Community College of Beaver County (a Component Unit of the County of Beaver, Pennsylvania)

Financial Statements and
Supplementary Information

June 30, 2018 and 2017

BAKER TILLY

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June 30, 2018 and 2017

Independent Auditors' Report

Management and the Board of Trustees
Community College of Beaver County

Report on the Financial Statements

We have audited the accompanying financial statements of Community College of Beaver County (the "College"), a component unit of the County of Beaver, Pennsylvania and its discretely presented component unit as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community College of Beaver County and its discretely presented component unit as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the June 30, 2017 net assets and pledges receivable balances of the component unit have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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 3 - 11 and the defined benefit pension plan information on page 42, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Prior Year Financial Statements

The financial statements of Community College of Beaver County as of and for the year ended June 30, 2017 were audited by another auditor who expressed an unmodified opinion on those statements dated November 7, 2017.

Baker Tilly Virchow Krause, LLP

Pittsburgh, Pennsylvania
December 26, 2018

Introduction

The following represents management's discussion and analysis of the financial activity of Community College of Beaver County (the "College") for the fiscal year ended June 30, 2018. It addresses current activities 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 Governmental Accounting Standards Board ("GASB") requirements, the Community College of Beaver County is considered a component unit of Beaver County.

The Community College of Beaver County Foundation (the "Foundation"), a component unit of the College, has been presented as a discretely presented component unit, based on the criteria contained in accounting principles generally accepted in the United States of America. The Foundation is a nonprofit corporation, exempt under Section 501(c)(3) of the Internal Revenue code. The Foundation acts primarily as a fundraising organization to supplement the resources available to the College in support of its programs. A complete set of the Foundation's financial statements may be obtained at the College's administrative office.

Financial Highlights

The College's net position increased approximately $108K as a result of this year's operations, from $2.728M in 2017 to $2.836M in 2018. The College added another $400K to its reserve fund bringing the 2018 year-end total to $1.003M.

During Fiscal 2018, the College realized revenue increases and decreases from the following:

- Total revenue increased by 5% from the prior year by approximately $1.309M in 2018, compared to a 4% increase in 2017, or approximately $1.157M.

- Student tuition and fees increased approximately $318K in 2018, as compared to 2017, which was the result of an overall increase in student flight fees in the School of Aviation, enrollment increases, and a 1.55% increase in tuition and fees.

- During fiscal year 2017 - 2018, appropriations from the Commonwealth increased by 2% from $6.036M in 2017 to $6.145M in 2018. Local appropriations decreased by 2% from $4.310M to $4.242M.

- Government grant revenue decreased in 2017-18 by 32% from $1.134M to $777K as the RACP grant concluded in early 2017-18.

- Contributions from the Foundation to support restricted grant and restricted capital expenditures increased in 2017-18 by $510K as the Process Technology ("PTEC") Laboratory renovations and other grant activity increased.

Total operating expenses increased by 7% from the prior year by approximately $1.869M in 2018, compared to a 3% increase in 2017, or approximately $830K.

Condensed Statement of Net Position June 30, 2018 and 2017			
	2018	2017	Percent Change
Assets:			
Current assets	$ 6,618,037	$ 5,080,884	30%
Noncurrent assets	36,210,251	37,127,872	-2%
Deferred outflows	765,512	914,074	-16%
Total	$ 43,593,800	$ 43,122,830	1%
Liabilities:			
Current liabilities	$ 5,694,804	$ 5,924,804	-4%
Noncurrent liabilities	34,693,690	34,251,201	1%
Deferred inflows	369,000	218,000	69%
Total	$ 40,757,494	$ 40,394,005	1%
Net Position:			
Net investment in capital assets	$ 5,347,760	$ 4,681,613	14%
Restricted, expendable	-	-	
Restricted, non-expendable	-	-	
Unrestricted (Deficit)	(2,511,454)	(1,952,788)	29%
Total	$ 2,836,306	$ 2,728,825	4%

Total net position at June 30, 2018 increased by approximately $108K, from $2.728M in 2017 to $2.836M in 2018. The increase in net position is mainly attributable to increases in revenue and increases in expenditures throughout the year offset by a reduction in non-operating expenses and increased investments in capital assets. The College's expenditures increased as compared to prior year, due to scheduled increases in salary and benefits as well as the impact of a ratified faculty union contract. Expense increases were offset by a reduction of the PSERS liability on the balance sheet and reductions in non-operating expenses. Net student tuition and fees increased approximately 3% as a result of an overall increase in tuition and an increase in credit hour enrollments.

Current assets increased by 30% from $5.080M in 2017 to $6.618M in 2018. The majority of the increase in current assets is the result of restricted cash increasing by $1.9M over the prior year. The $1.9M increase can be attributed to the Series 2018 Bond issuance combined with drawdowns on the 2017 issue. Another reason for the increase in current assets is attributable to increases in accounts receivables. The net student accounts receivable balance increased by a modest $136K. The accounts receivable from the Foundation at the end of 2017-18 was $302K. This was an increase of $296K over the prior year. Noncurrent assets (including capital assets, net of accumulated depreciation), decreased approximately $917K. There were noncurrent year asset additions of approximately $341K, reduced by current year depreciation expense of approximately $1.8K.Total liabilities overall increased by approximately $364K, compared to prior year.

During 2018, the College paid approximately $1.495M of scheduled principal payments on existing bonds payable. Principal payments on capital lease obligations totaled approximately $162K. The increase in total liabilities was due in large part to current year debt acquisitions of $2.480M for the Series 2018 Bond issuance to support renovations to the Learning Resource Center.

Condensed Statement of Revenue, Expenses and Changes in Net Position
For the Years Ended June 30, 2018 and 2017

	2018	2017	Percent Change
Operating Revenues:			
Tuition and Fees, net	$ 12,694,881	$ 12,377,094	3%
Government Grants	777,028	1,134,428	-32%
Financial Aid	5,063,802	4,309,411	18%
Auxilary Enterprises	78,686	84,006	-6%
Contributions	607,716	97,378	524%
Other Revenue	145,668	97,936	49%
Total	19,367,781	18,100,253	7%
Operating Expenses	28,453,152	26,583,829	7%
Operating Loss	(9,085,371)	(8,483,576)	7%
Nonoperating revenues (expenses)			
Appropriations	10,388,143	10,346,234	0%
Bond Issuance Costs	(83,200)	(380,784)	-78%
Interest income and expense	(1,112,091)	(1,106,778)	0%
Nonoperating revenues, net	9,192,852	8,858,672	4%
Increase in Net Position	107,481	375,096	-71%
Net Position:			
Net position at beginning of year	2,728,825	2,353,729	16%
Net position at end of year	$ 2,836,306	$ 2,728,825	4%

Operating revenue increased by 7%, or approximately $1.267M from the prior year. Tuition and fee revenue increased by $317K due to increased enrollments and tuition increases. Financial aid revenue increased by $755K due to increased enrollments and increased usage by students participating in the high school academies program. Revenue from foundation contributions increased by $510K due primarily to the Shell, Richard King Mellon, and Allegheny Foundation grants to renovate the Process Technology Program at CCBC. Renovations began in the 2017-18 fiscal year and will continue throughout the 2018-19 fiscal year. The College also received awards from the Benedum Foundation, American Airlines and the Grable Foundation all of which contributed to increases in the contribution revenue from the CCBC Foundation.

Non-operating revenue, net increased by 4%, or approximately $334K from the prior year. This increase is due mainly to a $109K increase in state appropriations and a $297K decrease in bond issuance costs. During the 2016-17 fiscal year, the College financed the Series 2017 Bond. As a result of that issuance, the college had bond issuance costs of $380K. During the 2017-18 fiscal year, the College financed the Series 2018 Bond. This bond’s issuance costs where $83K.

Operating Expenses By Natural Classification
For the Years Ended June 30, 2018 and 2017

	2018	2017
Salaries	$ 10,725,281	$ 10,001,622
Benefits	3,656,791	3,542,382
Contracted Services	1,281,581	1,084,257
Professional Services	1,893,309	2,008,731
Pension	(66,430)	52,120
Supplies, maintenance and other	3,262,897	3,148,612
Student Aid	5,063,802	4,309,411
Utilities	753,734	698,419
Depreciation and Amortiztion	1,882,187	1,738,275
Total operating expenses	$ 28,453,152	$ 26,583,829

Significant factors contributing to the $1.869M increase in operating expenses are noted below.

- During the 2017-18 fiscal year, CCBC's Administration and the Society of the Faculty entered into a contract agreement for the period of September 1, 2016 through August 31, 2020. As a result of this agreement, the College incurred $504K additional expense in retroactive salary increases and contractual salary increases in 2017-18.

- Due to increased enrollment in the School of Aviation, flight fees increased by $495K over 2017-18. These additional expenses are offset by revenue increases from flight accounts of the same amount.

- Bad debt expense increased by $70K over the prior year. The College received approval from the Board of Trustees at the May 2018 meeting to write off $70K in non-reimbursable expenses from the 2015 Redevelopment Assistance Program (RACP) Grant.

- The College saw a $66K reduction in the PSERS liability. This reduction in the liability is in accordance with the June 30, 2017 statement provided by Pennsylvania Public School Employees' Retirement System's Pension Plan.

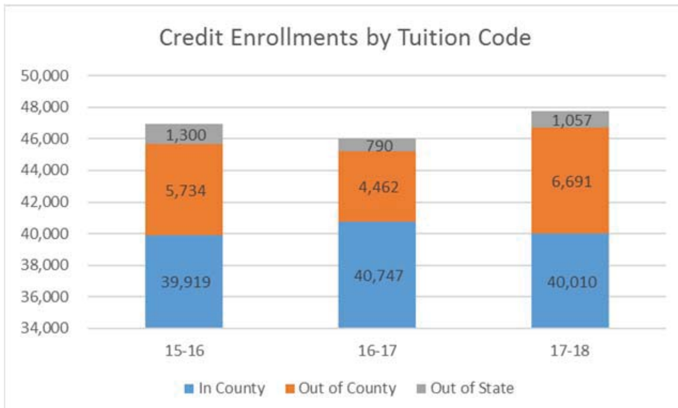
- The College had $208K in additional grant expenses over the prior year. The majority of this increase is due to the operationalization of grants received from the Benedum Foundation, American Airlines, and the Grable Foundation.

- The office of Financial Aid increased their institutional scholarships by $103K in support of the President and Academic Excellence scholarships.

- The College incurred $53K in additional medical benefit costs due to a 1.9% premium increase by the Allegheny County Schools Health Insurance Consortium offset by staff attrition.

Enrollment Highlights

Credit hour enrollments increased approximately 4% in 2018 from 45,999 credits in 2017 to 47,758 credits in 2018 compared to a decrease of approximately 2% in the prior year. Credit hour enrollments for out of county students and out of state students increased by 50% and 33.8%, in 2018 and 2017, respectively. In county credit hours are down 1.8%. The chart below highlights credit enrollment changes over the last three fiscal years.



The College enrolled 3,270 credit students during the fiscal year 2018, representing a decrease of .91% compared to the previous year. Noncredit enrollment headcount decreased 4.61% in 2018 as compared to a decrease of 9.35% in 2017.

The combined unduplicated headcount for credit and non-credit enrollments for fiscal year 2018 was 5,057, a decrease from 5,144, or 1.7% from 2017.

Economic Outlook

Fiscal year 2017-18 marks the College's third straight year of positive growth in net position and college reserves. The implementation of the College's strategic plan with a focus on diversifying enrollments led the College to being one of the few community colleges in Pennsylvania with positive enrollment growth in 2017-18. The College also continued its leadership role in working with Shell Chemicals as well as other partners in the regional petrochemicals industry. College leadership is excited about what the future holds for Beaver County and the role the College will play preparing the regional workforce for significant new employment opportunities.

While the future is bright, there are significant external threats facing the College that require careful consideration and strategic responses. These include:

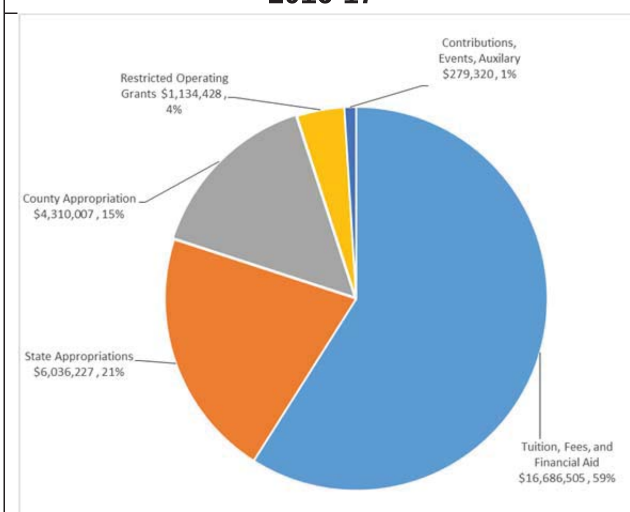
- Challenging demographic trends in the Commonwealth and the region. In addition to the declining number of high school seniors in the Commonwealth, Beaver County and the western PA region is in the midst of continuing relative declines in state and county population levels. From January 2018 through June 2018 Beaver County's unemployment rate fell from 5.9% to 4.8%, fifth lowest of the seven counties in the Pittsburgh region. The inverse relationship between low unemployment rates and community college enrollments combined with negative changes in the region’s population demographics pose considerable challenges for the College.

- Macro-economic trends at the federal level to cut funding and eliminate Pell funding for high school students who participate in the high school academy also poses considerable risk to the college and its students. CCBC was one of only a handful of community colleges approved by the Department of Education to provide Pell funding to these high school students. Nearly 83% of the College's students rely on financial aid including grants and loans. Many of these students are economically disadvantaged and rely on Pell grants to support their educational goals.

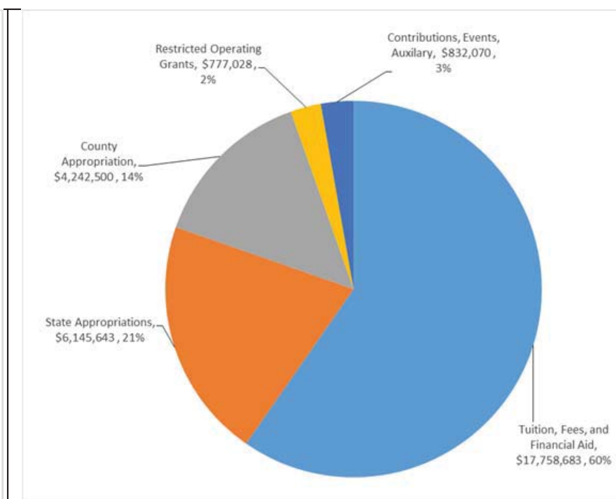
- The distribution of funding sources across revenue categories continues to put increasing pressure on tuition and fees to fund operations. The current proportions of the three revenue sources are quite different from the 1/3-1/3-1/3 split as originally intended when Pennsylvania's Community Colleges were established. State appropriations are trending flat at 21% and local appropriations reduced from 15% to 14%. Tuition, fees, and financial aid increased again from 59% to 60% of total revenue. The charts below show the proportion of total revenue by source for 2016-17 and 2017-18.

Total Operating and Non-Operating Revenues

2016-17



2017-18



The College seeks to address these predominantly external financial threats by investing in strategically relevant programming, focusing on strategic enrollment management to diversify and grow enrollments through retention and tapping new markets, establishing partnerships, and diversifying the college's revenue portfolio through grants and philanthropic donations.

The Process Technology Program ("PTEC") at CCBC is one of our leading edge programs with tremendous opportunity to affect the growth of CCBC and the region. CCBC's program is the only North American Process Technology Alliance ("NAPTA")-associated program within 300 miles of Pittsburgh. In 2017-18 CCBC secured nearly $5.3M toward the Process Technology Program and, more specifically, to fund construction of the Shell Center for Process Technology Education at CCBC. CCBC also received investments from The Allegheny Foundation, Shell, The Richard King Mellon Foundation, the Pennsylvania Department of Education, Chevron, BASF, Ecolab and others toward the program.

CCBC designed the regionally distinctive Process Technology program to satisfy an unmet industry need. Process technology graduates are equipped to fill critical roles for high-demand, high-earning careers in a number of industries. Launched with a National Science Foundation award (NSF Award #1400503), the four-semester associate in applied science program in PTEC has grown to enroll more than 60 students at the beginning of the fall 2017 semester. Of the 17 graduates prior to Spring 2018, 10 graduates have secured process technology/advanced manufacturing related employment, one graduate is pursuing a bachelor's degree in engineering, two graduates are employed in unrelated fields, and we are waiting on updated information from four students. Since graduation, our students have been employed by industry leaders, including: BASF, AK Steel, Ergon Energy, FirstEnergy and Valspar (Sherwin-Williams).

According to the United States Bureau of Labor Statistics, the aeronautics industry is growing, with an anticipated 11% increase in the number of airline and commercial pilots in the next decade alone. Within the next 20 years, the airline industry expects to hire almost 100,000 pilots. The need for Air Traffic Controllers (ATC) is also expected to grow by 3% annually as the industry deals with an impending wave of retirements as air traffic controllers hired after the 1981 firing of striking air traffic controllers by President Ronald Reagan rapidly age. Both aviation-based professions offer CCBC's graduating students abundant opportunities for careers with the federal government, private industry, or military services with annual compensation packages that could exceed $200K annually.

CCBC is perfectly positioned to capitalize on the widely understood industry needs these leading edge programs with differentiators that set this program apart from competitors. For example, the ATC program at CCBC is one of only two programs in the nation that provide students hands-on experience in an actual air traffic control tower. Strategic partnerships with American Airlines and Southern Illinois University provide CCBC students with opportunities they can find at no other two-year program. Since 2013, the school of aviation has more than tripled enrollments. College leadership anticipate that growth to continue over the next three years as the nationwide shortages continue to grow.

Finally, the High School Academies program continues to be a successful recruitment and retainment initiative. Three academies were fully operational as of June 30, 2018, including Health, Aviation, and the newest academy Science, Technology, Engineering, and Mathematics (STEM). CCBC began offering the STEM High School Academy in the fall of 2017 with tracts in process technology and engineering to prepare the Beaver County workforce for jobs in the advanced manufacturing industry. Under Dean Cirelli's leadership, the number of students enrolled in the academies during the 2017-18 academic year increased to 163 with 86 students enrolled in the Aviation Academy, 53 students in the Health Academy, 11 students in STEM, and 13 students enrolled in the Criminal Justice academy beginning in Fall 2018. Moreover, retention rates for the established academies (student completers) finished near 80% with 100% matriculation rates to armed services and higher education. With generous support from a $500K gift from Mascaro Construction, the Mascaro Construction Academy will begin in the fall of 2019. The curriculum will address the critical workforce challenges facing the region's construction industry.

In 2017-18, the Strategic Enrollment Management (SEM) team and the Office of Planning, Assessment, and Improvement (OPAI) continued their focus on creating and implementing enrollment strategies that will increase enrollments. Under the leadership of Executive Vice President and Provost and interim President, Dr. Roger Davis, the SEM is executing new and innovative strategies to use data to inform enrollment growth and retention initiatives. The Director of OPAI facilitates, monitors, and provides direction for all of the Colleges institutional effectiveness efforts. Primary among these efforts are the College's planning, assessment, and accreditation processes.

Strategic use of articulation agreements and partnerships with other institutions is another strategy the College is employing to attract new students, retain the ones we have, and serve our community. In 2017-18, CCBC established new and innovate partnerships with a variety of institutions, including:

- A partnership with Shell Oil Company to host two events designed to inform and educate area residents about opportunities in Beaver County, including the jobs the ethane cracker plant will provide, the requirements and qualifications for employment, and the need to build a diverse regional workforce.

- CCBC entered into new articulation agreements with Geneva College’s nursing program and the schools of Business and Communication at St. Bonaventure University. CCBC also entered into an agreement to provide registered nurses with an associate degree in nursing a streamlined pathway into Waynesburg’s RN to BSN program.

- Funded by a $10,000 grant from The Grable Foundation, AIM for the Future Fridays – Career Awareness, Inspire Learning, Make your Dream Happen – builds on the success of CCBC’s innovative High School Academy model by bringing more than 500 high school students from the region to the campus for high-impact learning experiences throughout the fall and spring semesters. The events are designed to foster awareness of high-demand career opportunities, inspire future participation in the CCBC High School Academies, and prepare students to launch career-focused educational plans.

- CCBC, Geneva College, Penn State Beaver and Robert Morris University (RMU) partnered together to form the Bridges and Pathways College Partnership, a consortium dedicated to improving the lives of Beaver Valley residents through access to education, cultural events and economic opportunities.

In 2018, CCBC hired a full time faculty member and Microsoft Innovator Educator Expert award recipient, Mary Jo Slater, as CCBC’s Instructional Technologist. In her new role and as chair of the Online Curriculum Committee, Professor Slater will develop CCBC’s online program portfolio to target new markets for CCBC including the Adult and Online education market where the college is positioned well to compete. Both offer the College major opportunities to capture enrollments in a growing student population.

Efforts to diversify the revenue streams available to the Community College of Beaver County were extremely successful over the course of the 2017-2018 fiscal year. Through the expansion of CCBC's network and strategic partnership, the CCBC Foundation was able to successfully secure three separate $1 million gifts. Additionally, by leveraging those philanthropic commitments against government funding, CCBC was able to secure an additional $2 million matching grant from the State of Pennsylvania Department of Education. These investments combined with other generous commitments to represent a record year of extramural funding acquisition at CCBC and the CCBC Foundation. The impact of the 2017-2018 fiscal year fundraising success at CCBC has positioned the college for continued sustained external investment in key programs and facilities vital to addressing the workforce needs of the region.

These financial statements reinforce the College's strong financial position heading into the future. The strategic initiatives described here coupled with continued support from the College's sponsors and organizational improvements to strengthen operations will help the College diversify and strengthen its financial foundation. The College is committed to continuing the delivery of high quality, affordable education for its students and the region.

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

Overview of Financial Statements

The College's financial statements focus on the College as a whole, rather than upon individual funds or activities. The Governmental Accounting Standards Board reporting model is designed to provide readers with a broad overview of the College's finances and is comprised of three basic statements:

- The Statement of Net Position presents information on the College's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position serve as one indicator of how the financial position of the College is changing.

- The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the College's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

- The Statement of Cash Flows is reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations, financing, and investing receipts and disbursements.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes contain details on both the accounting policies and procedures that the College has adopted as well as additional information for amounts reported in the financial statements.

Statement of Net Position
June 30, 2018 and 2017

	Primary Institution	Component Unit Foundation	2018 Total	2017 Total
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and cash equivalents	$ 1,404,055	$ 2,699,059	$ 4,103,114	$ 1,428,771
Cash and cash equivalents, restricted	3,041,841	-	3,041,841	1,050,483
Accounts receivable, students, net	1,089,969	-	1,089,969	953,311
Grants and contributions receivable	249,109	-	249,109	1,251,562
Other receivables	125,736	-	125,736	118,061
Pledges receivable, current portion	-	1,322,840	1,322,840	381,320
Due from component unit	302,009	(302,009)	-	-
Inventories	15,618	-	15,618	16,103
Prepaid expenses	389,700	-	389,700	379,544
Total current assets	6,618,037	3,719,890	10,337,927	5,579,155
Noncurrent Assets				
Pledges receivable	-	719,614	719,614	118,239
Investments	-	1,491,601	1,491,601	1,463,251
Fixed assets, net	36,210,251	-	36,210,251	37,127,872
Total noncurrent assets	36,210,251	2,211,215	38,421,466	38,709,362
Deferred Outflows of Resources				
Deferred interest on refunding	427,405	-	427,405	488,397
Deferred outflows related to pension	338,107	-	338,107	425,677
Total deferred outflows of resources	765,512	-	765,512	914,074
Total assets and deferred outflows of resources	$ 43,593,800	$ 5,931,105	$ 49,524,905	$ 45,202,591
Liabilities, Deferred Inflows and Net Position				
Liabilities				
Notes payable, current portion	$ 383,978	$ -	$ 383,978	$ 759,092
Leases payable, current portion	150,074	-	150,074	149,826
Bonds payable, current portion	1,570,000	-	1,570,000	1,495,000
Accounts payable	1,066,029	24,314	1,090,343	1,125,816
Accrued salaries and benefits	873,336	-	873,336	950,300
Payroll tax liabilities	144,517	-	144,517	151,930
Accrued compensated absences, current portion	20,000	-	20,000	20,000
Accrued interest	95,103	-	95,103	81,425
Other accrued liabilities	483,400	-	483,400	334,600
Unearned revenues	887,266	-	887,266	666,868
Due to student groups	21,101	-	21,101	23,750
Total current liabilities	5,694,804	24,314	5,719,118	5,758,607
Noncurrent Liabilities				
Bonds payable, net	31,689,485	-	31,689,485	30,819,618
Leases payable, long-term portion	110,795	-	110,795	273,206
Net pension liability	2,272,000	-	2,272,000	2,577,000
Accrued compensated absences	621,410	-	621,410	581,377
Total noncurrent liabilities	34,693,690	-	34,693,690	34,251,201
Deferred Inflows of Resources				
Deferred inflows related to pensions	369,000	-	369,000	218,000
Total liabilities and deferred inflows of resources	40,757,494	24,314	40,781,808	40,227,808
Net Position				
Net investment in capital assets	5,347,760	-	5,347,760	4,681,613
Restricted:				
Expendable	-	3,544,824	3,544,824	717,237
Non-expendable	-	1,722,279	1,722,279	1,086,897
Unrestricted, component unit	-	639,688	639,688	441,824
Unrestricted (deficit)	(2,511,454)	-	(2,511,454)	(1,952,788)
Total net position	2,836,306	5,906,791	8,743,097	4,974,783
Total liabilities, deferred inflows and net position	$ 43,593,800	$ 5,931,105	$ 49,524,905	$ 45,202,591

See notes to financial statements

Statement of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2018 and 2017

	Primary Institution	Component Unit Foundation	2018 Total	2017 Total
Operating Revenues				
Student tuition and fees	$ 12,694,881	$ -	$ 12,694,881	$ 12,377,094
Government grants	777,028	-	777,028	1,134,428
Federal and state student grants	5,063,802	-	5,063,802	4,309,411
Auxiliary enterprises revenues	78,686	-	78,686	84,006
Contributions	607,716	3,679,825	4,287,541	959,131
Event revenue	-	52,949	52,949	45,067
Other revenue	145,668	600	146,268	102,802
Total operating revenues	19,367,781	3,733,374	23,101,155	19,011,939
Operating Expenses				
Instruction	8,914,952	-	8,914,952	8,135,243
Academic support	2,172,632	-	2,172,632	2,269,397
Student services	1,798,472	-	1,798,472	1,681,936
Institutional support	5,719,566	39,761	5,759,327	5,584,638
Operation and facilities	2,155,754	-	2,155,754	2,141,639
Government grants	787,341	-	787,341	757,542
Federal and state student grants	5,063,802	-	5,063,802	4,309,411
Scholarships and other designated expenses	-	696,594	696,594	275,742
Fundraising	-	14,520	14,520	59,436
Depreciation	1,840,633	-	1,840,633	1,737,396
Total operating expenses	28,453,152	750,875	29,204,027	26,952,380
Operating income (loss)	(9,085,371)	2,982,499	(6,102,872)	(7,940,441)
Non-operating Revenues (Expenses)				
Interest income	16,364	24,761	41,125	27,869
Gain on investments	-	103,246	103,246	164,497
State appropriations	6,145,643	-	6,145,643	6,036,227
County appropriations	4,242,500	-	4,242,500	4,310,007
Bond issuance costs	(83,200)	-	(83,200)	(380,784)
Interest expense	(1,128,455)	-	(1,128,455)	(1,111,730)
Total non-operating revenues (expenses)	9,192,852	128,007	9,320,859	9,046,086
Increase in Net Position	107,481	3,110,506	3,217,987	1,105,645
Net Position, Beginning of Year as Restated	2,728,825	2,796,285	5,525,110	3,869,138
Net Position, Ending	$ 2,836,306	$ 5,906,791	$ 8,743,097	$ 4,974,783

See notes to financial statements

Statement of Cash Flows
Years Ended June 30, 2018 and 2017

	Primary Institution	Component Unit Foundation	2018 Total	2017 Total
Cash Flows from Operating Activities				
Student tuition and fees	$ 12,778,621	$ -	$ 12,778,621	$ 12,132,055
Government grants	1,779,481	-	1,779,481	665,805
Federal and state student grants	5,063,802	-	5,063,802	4,309,411
Auxiliary enterprise receipts	78,686	-	78,686	84,006
Contributions	310,948	2,687,257	2,998,205	360,895
Other operating receipts	137,993	53,549	191,542	249,107
Payments to employees for wages and benefits	(14,459,037)	-	(14,459,037)	(14,865,730)
Payments for grants, scholarships and other designated expenses	(5,579,007)	(250,068)	(5,829,075)	(4,583,162)
Other program disbursements	(6,597,753)	(190,528)	(6,788,281)	(5,930,965)
Net cash provided by (used in) operating activities	(6,486,266)	2,300,210	(4,186,056)	(7,578,578)
Cash Flows from Noncapital and Related Financing Activities				
State appropriations	6,145,643	-	6,145,643	6,036,227
County appropriations	4,242,500	-	4,242,500	4,310,007
Net cash provided by noncapital and related financing activities	10,388,143	-	10,388,143	10,346,234
Cash Flows from Capital and Related Financing Activities				
Capital acquisitions	(923,012)	-	(923,012)	(3,880,189)
Proceeds from bond obligations, net of issuance costs	2,396,800	-	2,396,800	900,227
Principal payments on bond obligations	(1,495,000)	-	(1,495,000)	(665,000)
Proceeds from note obligations	2,306,771		2,306,771	1,365,000
Principal payments on note obligations	(2,681,885)	-	(2,681,885)	(1,365,000)
Principal payments on capital lease obligations	(162,163)	-	(162,163)	(149,092)
Interest paid on capital related debt	(1,093,918)	-	(1,093,918)	(1,056,504)
Net cash used in capital and related financing activities	(1,652,407)	-	(1,652,407)	(4,850,558)
Cash Flows from Investing Activities				
Interest income/loss on investments	16,364	24,761	41,125	51,224
Sale of investments, net	-	74,896	74,896	807
Net cash provided by investing activities	16,364	99,657	116,021	52,031
Net increase (decrease) in cash and cash equivalents	2,265,834	2,399,867	4,665,701	(2,030,871)
Cash and Cash Equivalents, Beginning	2,180,062	299,192	2,479,254	4,510,125
Cash and Cash Equivalents, Ending	$ 4,445,896	$ 2,699,059	$ 7,144,955	$ 2,479,254

See notes to financial statements

Statement of Cash Flows
Years Ended June 30, 2018 and 2017

	Primary Institution	Component Unit Foundation	2018 Total	2017 Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	$ (9,085,371)	$ 2,982,499	$ (6,102,872)	$ (7,940,441)
Adjustments to reconcile net increase (decrease) in net position to net cash provided by (used in) operating activities:				
Depreciation	1,840,633	-	1,840,633	1,737,396
Provision for bad debt expense	26,464	-	26,464	24,222
Accrual of GASB 68 pension expense	(66,430)	-	(66,430)	52,120
(Increase) decrease in accounts receivable	(163,122)	-	(163,122)	(269,261)
(Increase) decrease in grants receivable	1,002,453	-	1,002,453	(694,544)
(Increase) decrease in pledges receivable	-	(992,568)	(992,568)	(149,559)
(Increase) decrease in other receivables	(7,675)	-	(7,675)	(38,458)
(Increase) decrease in due from component unit	(296,768)		(296,768)	-
(Increase) decrease in inventories	485	-	485	10,793
(Increase) decrease in prepaid expenses	(10,156)	-	(10,156)	(158,411)
(Increase) decrease in deferred outflows of resources-pension	87,570	-	87,570	(218,880)
Increase (decrease) in accounts payable	(48,984)	13,511	(35,473)	141,993
Increase (decrease) in accrued salaries and benefits	(76,964)	-	(76,964)	(313,001)
Increase (decrease) in accrued and other liabilities	178,771	-	178,771	144,152
Increase (decrease) in unearned revenues	220,398	-	220,398	(125,579)
Increase (decrease) in due to CCBC	-	296,768	296,768	-
Increase (decrease) in net pension liability	(238,570)	-	(238,570)	185,880
Increase (decrease) in deferred inflows of resources-pension	151,000	-	151,000	33,000
Net cash provided by (used in) operating activities	$ (6,486,266)	$ 2,300,210	$ (4,186,056)	$ (7,578,578)

See notes to financial statements

1. Organization

The Community College of Beaver County ("CCBC" or the "College"), established in 1966, is a publicly supported two-year community college located on a 100-acre campus in Center Township, Pennsylvania and the Aviation Sciences Center located at the Beaver County Airport in Chippewa Township. 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.

Reporting Entity

Effective July 1, 2002, the County of Beaver (the "County") 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 the year 2042. The Commissioners of the County appoint all members of the governing board of CCBC. As a result of this agreement, CCBC is considered a component unit of the County.

In evaluating CCBC as a reporting entity in accordance with the Governmental Accounting Standards Board (GASB), management has addressed all potential components units. Consistent with applicable guidance, the criteria used by CCBC to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship.

Following is a brief description of the component unit that is included within the financial reporting entity because of the nature and significance of the relationship.

CCBC Foundation

The CCBC Foundation (the "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 (the "Foundation Board") appointed by the College's Board of Trustees, current Foundation Board members or the campus community. Individuals are elected to the Foundation Board first by the current Foundation Board membership, and secondly by the College's Board of Trustees. The Foundation membership shall consist of the Foundation Board, which shall be composed of no less than nine (9) and not more than thirty (30) voting members. Additionally serving on the Foundation Board shall be one member of the Board of Trustees as designated annually by that body and the President of the College. Voting members shall include the Board of Trustees and the President. The College's Executive Director of Advancement and Sponsored Programs, Vice President for Finance, Operations, and Information Technology, and Chairman of the Board of Trustees, or his/her designee, shall serve as non-voting members (ex officio capacity) to the Foundation Board. Separate financial statements of the Foundation are prepared and can be obtained through the Foundation.

2. Summary of Significant Accounting Policies

Basis of Accounting

Community College of Beaver County prepares it financial statements using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The GASB is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

Revenues are recorded when earned and expenses are recognized when the liability is incurred pursuant to the requirements of the accrual basis of accounting. CCBC records student receivables at the time of registration for classes. As of June 30, 2018, CCBC determines the portion of the receivable and the tuition that has been paid that relates to classes that will take place after June 30. This amount is reporting as unearned revenue.

Operating revenues and expenses consist of those revenues and expenses that result from ongoing operations of CCBC. Operating revenues consist of tuition and fees, auxiliary revenues, and government grants. Non-operating and other revenues (interest income) and expenses consist of those revenues and expenses relating to subsidies (state and county appropriations) and capital items (interest expense, bond issue costs).

The CCBC Foundation, as a non-profit Pennsylvania corporation, reports its financial activity under Financial Accounting Standards Board ("FASB") accounting standards codification. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Financial Statement Presentation

CCBC functions as a "Business-Type-Activity" as defined by GASB.

Net Position

The College maintains the following net position classifications:

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 those capital assets. Deferred outflows of resources and deferred inflows of resources attributable to capital assets are also included in this component of net positon as well as significant unspent related debt proceeds that are attributable to the acquisition, construction or improvement of those assets or related debt.

Restricted - Nonexpendable: The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. These amounts are subject to externally imposed restrictions which are required to be maintained in perpetuity.

Restricted - Expendable: The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. These amounts are subject to externally imposed conditions that can be fulfilled by the actions of CCBC or by the passage of time.

Unrestricted: All other categories of net position. Of the unrestricted net position of the College, the Board of Trustees has designated a multi-year total of $1,300,000 through June 30, 2018 in unrestricted funding to be used for future long-term plans related to strategic plan outcomes, educational goals, and/or the outcomes of pending litigation.

CCBC uses restricted resources, when available, before using unrestricted resources to pay expenditures.

Cash and Cash Equivalents

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

Investments - Foundation

Under Section 440.1 of the Pennsylvania Public School Code of 1949, as amended, and PA Act 10 of 2016, CCBC is permitted to invest funds consistent with sound business practices in the following types of investments:

I. Obligations of (a) the United States of American or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

II. Deposits in savings accounts, time deposits and share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral, as provided by law, is pledged by the depository.

III. U.S. government obligations, short-term commercial paper issued by a public corporation, and banker's acceptances.

Investments of the Foundation include equity and fixed income mutual funds and money market funds held by First National Bank Wealth Management. Investments of the Foundation are reported at fair value.

There were no deposit and investment transactions during the year that were in violation of state statues.

Accounts Receivable and Unearned Revenues

Accounts receivable consists of tuition and fee charges to students. Accounts receivable are recorded net of estimated uncollectible amounts. 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.

Receivables from federal and state governments are related to reimbursements pursuant to the College's grants and contracts with these governments. Unearned revenues, if any, include amounts received for tuition and fees prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Pledges Receivable - Foundation

Contributions, including unconditional promises to give, are recorded when the donor makes a promise to give to the Foundation that is, in substance, unconditional. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give, due in the next year, are recorded at their net realizable value. Unconditional promises to give, due in subsequent years, are reported at the present value of their net realizable value. The discount rate used was 2.52% at June 30, 2018 and 1.00% at June 30, 2017.

Based on management's assessment of the collectability of specific donors' pledges, as of June 30, 2018 and 2017, the Foundation management has not found it necessary to record an allowance for uncollectible pledges.

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. The allowance for doubtful accounts was approximately $99,000 and $83,000 as of June 30, 2018 and 2017, respectively.

Inventories

Inventories for the years ended June 30, 2018 and 2017 consist of expendable supplies of $15,618 and $16,103, respectively, held for general consumption. Inventories are stated at cost.

Property and Equipment

Property and equipment purchased by the College 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:

	Years
Land improvements	20
Buildings and improvements	25 - 50
Equipment, furniture and fixtures	5 - 20
Library reference materials and books	6
Vehicles	8 - 10

Depreciation expense for the years ended June 30, 2018 and 2017 was $1,840,633 and $1,737,396, 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.

Long-Term Debt Refinancing Costs

Bond issue costs are recorded as expenditures in the governmental fund financial statements in the year paid. During the years ended June 30, 2018 and 2017, the College incurred $83,200 and $380,784, respectively, in bond issuance costs related to issuance of the Series 2018 bonds and Series 2017 bonds.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and 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. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the statement of net position 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, 2018 and 2017, accumulated compensated absences totaled $641,410 and $601,377, respectively.

Income Taxes - Foundation

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).

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform with the 2018 presentation.

Prior Period Adjustment - Foundation

During the year ended June 30, 2018, the Foundation determined that pledges receivable were understated on the June 30, 2017 financial statements. The effect of this error on the June 30, 2018 financial statements is an increase to the beginning temporarily restricted net assets in the amount of $22,504 and beginning permanently restricted net assets in the amount of $527,823.

Adoption of GASB Pronouncements

The requirements of the following GASB Statements were adopted by the College's during the year ended June 30, 2018. Except where noted, the adoption of these pronouncements did not have a significant impact on the College's financial statements.

In March of 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The primary objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

In May of 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for certain debt extinguishments and to enhance the decision-usefulness of that information.

Pending GASB Pronouncements

In November of 2016, the GASB issued Statement No. 83*, Certain Asset Retirement Obligations*. The primary objective of this Statement is to provide financial statement users with information about asset retirement obligations (ARO) that were not addressed in GASB Standards by establishing uniform accounting and financial reporting requirements for these obligations. The provisions of this Statement are effective for the College's June 30, 2019 financial statements.

In January of 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The primary objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. The provisions of this Statement are effective for the College's June 30, 2020 financial statements.

In June of 2017, the GASB issued Statement No. 87*, Leases*. The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. The provisions of this Statement are effective for the College's June 30, 2021 financial statements.

In March of 2018, the GASB issued Statement No. 88*, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement*. The primary objective of this Statement is to enhance information include in notes to governmental financial statements relating to debt, including lines of credit, collateral for debt, terms of events of defaults with significant finance related consequences. The provisions of this Statement are effective for the College’s June 30, 2019 financial statements.

In June of 2018, the GASB issued Statement No. 89*, Accounting for Interest Cost Incurred before the End of a Construction Period.* The primary objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that all interest cost incurred before the end of a construction period be recognized as an expense in the period in which cost is incurred. The provisions of this Statement are effective for the College’s June 30, 2021 financial statements.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61.* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The provisions of this Statement are effective for the College's June 30, 2020 financial statements.

The effects of implementing the aforementioned GASB Statements on the College's financial statements have not yet been determined.

Use of Estimates

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

3. Cash Deposits and Investments

Cash Deposits

Cash and cash equivalents are comprised of the following as of June 30, 2018 and 2017:

	2018		2017	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Primary institution:				
Checking accounts	$ 1,515,021	$ 1,102,128	$ 605,119	$ 829,571
Money market mutual funds, restricted	3,039,004	3,041,841	1,050,483	1,050,483
Money market mutual funds, unrestricted	301,927	301,927	900,100	300,008
CCBC Foundation	2,697,194	2,699,059	308,697	299,192
Total	$ 7,553,146	$ 7,144,955	$ 2,864,399	$ 2,479,254

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. Money market mutual funds are invested in US Bank and not covered by FDIC insurance. Restricted accounts totaling $3,039,004 at June 30, 2018 represent the balance of proceeds from the series 2017 and 2018 bond issuance. Unrestricted reserve accounts totaling $1,305,877 are to be used for future long-term plans related to strategic plan outcomes, and/or educational goals, and/or the outcomes of pending litigation.

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, 2018 and 2017, $3,347,718 and $1,255,171, 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, 2018, $2,450,097 of CCBC Foundation's bank balance is exposed to custodial credit risk. As of June 30, 2017, $58,697 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.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The above investments are current in nature and this risk is minimal.

Investments - Foundation

The fair value and maturity term of the Foundation's restricted investments as of June 30, 2018 and 2017 are as follows:

	2018		2017	
	Fair Value	No Stated Maturity	Fair Value	No Stated Maturity
Cash and cash equivalents	$ 47,099	$ 47,099	$ 23,387	$ 23,387
Mutual funds:				
Fixed income	577,260	577,260	477,952	477,952
Equities	867,242	867,242	961,912	961,912
Total	$ 1,491,601	$ 1,491,601	$ 1,463,251	$ 1,463,251

4. Fair Value Measurements - Foundation

The Foundation measures its investments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

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

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

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

The following tables present the Foundation's financial instruments measured and reported at fair value at June 30, 2018 and 2017:

	2018			
	Level 1	Level 2	Level 3	Total Fair Value
Investments:				
Cash and cash equivalents	$ 47,099	$ -	$ -	$ 47,099
Mutual funds	1,444,502	-	-	1,444,502
Total	$ 1,491,601	$ -	$ -	$ 1,491,601

	2017			
	Level 1	Level 2	Level 3	Total Fair Value
Investments:				
Cash and cash equivalents	$ 23,387	$ -	$ -	$ 23,387
Mutual funds	1,439,864	-	-	1,439,864
Total	$ 1,463,251	$ -	$ -	$ 1,463,251

The following is a description of the valuation methodologies used for financial instruments reported at fair value. There have been no changes in methodologies used at June 30, 2018 and 2017.

The carrying amounts of cash and cash equivalents approximate fair value due to the short-term nature of these instruments.

Mutual funds are valued at fair value, based on quoted market prices for identical securities in active markets that the Foundation has the ability to access at the measurement date.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Foundation believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

5. Accounts Receivable and Grants Receivable

Accounts receivable (students) and grants receivable, as reflected on the statement of net position, are comprised of the following as of June 30:

	2018	2017
Accounts receivable, students, net	$ 1,089,969	$ 953,311
Federal and state grants	$ 246,731	$ 1,249,830
Financial aid awards/scholarships	2,378	1,732
	$ 249,109	$ 1,251,562

6. Pledges Receivable - Foundation

Foundation pledges consist of the following at June 30:

	2018	2017
Pledges due within one year	$ 1,322,840	$ 381,320
Pledges due in greater than one to five years	740,600	91,920
Pledges due in greater than five years	10,000	30,000
Total pledges receivable, gross	2,073,440	503,240
Less allowance for doubtful pledges	-	-
Less discount to net present value	30,986	3,681
Total pledges receivable, net	2,042,454	499,559
Less current portion of pledges receivable	1,322,840	381,320
Non-current portion of pledges receivable	$ 719,614	$ 118,239

7. Unearned Revenue

Unearned revenue consists of the following as of June 30:

	2018	2017
Prepaid tuition and fees	$ 887,266	$ 666,868

8. Fixed Assets

Fixed assets consisted of the following for the years ended June 30, 2018 and 2017:

	2018			
	Balance July 1, 2017	**Additions**	**Deletions**	**Balance June 30, 2018**
Land	$ 980,652	$ -	$ -	$ 980,652
Land improvements	747,863	-	-	747,863
Buildings and improvements	51,788,434	2,304,857	-	54,093,291
Machinery and equipment	11,175,437	89,862	-	11,265,299
Vehicles	251,942	-	-	251,942
Books	1,742,388	-	-	1,742,388
Work in progress	2,113,434	581,719	(2,053,426)	641,727
	68,800,150	2,976,438	(2,053,426)	69,723,162
Accumulated depreciation	(31,672,278)	(1,840,633)	-	(33,512,911)
Total	$ 37,127,872	$ 1,135,805	$ (2,053,426)	$ 36,210,251

	2017			
	Balance July 1, 2016	**Additions**	**Deletions**	**Balance June 30, 2017**
Land	$ 980,652	$ -	$ -	$ 980,652
Land improvements	747,863	-	-	747,863
Buildings and improvements	47,041,385	4,747,049	-	51,788,434
Machinery and equipment	10,264,766	910,671	-	11,175,437
Vehicles	251,942	-	-	251,942
Books	1,742,388	-	-	1,742,388
Work in progress	2,549,220	-	(435,786)	2,113,434
	63,578,216	5,657,720	(435,786)	68,800,150
Accumulated depreciation	(29,934,882)	(1,737,396)	-	(31,672,278)
Total	$ 33,643,334	$ 3,920,324	$ (435,786)	$ 37,127,872

9. Bonds Payable

Notes payable consist of the following as of June 30, 2018 and 2017:

Pennsylvania Finance Authority

College Revenue Bonds - Series of 2018A and 2018B

In April of 2018, the Pennsylvania Finance Authority (the "Authority") issued $2,480,000 aggregate principal amount of the College Revenue Bonds, consisting of $975,000 in College Revenue Bonds - Series A of 2018 and $1,505,000 in College Revenue Bonds - Series B of 2018. The bonds were issued to provide funds for various capital projects at the College, 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 College, 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 2018. 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 December 1, 2037. The bonds provide for early redemption options as detailed in the official statement of issue.

College Revenue Bonds - Series of 2017

In January of 2017, the Pennsylvania Finance Authority issued $26,725,000 in College Revenue Bonds - Series of 2017. The bonds were issued to provide funds to the College to advance refund the College Revenue Bonds - Series of 2007, pay off the First National Bank note dated November 16, 2016, provide funds for various capital projects at the College, 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 College 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 January 2017. 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% - 3.7% with the bonds scheduled to mature December 1, 2027. The bonds provide for early redemption options as detailed in the official statement of issue.

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 College, 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 College, 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.

The aggregate future principal payments required on the above obligations at June 30, 2018 are as follows

	Principal	Interest	Total
Years ending June 30:			
2019	$ 1,570,000	$ 1,067,063	$ 2,637,063
2020	1,635,000	1,011,533	2,646,533
2021	2,100,000	961,209	3,061,209
2022	2,140,000	912,305	3,052,305
2023	2,195,000	858,449	3,053,449
2024 - 2028	11,420,000	3,352,019	14,772,019
2029 - 2033	10,855,000	1,431,314	12,286,314
2034 - 2038	1,870,000	467,059	2,337,059
Total	$ 33,785,000	$ 10,060,951	$ 43,845,951

Bond Discount and Bond Premium

In connection with the issuance of the College Revenue Bonds - Series A of 2018, Series B of 2018, Series of 2017, and Series of 2015, CCBC received an original issue discount of $718,141 which is being amortized over the life of the bond issue. Bond discount amortization for the years ended June 30, 2018 and 2017 was $32,719 and $21,080, respectively, and is included as a component of interest expense on the statement of revenues, expenses, and changes in net position. The unamortized portion of the bond discount of $528,582 at June 30, 2018 and $495,810 at June 30, 2017 is deducted from the long-term portion of notes payable on the statement of net position.

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, 2018 and 2017 was $7,361, and is included as a component of interest expense on the statement of revenues, expenses, and changes in net position. The unamortized balance of $3,067 at June 30, 2018 and $10,428 at June 30, 2017 is added to the long-term portion of notes payable on the statement of net position.

Advance Refunding of Debt

In connection with the advance refunding of the Series A of 1994 and Series of 2007 Community College Revenue Bonds, the Pennsylvania Finance Authority entered into irrevocable trust agreements with PNC Bank to purchase U.S. Government Securities in an amount sufficient to fully service the defeased 1994 and 2007 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 $1,057,759 which is being amortized over the life of the refunding issue using the straight-line method. During the years ended June 30, 2018 and 2017, CCBC amortized $60,992 and $32,827, respectively, of this loss which is shown as part of interest expense on the statement of revenues, expenses, and changes in net position. The unamortized balance of $427,405 and $488,397 at June 30, 2018 and 2017 respectively, is reflected as "deferred outflow of resources" on the statement of net position.

Interest expense on the bonds payable totaled $1,038,098 and $1,000,144 for the years ended June 30, 2018 and 2017, respectively.

10. Capital Lease Obligations

In July of 2016, the College entered into a lease agreement with FNB Commercial Leasing in the amount of $455,000 for the purchase of computer equipment. The lease calls for four (4) annual principal and interest payments of $120,000. The interest rate is 3.430% and the lease obligation is scheduled to mature in July of 2019.

In August of 2016, the College entered into a lease agreement with FNB Commercial Leasing in the amount of $117,124 for the purchase of a 2016 Redbird MCX Flight Simulator training machine. The lease calls for four (4) annual principal and interest payments of $30,923. The interest rate is 3.5% and the lease obligation is scheduled to mature in September of 2019.

The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments. The assets are amortized over the lease terms and are included in capital assets. Amortization of assets under capital leases is included in depreciation expense.

Following is a summary of equipment held under capital leases at June 30, 2018:

Capital assets	$ 572,124
Less accumulated depreciation	63,354
Total	$ 508,770

Minimum future lease payments under the equipment capital leases are as follows:

Years ending June 30:	
2019	$ 150,747
2020	116,430
Total minimum lease payments	267,177
Less amount representing interest	6,308
Present value of net minimum lease payments	$ 260,869

11. Changes in Long-Term Liabilities

The following represents the changes in the College's long-term liabilities during the years ended June 30, 2018 and 2017:

	2017-2018				
	Balance July 1, 2017	**Additions**	**Reductions**	**Balance June 30, 2018**	**Due Within One Year**
General obligation notes	$ 32,800,000	$ 2,480,000	$ 1,495,000	$ 33,785,000	$ 1,570,000
Capital leases	423,032	-	162,163	260,869	150,074
Compensated absences	601,377	40,033	-	641,410	20,000
Net pension liability (Note 14)	2,577,000	-	305,000	2,272,000	-
Total	$ 36,401,409	$ 2,520,033	$ 1,962,163	$ 36,959,279	$ 1,740,074

	2016-2017				
	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
General obligation notes	$ 30,570,000	$ 26,725,000	$ 24,495,000	$ 32,800,000	$ 1,495,000
Capital leases	-	572,124	149,092	423,032	149,826
Compensated absences	580,830	20,547	-	601,377	20,000
Net pension liability (Note 14)	2,339,000	238,000	-	2,577,000	-
Early retirement benefits	313,819	-	313,819	-	-
Total	$ 33,803,649	$ 27,555,671	$ 24,957,911	$ 36,401,409	$ 1,664,826

12. Working Capital Line Notes

During the year ended June 30, 2016, the College 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 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 for the years ended June 30, 2018 and 2017:

	2017-2018				
	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Interest Paid
FNB Note 3	$ -	$ 2,306,771	$ 1,981,885	$ 324,886	$ 12,755
FNB Note 2	759,092	-	700,000	59,092	24,743
Total	$ 759,092	$ 2,306,771	$ 2,681,885	$ 383,978	$ 37,498

	2016-2017				
	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Interest Paid
FNB Note 1	$ -	$ 1,365,000	$ 1,365,000	$ -	$ 7,189
FNB Note 2	759,092	-	-	759,092	23,080
Total	$ 759,092	$ 1,365,000	$ 1,365,000	$ 759,092	$ 30,269

13. Operating Leases - Office Equipment

The College 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 $12,588. Lease expense for the years ended June 30, 2018 and 2017 was $151,200. This lease term will end on June 30, 2020. Minimum lease payments in future years are as follows:

Years ending June 30:		
2019	$	151,200
2020		151,200
Total	$	302,400

14. Pension Plans

PSERS

The Community College of Beaver County participates in the Public School Employees' Retirement System (PSERS or the "System"). 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.pa.gov.

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 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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.

Contributions

Member Contributions:

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

Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the members qualifying compensation.

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

Members who joined the System after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.50% (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 fiscal 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 10.30% and 12.30%.

Employer Contributions:

The College’s contractually required contribution rate for the fiscal years ended June 30, 2018 and 2017 was 31.74% and 29.20%, respectively of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the College were $191,107 and $171,677 for the years ended June 30, 2018 and 2017, respectively.

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

At June 30, 2018 and 2017, the College reported a liability of $2,272,000 and $2,577,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability from the prior year. 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, 2018, the College's proportion was 0.0046%, which was a decrease of 0.0006% from its proportion measured as of June 30, 2017. At June 30, 2017, the College's proportion was 0.0052%, which was a decrease of 0.0002% from its proportion measured as of June 30, 2016.

For the years ended June 30, 2018 and 2017, the College recognized pension expense of $144,107 and $233,797, respectively. At June 30, 2018 and 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 24,000	$ 14,000
Changes in assumptions	62,000	-
Net difference between projected and actual investment earnings	53,000	-
Changes in proportions	9,000	355,000
Difference between employer contributions and proportionate share of total contributions	(1,000)	-
Contributions subsequent to the measurement date	191,107	-
Total	$ 338,107	$ 369,000

	2017	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ -	$ 21,000
Changes in assumptions	93,000	-
Net difference between projected and actual investment earnings	144,000	-
Changes in proportions	17,000	197,000
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	171,677	-
Total	$ 425,677	$ 218,000

$191,107 and $171,667 as of June 30, 2018 and 2017, respectively, was reported as deferred outflows of resources related to pensions resulting from the College contributions subsequent to the measurement date. The amount recorded as of June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The amount recorded as of June 30, 2017 has been recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Date Year Ended June 30	Amount
2018	$ (77,000)
2019	(51,000)
2020	(31,000)
2021	(62,000)

Actuarial Assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the System's total pension liability as of the June 30, 2016 actuarial valuation to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement. Any changes from the prior actuarial valuation are noted below, if applicable:

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0 %	5.1 %
Fixed income	36.0	2.6
Commodities	8.0	3.0
Absolute return	10.0	3.4
Risk parity	10.0	3.8
Infrastructure/MLPs	8.0	4.8
Real estate	10.0	3.6
Alternative investments	15.0	6.2
Cash	3.0	0.6
Financing (LIBOR)	(20.0)	1.1
	100.0 %	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that 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 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
College's proportionate share of the net pension liability	$ 2,796,000	$ 2,272,000	$ 1,829,000

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.pa.gov.

TIAA

The College established a Teachers Insurance and Annuity Association Fund (TIAA) 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 is 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, 2018 and 2017, the College contributed $759,261 and $752,832 respectively to this retirement plan

15. Early Retirement Benefits

At the close of the 2017-2018 fiscal year, all post-retirement healthcare benefit and early retirement incentive liability balances outstanding under the terms of previous collective bargaining agreements entered into between the Community College of Beaver County and its collective bargaining units have been expended.

16. Endowments - Foundation

The Foundation's endowments consist of funds established to support a variety of scholarships and programs at CCBC. Its endowments consist of donor-restricted endowment funds. As required by generally accepted accounting principles, net position associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Net Position Composition is as follows as of June 30, 2018 and 2017:

	2018	2017
Unrestricted	$ 639,688	$ 441,824
Temporarily restricted (expendable)	$ 3,544,824	$ 717,237
Permanently restricted (nonexpendable)	$ 1,722,279	$ 1,086,897

17. Commitments and Contingencies

Federal and State Grants

The College'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. Management is not aware of any items of noncompliance which would result in the disallowance of program expenditures.

18. Risk Management

The College 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.

19. Health Insurance Consortium

The College 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 $1,939,547 and $1,882,908 for the years ended June 30, 2018 and 2017, respectively.

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, 2018, the net assets of the Consortium were $64,048,819 of which $503,401 is attributable to the College.

20. Subsequent Events

The College evaluated its June 30, 2018 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.

Schedule of College Contributions

June 30,	2018	2017	2016	2015	2014
Contractually required contributions	$ 191,107	$ 176,079	$ 172,589	$ 148,208	$ 125,465
Contribution in relation to the contractually required contribution	(191,107)	(176,079)	(172,589)	(148,208)	(125,465)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered-employee payroll	$ 608,086	$ 672,000	$ 692,700	$ 685,003	$ 746,518
Contributions as a percentage of covered-employee payroll	31.43%	26.20%	24.92%	21.64%	16.81%

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

For the years ended June 30,	2018	2017	2016
College's proportion of the net pension liability	0.0046%	0.0052%	0.0054%
College's proportionate share of the net pension liability	$ 2,272,000	$ 2,577,000	$ 2,339,000
College's covered-employee payroll	$ 608,086	$ 672,000	$ 692,700
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	374.00%	383.00%	338.00%

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.