>College and Career Training Grant | 17.282                    | TC-22519-11-60-A-42               | 10/1/11-9/30/15                               | \$ 691,518                 | \$ 21,014                  |
| <b>TOTAL DEPARTMENT OF LABOR</b>                                           |                           |                                   |                                               |                            | <b><u>\$ 21,014</u></b>    |
| <b>TOTAL FEDERAL ASSISTANCE</b>                                            |                           |                                   |                                               |                            | <b><u>\$ 9,676,497</u></b> |

(1) - DENOTES MAJOR PROGRAM

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2016**

**NOTE 1 - FEDERAL AWARD PROGRAMS**

The accompanying schedule of expenditures of federal awards presents the activities of the federal financial assistance programs of the Community College of Beaver County. Financial awards received directly from federal agencies, as well a financial assistance passed through other governmental agencies or nonprofit organizations, are included in the schedule.

**NOTE 2 - BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the federal awards activity of the College and the expenditures are presented using the accrual method of accounting. Under this method, revenue is recognized to the extent of related grant expenditures. Expenditures are recognized when the liability for the expenditure is incurred rather than when the disbursement is actually made. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the basic financial statements.

**NOTE 3 - RELATIONSHIP TO FINANCIAL STATEMENTS**

The Schedule of Expenditures of Federal Awards presents only a selected portion of the activities of the College. It is not intended to, and does, not, present either the financial position, changes in financial position, or cash flows of the College. The financial activity for the aforementioned awards is reported in the College's statement of revenues, expenses, and changes in net position. Federal financial award revenues are included in the financial statements as part of 'Government Grants' (Exhibit B). Grant receivables and unearned grant revenues as of June 30, 2016 are shown as part of 'Grants Receivable' and 'Unearned Revenues' (Exhibit A).

**NOTE 4 – FEDERAL DIRECT STUDENT LOANS**

The College is only responsible for the performance of certain administrative duties and is not considered the lender with respect to the student loan programs, and accordingly, these loans are not included in its financial statements and it is not practical to determine the balance of loans outstanding to students and former students of the College under these programs. The amount reported on the Schedule of Expenditures of Federal Awards represents new loan advances during the year.



**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**A. SUMMARY OF AUDIT RESULTS**

1. The audit report expresses an unmodified opinion on the financial statements of the Community College of Beaver County.
2. The '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' contained no deficiencies.
3. No instances of noncompliance material to the financial statements of the Community College of Beaver County were disclosed during the audit.
4. No deficiencies relating to the audit of the major federal award programs are reported in the 'Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance required by the Uniform Guidance'.
5. The auditor's report on compliance for the major federal award programs for the Community College of Beaver County expresses an unmodified opinion.
6. The programs tested as major programs include:

**U.S. Department of Education:**

**Student Financial Aid Cluster:**

- o **PELL Grants - CFDA# 84.063**
- o **College Work Study – CFDA# 84.033**
- o **Supplemental Educational Opportunity Grants – CFDA# 84.007**
- o **Guaranteed Student Loans – CFDA# 84.268**

7. The Threshold for distinguishing Types A and B programs was \$750,000.
8. Community College of Beaver County qualifies as a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

None

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**STATUS OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

The audit report of the Community College of Beaver County for the year ended June 30, 2015, dated November 2, 2015, contained the following:

**A. FINDINGS - FINANCIAL STATEMENT AUDIT**

None

**B. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM COSTS**

None