

COMMUNITY COLLEGE OF BEAVER COUNTY

~~~~~

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

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

FINANCIAL STATEMENTS

AND

OTHER INFORMATION REQUIRED BY  
OFFICE OF MANAGEMENT AND BUDGET  
CIRCULAR A-133

WITH REPORTS OF  
CERTIFIED PUBLIC ACCOUNTANT

**FOR THE YEARS ENDED  
JUNE 30, 2015 AND 2014**

**COMMUNITY COLLEGE OF BEAVER COUNTY**

**TABLE OF CONTENTS**

|                                                                                | <b><u>PAGE</u></b> |
|--------------------------------------------------------------------------------|--------------------|
| Independent Auditor's Report .....                                             | i-iii              |
| Management's Discussion and Analysis .....                                     | iv-xii             |
| Exhibit A – Statements of Net Position.....                                    | 1                  |
| Exhibit B – Statements of Revenues, Expenses and Changes in Net Position ..... | 2                  |
| Exhibit C – Statements of Cash Flows .....                                     | 3                  |
| Notes to Financial Statements.....                                             | 4-21               |
| Required Supplementary Information.....                                        | 22                 |

**INFORMATION REQUIRED BY OMB CIRCULAR A-133**

|                                                                                                                                                                                                                          |       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards ..... | 23-24 |
| Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance required by OMB Circular A-133 .....                                                                           | 25-26 |
| Supplementary Schedule of Expenditures of Federal Awards.....                                                                                                                                                            | 27    |
| Notes to Schedule of Expenditures of Federal Awards.....                                                                                                                                                                 | 28    |
| Schedule of Findings and Questioned Costs .....                                                                                                                                                                          | 29    |
| Status of Prior Audit Findings .....                                                                                                                                                                                     | 30    |

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

## **Independent Auditor's Report**

### **Report on Financial Statements**

I have audited the accompanying financial statements of the Community College of Beaver County, a component unit of the County of Beaver, and its discretely presented component unit as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Community College of Beaver County's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community College of Beaver County and its discretely presented component unit as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages iv-xi and the defined benefit pension plan information on page 22, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

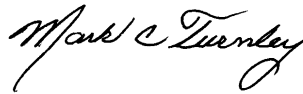
### ***Other Information***

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Community College of Beaver County's basic financial statements. The schedule of expenditures of federal awards required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated November 2, 2015 on my consideration of the Community College of Beaver County's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Community College of Beaver County's internal control over financial reporting and compliance.

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

Mark C. Turnley, CPA

November 2, 2015  
Rochester, Pennsylvania

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**Management's Discussion and Analysis (MD&A)**  
**Required Supplementary Information (RSI)**  
**Fiscal Year Ending June 30, 2015**

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

**Introduction**

The following represents management's discussion and analysis of the financial activity of Community College of Beaver County for the fiscal year ended June 30, 2015. It addresses transition during the year, current activities, resulting change, and currently known facts. It should be read in conjunction with the accompanying financial statements, including the notes.

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

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

**Using This Annual Report**

In fiscal year 2002-2003, the College adopted Government Accounting Standard Board Statement No. 35. The resulting financial statement presentation focuses on the College as a whole, and is designed to emulate corporate presentation models. Comparisons between 2014-2015 and 2013-2014 are presented.

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

**Financial Highlights**

Overall, the college recognized 48,118 total credits hours in 2014-2015. This represents a 7.9% decrease from 2013-2014. Sponsoring student credit hours decreased by 4.8% while non-sponsoring credit hours increased by 5.9% and out-of-state credit hours decreased by 47.5%. The decrease in out-of-state student enrollment is focused nearly entirely on the college's Air Traffic Control Program, resulting from a change in the FAA's hiring policy that removed specific hiring advantages for graduates of college-based air traffic control programs. Since nearly 75% of the students enrolled in this program have historically been from outside Pennsylvania and paying three times the in-county tuition rate, the financial impact of the change in FAA hiring policy has been highly significant. A resulting enrollment decline has now been fully realized and enrollment is expected to begin to grow due to a new High School Aviation Academy, continued success of the Air Traffic Control program graduates and expected positive future changes in the FAA hiring policies, and growth in other aviation programs. The decrease in sponsoring student credit hours is a result in part of a decline in the number of high school graduates within Beaver County as well as the continued strength of the economy. The new High School Academies are expected to reverse this decline going forward.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**Management's Discussion and Analysis (MD&A)**  
**Required Supplementary Information (RSI)**  
**Fiscal Year Ending June 30, 2015**

**Financial Highlights (Continued)**

In 2014-2015 the college completed the year with a decrease in net position of \$1,678,363. In 2013-2014 the college showed a decrease in net position of \$1,145,585. The change in net position for each year includes capital assets but does not include the assets of the college's Foundation.

The decrease in 2014-2015 is the result in part of expenditures exceeding revenues in addition to the depreciation of capital assets. There was a significant decrease in revenues and expenditures; expenditure savings were not sufficient to fully compensate for the decrease in revenues.

The next two sections of this report highlight the changes in revenues and expenditures for the 2014-2015 fiscal year.

**Revenue Changes:**

Total operating revenue decreased by \$1,689,564 in 2014-2015 compared to 2013-2014. This amount included a decrease in student tuition and fees of \$1,423,191, a decrease in federal and state student grants of \$243,016, and a slight decrease in government grants of \$53,055.

A summary of the increases and decreases in operating revenue is provided below.

- The College saw decreased revenue of \$1,689,564 over the amount received in 2013-2014 as a result of the decreased enrollment overall. This decreased enrollment affected student tuition and various student fees. Most especially, the aviation program was affected by recent FAA hiring policy changes that have negatively impacted enrollment.
- During 2014-2015, tuition and fees generated through the offering of non-credit courses decreased by \$98,518. This overall decrease is primarily attributable to decreased revenue in Occupational and Corporate Education courses.
- Revenue from Federal and State Student Grants decreased by \$243,016. This is primarily the result of lower enrollment compared to 2013-2014 in sponsoring and out-of-state student credit hours. These funds are utilized by the college's students to pay tuition and fees as well as the other costs of attending college.
- In 2014-2015 the college saw a slight decrease of \$53,055 in Government Grants. This decrease was driven by two primary sources. First, the college received \$48,813 less from the Walmart Press grant compared to 2013-2014. Second, the college saw a decrease in revenue of \$137,551 from the Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grant Program compared to 2013-2014. Both of these decreases resulted from the conclusion of the grant projects as planned.

A summary of increases and decreases in non-operating revenue is provided below.

- In 2014-2015, the College received approximately \$5.7 million in support from the Commonwealth of Pennsylvania. While CCBC received a small operating increase of \$71,811, funding for mandated capital on the series 2012 bond issue ended. The total appropriation is therefore approximately \$250,000 lower than the 2013-2014 allocation.
- In 2014-2015, the appropriation from the college's local sponsor, the County of Beaver, was \$3,994,500 as compared to \$3,691,000 in 2013-2014, an increase of \$303,500.



**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**Management's Discussion and Analysis (MD&A)**  
**Required Supplementary Information (RSI)**  
**Fiscal Year Ending June 30, 2015**

**Financial Highlights (Continued)**

- Interest expense decreased by \$25,228. This was a result of reduced interest costs associated with the existing debt service schedules and leases.

**Expenditure Changes:**

Total operating expenses, exclusive of federal state and student grants, decreased by \$858,217 in 2014-2015 compared to 2013-2014. Major factors contributing to this decrease are noted below.

- The college increased its liability for Other Post-Employment Benefits (OPEB) by \$231,353 as a result of a second retirement offering originally made available to college employees in the spring of 2014. The college projects cost reductions of over \$200,000 beginning in 2015-2016 as a result of these retirements.
- There was a decrease in salaries and benefits of \$42,229 as result of not filling several vacant positions.
- The college's contracted services expenses decreased by \$186,031 in 2014-2015. This is a result of savings from the presidential search in 2013-2014 as well as a reorganization of the college's non-credit and workforce development area in 2013-2014.
- The college postponed and reorganized its basketball program in 2014-2015, which resulted in a savings of \$85,000.
- Generally accepted accounting principles require that fixed assets be depreciated over the expected life of the asset. Depreciation is the process of reducing the value of an asset as it is utilized in day-to-day operations. Depreciation expense is recorded annually, just as in the corporate reporting model. The value of fixed assets less depreciation was \$31,626,208 at June 30, 2015 compared to \$33,248,280 at June 30, 2014. This is reflected under Noncurrent Assets on the Statement of Net Position. Depreciation expense for 2014-2015 was \$1,716,437 compared to \$1,807,563 in 2013-2014. A \$1,622,072 decrease in the value of net fixed assets is a result of the annual depreciation of the college's fixed assets, offset by capital purchases of \$94,365. Depreciation expense does not impact the college's cash balances.
- Depreciation expense associated with the college's fixed assets decreased by \$91,000 compared to 2013-2014.
- Net position of the college at June 30, 2015, excluding the net position of the CCBC Foundation, is categorized as follows.
  - 1) \$6 million in capital assets including land and improvements, buildings, equipment, vehicles and library books, net of related debt compared to \$6.7 million at June 30, 2014.
  - 2) No restricted net position.
  - 3) (\$3.8) million deficit in unrestricted net position, compared to (\$0.6) million at June 30, 2014.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**Management's Discussion and Analysis (MD&A)**  
**Required Supplementary Information (RSI)**  
**Fiscal Year Ending June 30, 2015**

**Financial Highlights (Continued)**

- As of June 30, 2015 the college's total net position is \$2.2 million. Included in this figure are the values of the college's physical assets such as its buildings, equipment and furniture. At June 30, 2014 the college's net position was \$6.1 million.
- As a result of GASB 35, the college has recorded a liability for the long-term value of retiree benefits and health care, as well as accrued compensated absences. At June 30, 2015 this liability is \$1,240,247 compared to \$1,087,258 at June 30, 2014. This increase is primarily the increase in accrued health benefits.
- As a result of the newly implemented GASB Statements No. 68 and 71 for the 2014-2015 fiscal year, the college has recorded a liability for the unfunded pension liability of \$2,335,000 as reflected in the PSERS actuarial valuation.
- The College has established a reserve with regard to the pending litigation from the police academy students from 2001-2002. The college has made one payment from this reserve and the balance at June 30, 2015 is \$143,822.
- A prior period adjustment of \$2,248,535 was made to the July 1, 2014 net position of CCBC. This represents an adjustment for the implementation of GASB Statements No. 68 and 71, which require the accounting for the estimated unfunded pension liability as calculated by an actuarial valuation performed for the Pennsylvania State Employees Retirement System (PSERS). Prior to the implementation of GASB 68 and 71, this liability was not required to be recorded on the books of CCBC. While there is no impact to the college's cash balances, this adjustment was part of the reason that CCBC's net position decreased from \$6.1 million at June 30, 2014 to \$2.2 million at June 30, 2015. In particular this adjustment impacted the unrestricted portion of the college's net position and along with the net loss for the 2013-2014 fiscal year, is the reason the college's net unrestricted position changed from a deficit of \$567,968 on June 30, 2014 to a deficit of \$3,803,989 on June 30, 2015.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**Management's Discussion and Analysis (MD&A)**  
**Required Supplementary Information (RSI)**  
**Fiscal Year Ending June 30, 2015**

**Financial Analysis**

**Statements of Net Position**

The following represents a summary of the Statements of Net Position, excluding the component unit (in millions), as of June 30, 2015 and 2014:

|                                                 | <u>2015</u>    | <u>2014</u>    |
|-------------------------------------------------|----------------|----------------|
| <b>Current Assets:</b>                          |                |                |
| Cash                                            | \$ 1.1         | \$ 1.8         |
| Receivables                                     | 1.0            | 1.2            |
| Other                                           | 0.6            | 0.6            |
| <b>Non-Current Assets:</b>                      |                |                |
| Fixed Assets                                    | 31.6           | 33.3           |
| Deferred Outflows                               | 0.3            | 0.1            |
| <b>Total Assets &amp; Deferred Outflows</b>     | <b>\$ 34.6</b> | <b>\$ 37.0</b> |
| <b>Current Liabilities:</b>                     |                |                |
| Accounts Payable                                | \$ 0.7         | \$ 0.5         |
| Accrued Salaries & Benefits                     | 1.4            | 1.7            |
| Other Current Liabilities                       | 2.0            | 2.0            |
| <b>Non-Current Liabilities:</b>                 |                |                |
| Notes Payable                                   | 24.7           | 25.5           |
| Lease Obligations Payable                       | -              | 0.2            |
| Accrued Retirement Benefits                     | 2.8            | 0.3            |
| Accrued Compensated Absences                    | 0.7            | 0.7            |
| Deferred Inflows                                | 0.1            | -              |
| <b>Total Liabilities &amp; Deferred Inflows</b> | <b>\$ 32.4</b> | <b>\$ 30.9</b> |
| <b>Net Position:</b>                            |                |                |
| Net Investment in Capital Assets                | \$ 6.0         | \$ 6.7         |
| Unrestricted                                    | (3.8)          | (0.6)          |
| <b>Total Net Position</b>                       | <b>\$ 2.2</b>  | <b>\$ 6.1</b>  |

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**Management's Discussion and Analysis (MD&A)**  
**Required Supplementary Information (RSI)**  
**Fiscal Year Ending June 30, 2015**

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

The following represents a summary of the Statement of Revenues, Expenses, and Changes in Net Position (in millions), for the years ended June 30, 2015 and 2014:

|                                                   | <b>2015</b>      | <b>2014</b>     |
|---------------------------------------------------|------------------|-----------------|
| <b>Operating Revenues:</b>                        |                  |                 |
| Student Tuition and Fees                          | \$ 10.6          | \$ 12.0         |
| Government Grants and Contract Fees               | 1.0              | 1.1             |
| Student Grants                                    | 4.6              | 4.9             |
| Auxiliary Enterprises Revenues                    | 0.1              | 0.1             |
| Other Operating Revenues                          | 0.2              | 0.2             |
| <b>Total Operating Revenues</b>                   | <b>\$ 16.5</b>   | <b>\$ 18.3</b>  |
| Less Operating Expenses (see detail below)        | 26.8             | 28.0            |
| <b>Operating Income (Loss)</b>                    | <b>\$ (10.3)</b> | <b>\$ (9.7)</b> |
| <b>Nonoperating Revenues/Expenses:</b>            |                  |                 |
| State Appropriations                              | \$ 5.7           | \$ 6.0          |
| County Appropriations                             | 4.0              | 3.7             |
| Interest Income                                   | -                | -               |
| Interest Expense                                  | (1.0)            | (1.1)           |
| <b>Total Nonoperating Revenues &amp; Expenses</b> | <b>\$ 8.7</b>    | <b>\$ 8.6</b>   |
| <b>Increase/(Decrease) in Net Position</b>        | <b>\$ (1.6)</b>  | <b>\$ (1.1)</b> |
| <br><b>Expense Detail:</b>                        |                  |                 |
| <b>Operating Expenses (in millions):</b>          |                  |                 |
| Instruction                                       | \$ 8.2           | \$ 8.6          |
| Academic Support                                  | 2.4              | 2.4             |
| Student Services                                  | 1.5              | 1.6             |
| Institutional Support                             | 5.4              | 5.7             |
| Operations and Facilities                         | 2.0              | 2.0             |
| Government and Student Grants                     | 5.6              | 5.9             |
| Other                                             | 1.7              | 1.8             |
| <b>Total Expenses</b>                             | <b>\$ 26.8</b>   | <b>\$ 28.0</b>  |

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**Management's Discussion and Analysis (MD&A)**  
**Required Supplementary Information (RSI)**  
**Fiscal Year Ending June 30, 2015**

**Capital Assets and Debt**

- Pennsylvania Finance Authority Bonds issued in 1998 were refinanced and replaced with Pennsylvania Finance Authority Bonds issued in 2012. They have a remaining obligation of \$1,375,000 plus interest through 2019.
- Pennsylvania Finance Authority Bonds totaling \$25,950,000 were issued in April 2007. The proceeds from this bond issue were used to fund the college's main campus renovation project. The bonds are a 25 year issue with final payment due in June 2032. They have a remaining obligation of \$24,390,000 plus interest through 2031.
- There was \$94,365 of capital asset additions in 2014-2015, compared to \$167,700 in 2013-2014.

**Component Unit - CCBC Foundation**

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

**Other Highlights**

- The college's current four-year collective bargaining agreement with the Society of the Faculty will expire on August 31, 2016. The college will begin negotiations for a new collective bargaining agreement in January 2016.
- The current ESPA staff union collective bargaining agreement was finalized in 2014-2015 and will expire on June 30, 2017.
- The trustees welcomed new members Pamela Johnson and Dr. Robert Postupac in July 2014, and Edward Palombo in July 2015.
- The school's Middle States Accreditation was reaffirmed through 2024 on June 25, 2015.
- The college began an Aviation High School Academy in January 2015 with 27 students representing nine Beaver County school districts. This program provides high school students the opportunity to take courses at the college during the school day and earn credits in the college's Aviation program. For the fall semester of 2015, the Aviation Academy has enrolled 63 students representing 20 school districts, including 12 Beaver County districts and six others in Allegheny, Butler and Washington Counties, plus Lincoln Park and PA Cyber. This represents a 133% increase over the first Aviation Academy cohort. Five of last year's seven high school seniors are now enrolled in CCBC's associate degree program. The Aviation Academy is one of six planned high school academies for the college. The next program will be the Health Academy, which will begin in the fall of 2016. The High School Academies project is a major component of the college's enrollment management strategy going forward.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**Management's Discussion and Analysis (MD&A)**  
**Required Supplementary Information (RSI)**  
**Fiscal Year Ending June 30, 2015**

**Summary**

Although the college has experienced a decrease in the total number of credit hours for 2014-2015, a six-year enrollment decline ended in fall 2015 with a 3.5% increase in headcount and a stable credit hour enrollment, placing CCBC near the top of Pennsylvania's 14 community colleges in fall 2015 enrollment change. New programs in Process Technology and Advanced Manufacturing will also contribute to future enrollment growth in addition to new late-start class offerings, new high school academies and other initiatives. CCBC continues to provide a low cost, high quality education for its students. Dr. Reber has continued to focus on building partnerships between the college and external organizations, joining the board of the Beaver County Chamber of Commerce, the Beaver Rotary, and chairing the March of Dimes Beaver County March for Babies in 2016, among others.

The College has established articulation agreements with more than 25 colleges and universities and more are currently under development. Articulation agreements set a clear path for transfer, which eases the process and saves students time and money while encouraging them to continue their education. Long-standing partnerships exist with many of the area's four-year institutions including Geneva College for aviation; University of Pittsburgh for nursing and criminal justice; and Robert Morris University for nursing, biological sciences, pre-engineering, networking, and more. A new comprehensive set of articulation agreements was developed with Penn State in addition to new agreements with Clarion University and others during 2014-2015.

In addition, Franklin University continues to offer programs on CCBC's Center Township campus. These programs allow CCBC students to transfer all of their credit hours earned over a three-year period to Franklin University and complete a Baccalaureate Degree at CCBC. Similar to Franklin, CCBC is exploring another partnership with Southern Illinois University to offer Baccalaureate degrees at CCBC in Aviation for graduates of CCBC's Aviation program, subject to approval by the Pennsylvania Department of Education.

As a result of the early retirement program, CCBC welcomed two new academic deans in 2014-2015. Dr. Shelly Moore, Dean of the School of Nursing and Allied Health, and Dr. John Higgs, Dean of the School of Business, Arts, Science and Technology, are leading their schools to realize new opportunities in serving students and the region. Eight new full-time faculty and additional new administrative employees are contributing significantly to the college's developing vision and strategic plan to move to the next level in service to Beaver County and beyond.

Lincoln Learning Solutions provided a \$1.5 million gift to the Community College of Beaver County Foundation in spring 2015 to support high school academies and workforce development in the region. The gift, which will be invested over a five-year period, will be used to launch five new high school academies at the college. The funds, which will be managed by the CCBC Foundation, represent the largest gift in the organization's history.

During 2014-2015 the Beaver County Commissioners increased the maximum level for the college's annual budget request to the county by 50%; extended the college's sponsorship agreement to 2042; and provided a \$300,000 increase in the college's annual appropriation.

These new initiatives combined with the continued support of the college's local sponsor, Beaver County, provide the college with the ability to grow, increase its financial strength, and continue the delivery of a high quality, affordable education to its students.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**Management's Discussion and Analysis (MD&A)**  
**Required Supplementary Information (RSI)**  
**Fiscal Year Ending June 30, 2015**

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

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

|                                                              | PRIMARY<br>INSTITUTION | COMPONENT<br>UNIT<br>FOUNDATION | 2015<br>TOTAL        | 2014<br>TOTAL        |
|--------------------------------------------------------------|------------------------|---------------------------------|----------------------|----------------------|
| <b>ASSETS:</b>                                               |                        |                                 |                      |                      |
| <b>CURRENT ASSETS:</b>                                       |                        |                                 |                      |                      |
| Cash and Cash Equivalents                                    | \$ 1,089,675           | \$ 710,833                      | \$ 1,800,508         | \$ 1,913,276         |
| Accounts Receivable - Students (Net)                         | 523,127                | -                               | 523,127              | 545,931              |
| Grants Receivable                                            | 352,522                | -                               | 352,522              | 518,376              |
| Other Receivables                                            | 100,541                | -                               | 100,541              | 109,455              |
| Due from Component Unit                                      | 4,662                  | (4,662)                         | -                    | -                    |
| Inventories                                                  | 27,883                 | -                               | 27,883               | 39,263               |
| Prepaid Expenses                                             | 573,713                | -                               | 573,713              | 528,433              |
| <b>TOTAL CURRENT ASSETS</b>                                  | <b>\$ 2,672,123</b>    | <b>\$ 706,171</b>               | <b>\$ 3,378,294</b>  | <b>\$ 3,654,734</b>  |
| <b>NONCURRENT ASSETS:</b>                                    |                        |                                 |                      |                      |
| Investments                                                  | \$ -                   | \$ 704,901                      | \$ 704,901           | \$ 847,656           |
| Fixed Assets, Net                                            | 31,626,208             | -                               | 31,626,208           | 33,248,280           |
| <b>TOTAL NONCURRENT ASSETS</b>                               | <b>\$ 31,626,208</b>   | <b>\$ 704,901</b>               | <b>\$ 32,331,109</b> | <b>\$ 34,095,936</b> |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>                       |                        |                                 |                      |                      |
| Deferred Interest on Refunding                               | \$ 103,412             | \$ -                            | \$ 103,412           | \$ 133,679           |
| Deferred Outflows Related to Pension                         | 188,673                | -                               | 188,673              | -                    |
| <b>Total Deferred Outflows of Resources</b>                  | <b>\$ 292,085</b>      | <b>\$ -</b>                     | <b>\$ 292,085</b>    | <b>\$ 133,679</b>    |
| <b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>     | <b>\$ 34,590,416</b>   | <b>\$ 1,411,072</b>             | <b>\$ 36,001,488</b> | <b>\$ 37,884,349</b> |
| <b>LIABILITIES:</b>                                          |                        |                                 |                      |                      |
| <b>CURRENT LIABILITIES:</b>                                  |                        |                                 |                      |                      |
| Accounts Payable                                             | \$ 684,309             | \$ 983                          | \$ 685,292           | \$ 550,381           |
| Accrued Salaries and Benefits                                | 1,402,519              | -                               | 1,402,519            | 1,569,553            |
| Accrued Retirement Benefits - Current Portion                | 132,851                | -                               | 132,851              | 83,390               |
| Accrued Compensated Absences - Current Portion               | 20,000                 | -                               | 20,000               | 20,000               |
| Accrued Interest                                             | 87,666                 | -                               | 87,666               | 89,780               |
| Other Accrued Liabilities                                    | 176,002                | -                               | 176,002              | 175,760              |
| Unearned Revenues                                            | 549,090                | 1,500                           | 550,590              | 686,760              |
| Due to Student Groups                                        | 22,952                 | -                               | 22,952               | 22,467               |
| Lease Obligation Payable - Current Portion                   | 179,155                | -                               | 179,155              | 175,957              |
| Notes Payable - Current Portion                              | 825,000                | -                               | 825,000              | 795,000              |
| <b>TOTAL CURRENT LIABILITIES</b>                             | <b>\$ 4,079,544</b>    | <b>\$ 2,483</b>                 | <b>\$ 4,082,027</b>  | <b>\$ 4,169,048</b>  |
| <b>NONCURRENT LIABILITIES:</b>                               |                        |                                 |                      |                      |
| Notes Payable (Net)                                          | \$ 24,676,995          | \$ -                            | \$ 24,676,995        | \$ 25,492,322        |
| Lease Obligation Payable                                     | -                      | -                               | -                    | 179,333              |
| Accrued Retirement Benefits                                  | 429,207                | -                               | 429,207              | 318,049              |
| Net Pension Liability                                        | 2,335,000              | -                               | 2,335,000            | -                    |
| Accrued Compensated Absences                                 | 658,189                | -                               | 658,189              | 665,819              |
| <b>TOTAL NONCURRENT LIABILITIES</b>                          | <b>\$ 28,099,391</b>   | <b>\$ -</b>                     | <b>\$ 28,099,391</b> | <b>\$ 26,655,523</b> |
| <b>TOTAL LIABILITIES</b>                                     | <b>\$ 32,178,935</b>   | <b>\$ 2,483</b>                 | <b>\$ 32,181,418</b> | <b>\$ 30,824,571</b> |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                        |                        |                                 |                      |                      |
| Deferred Inflows Related to Pension                          | \$ 167,000             | \$ -                            | \$ 167,000           | \$ -                 |
| <b>Total Deferred Inflows of Resources</b>                   | <b>\$ 167,000</b>      | <b>\$ -</b>                     | <b>\$ 167,000</b>    | <b>\$ -</b>          |
| <b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b> | <b>\$ 32,345,935</b>   | <b>\$ 2,483</b>                 | <b>\$ 32,348,418</b> | <b>\$ 30,824,571</b> |
| <b>NET POSITION:</b>                                         |                        |                                 |                      |                      |
| Net Investment in Capital Assets                             | \$ 6,048,470           | \$ -                            | \$ 6,048,470         | \$ 6,739,347         |
| Restricted                                                   | -                      | 842,420                         | 842,420              | 544,856              |
| Unrestricted - Component Unit                                | -                      | 566,169                         | 566,169              | 343,543              |
| Unrestricted (Deficit)                                       | (3,803,989)            | -                               | (3,803,989)          | (567,968)            |
| <b>TOTAL NET POSITION</b>                                    | <b>\$ 2,244,481</b>    | <b>\$ 1,408,589</b>             | <b>\$ 3,653,070</b>  | <b>\$ 7,059,778</b>  |
| <b>TOTAL LIABILITIES AND NET POSITION</b>                    | <b>\$ 34,590,416</b>   | <b>\$ 1,411,072</b>             | <b>\$ 35,834,488</b> | <b>\$ 37,884,349</b> |

The accompanying notes are an integral part of these financial statements



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

|                                               | PRIMARY<br>INSTITUTION | COMPONENT<br>UNIT<br>FOUNDATION | 2015<br>TOTAL         | 2014<br>TOTAL         |
|-----------------------------------------------|------------------------|---------------------------------|-----------------------|-----------------------|
| <b>OPERATING REVENUES:</b>                    |                        |                                 |                       |                       |
| Student Tuition and Fees                      | \$ 10,618,549          | \$ -                            | \$ 10,618,549         | \$ 12,041,740         |
| Government Grants                             | 1,027,527              | -                               | 1,027,527             | 1,080,582             |
| Federal and State Student Grants              | 4,627,958              | -                               | 4,627,958             | 4,870,974             |
| Auxiliary Enterprises Revenues                | 87,781                 | -                               | 87,781                | 68,212                |
| Contributions                                 | -                      | 629,631                         | 629,631               | 55,385                |
| Other Operating Revenues                      | 209,917                | 67,529                          | 277,446               | 283,814               |
| <b>TOTAL OPERATING REVENUES</b>               | <b>\$ 16,571,732</b>   | <b>\$ 697,160</b>               | <b>\$ 17,268,892</b>  | <b>\$ 18,400,707</b>  |
| <b>OPERATING EXPENSES:</b>                    |                        |                                 |                       |                       |
| Instruction                                   | \$ 8,281,066           | \$ -                            | \$ 8,281,066          | \$ 8,616,687          |
| Academic Support                              | 2,374,372              | -                               | 2,374,372             | 2,348,153             |
| Student Services                              | 1,520,527              | -                               | 1,520,527             | 1,597,209             |
| Institutional Support                         | 5,365,796              | 29,240                          | 5,395,036             | 5,754,598             |
| Operation and Facilities                      | 2,040,912              | -                               | 2,040,912             | 1,994,490             |
| Government Grants                             | 923,489                | -                               | 923,489               | 994,416               |
| Federal and State Student Grants              | 4,627,958              | -                               | 4,627,958             | 4,870,974             |
| Scholarships                                  | -                      | 94,072                          | 94,072                | 105,792               |
| Fundraising                                   | -                      | 88,692                          | 88,692                | 83,515                |
| Depreciation                                  | 1,716,437              | -                               | 1,716,437             | 1,807,563             |
| <b>TOTAL OPERATING EXPENSES</b>               | <b>\$ 26,850,558</b>   | <b>\$ 212,004</b>               | <b>\$ 27,062,562</b>  | <b>\$ 28,173,397</b>  |
| <b>OPERATING INCOME (LOSS)</b>                | <b>\$ (10,278,826)</b> | <b>\$ 485,156</b>               | <b>\$ (9,793,670)</b> | <b>\$ (9,772,690)</b> |
| <b>NONOPERATING REVENUES (EXPENSES):</b>      |                        |                                 |                       |                       |
| Interest Income                               | \$ 3,298               | \$ 12,236                       | \$ 15,534             | \$ 15,997             |
| Gain <Loss> on Investments                    | -                      | 22,798                          | 22,798                | 112,330               |
| State Appropriations                          | 5,735,447              | -                               | 5,735,447             | 5,990,488             |
| County Appropriations                         | 3,994,500              | -                               | 3,994,500             | 3,691,000             |
| Interest Expense                              | (1,132,782)            | -                               | (1,132,782)           | (1,158,010)           |
| <b>TOTAL NONOPERATING REVENUES (EXPENSES)</b> | <b>\$ 8,600,463</b>    | <b>\$ 35,034</b>                | <b>\$ 8,635,497</b>   | <b>\$ 8,651,805</b>   |
| <b>INCREASE (DECREASE) IN NET POSITION</b>    | <b>\$ (1,678,363)</b>  | <b>\$ 520,190</b>               | <b>\$ (1,158,173)</b> | <b>\$ (1,120,885)</b> |
| <b>NET POSITION - JULY 1 (Restated)</b>       | <b>3,922,844</b>       | <b>888,399</b>                  | <b>4,811,243</b>      | <b>8,180,663</b>      |
| <b>NET POSITION - JUNE 30</b>                 | <b>\$ 2,244,481</b>    | <b>\$ 1,408,589</b>             | <b>\$ 3,653,070</b>   | <b>\$ 7,059,778</b>   |

The accompanying notes are an integral part of these financial statements

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

|                                                                                                                                     | PRIMARY<br>INSTITUTION | COMPONENT<br>UNIT<br>FOUNDATION | 2015<br>TOTAL         | 2014<br>TOTAL         |
|-------------------------------------------------------------------------------------------------------------------------------------|------------------------|---------------------------------|-----------------------|-----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                                                                        |                        |                                 |                       |                       |
| Student Tuition and Fees                                                                                                            | \$ 10,641,353          | \$ -                            | \$ 10,641,353         | \$ 11,960,349         |
| Government Grants                                                                                                                   | 1,193,381              | -                               | 1,193,381             | 1,271,947             |
| Federal and State Student Grants                                                                                                    | 4,627,958              | -                               | 4,627,958             | 4,870,974             |
| Auxiliary Enterprise Receipts                                                                                                       | 87,781                 | -                               | 87,781                | 68,212                |
| Contributions                                                                                                                       | -                      | 629,631                         | 629,631               | 55,885                |
| Other Operating Receipts                                                                                                            | 218,831                | 90,328                          | 309,159               | 860,295               |
| Payments to Employees for Wages and Benefits                                                                                        | (13,816,725)           | -                               | (13,816,725)          | (14,056,104)          |
| Payments for Grants and Scholarships                                                                                                | (4,627,958)            | (94,072)                        | (4,722,030)           | (4,976,766)           |
| Other Program Disbursements                                                                                                         | (6,630,541)            | (114,702)                       | (6,745,243)           | (6,777,172)           |
| <b>NET CASH PROVIDED BY (USED IN)<br/>OPERATING ACTIVITIES</b>                                                                      | <b>\$ (8,305,920)</b>  | <b>\$ 511,185</b>               | <b>\$ (7,794,735)</b> | <b>\$ (6,722,380)</b> |
| <b>CASH FLOWS FROM NONCAPITAL AND RELATED<br/>FINANCING ACTIVITIES:</b>                                                             |                        |                                 |                       |                       |
| State Appropriations                                                                                                                | \$ 5,735,447           | \$ -                            | \$ 5,735,447          | \$ 5,990,488          |
| County Appropriations                                                                                                               | 3,994,500              | -                               | 3,994,500             | 3,691,000             |
| <b>NET CASH PROVIDED BY NONCAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>                                                         | <b>\$ 9,729,947</b>    | <b>\$ -</b>                     | <b>\$ 9,729,947</b>   | <b>\$ 9,681,488</b>   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES:</b>                                                                |                        |                                 |                       |                       |
| Capital Acquisitions                                                                                                                | \$ (94,365)            | \$ -                            | \$ (94,365)           | \$ (167,700)          |
| Proceeds - Capital Lease                                                                                                            | -                      | -                               | -                     | 171,303               |
| Interest Paid on Capital Related Debt                                                                                               | (1,140,769)            | -                               | (1,140,769)           | (1,102,274)           |
| Principal Payments on Note Obligations                                                                                              | (795,000)              | -                               | (795,000)             | (1,416,040)           |
| Principal Payments on Capital Lease Obligations                                                                                     | (176,135)              | -                               | (176,135)             | (176,244)             |
| <b>NET CASH (USED IN) CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>                                                              | <b>\$ (2,206,269)</b>  | <b>\$ -</b>                     | <b>\$ (2,206,269)</b> | <b>\$ (2,690,955)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                                                                        |                        |                                 |                       |                       |
| Interest Income                                                                                                                     | \$ 3,298               | \$ 12,236                       | \$ 15,534             | \$ 15,997             |
| Sale <Purchase> of Investments                                                                                                      | -                      | 142,755                         | 142,755               | (123,641)             |
| <b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>                                                                          | <b>\$ 3,298</b>        | <b>\$ 154,991</b>               | <b>\$ 158,289</b>     | <b>\$ (107,644)</b>   |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                                                         | <b>\$ (778,944)</b>    | <b>\$ 666,176</b>               | <b>\$ (112,768)</b>   | <b>\$ 160,509</b>     |
| CASH AND CASH EQUIVALENTS - JULY 1,                                                                                                 | 1,868,619              | 44,657                          | 1,913,276             | 1,752,767             |
| <b>CASH AND CASH EQUIVALENTS - JUNE 30,</b>                                                                                         | <b>\$ 1,089,675</b>    | <b>\$ 710,833</b>               | <b>\$ 1,800,508</b>   | <b>\$ 1,913,276</b>   |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH<br/>PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>                        |                        |                                 |                       |                       |
| Operating Income (Loss)                                                                                                             | \$ (10,278,826)        | \$ -                            | \$ (10,278,826)       | \$ (9,789,724)        |
| <b>Adjustments to Reconcile Net Increase (Decrease) in Net Position to Net<br/>Cash Provided by (Used In) Operating Activities:</b> |                        |                                 |                       |                       |
| Depreciation                                                                                                                        | 1,716,437              | -                               | 1,716,437             | 1,807,563             |
| Provision for Bad Debt Expense                                                                                                      | 24,207                 | -                               | 24,207                | 21,000                |
| Accrual of GASB 68 Pension Expense                                                                                                  | 64,792                 | -                               | 64,792                | -                     |
| (Increase) Decrease in Accounts Receivable                                                                                          | 170,454                | -                               | 170,454               | 494,194               |
| (Increase) Decrease in Inventories                                                                                                  | 11,380                 | -                               | 11,380                | (4,372)               |
| (Increase) Decrease in Prepaid Expenses                                                                                             | (45,280)               | -                               | (45,280)              | (94,859)              |
| Increase (Decrease) in Account Payable                                                                                              | 69,246                 | 609                             | 69,855                | 69,855                |
| Increase (Decrease) in Accrued Salaries and Benefits                                                                                | (167,034)              | -                               | (167,034)             | 535,204               |
| Increase (Decrease) in Accrued and Other Liabilities                                                                                | 264,874                | (2,848)                         | 262,026               | 45,998                |
| Increase (Decrease) in Unearned Revenues                                                                                            | (136,170)              | 500                             | (135,670)             | 192,761               |
| <b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>                                                                          | <b>\$ (8,305,920)</b>  | <b>\$ (1,739)</b>               | <b>\$ (8,307,659)</b> | <b>\$ (6,722,380)</b> |

The accompanying notes are an integral part of these financial statements

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

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

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

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

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

Community College of Beaver County prepares its financial statements in accordance with generally accepted accounting principles (GAAP) for public colleges and universities as outlined by the Governmental Accounting Standards Board (GASB). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). During 2014-2015, CCBC adopted the provisions of Government Accounting Standards Board (GASB) No. 68, *'Accounting and Financial Reporting for Pensions'* and GASB No. 71, *'Pension Transition for Contributions made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68'*.

The most significant of CCBC's accounting policies are as follows:

**REPORTING ENTITY**

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

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

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

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

**REPORTING ENTITY (Continued)**

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

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

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

**FINANCIAL STATEMENT PRESENTATION**

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

**BASIS OF ACCOUNTING**

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

**NET POSITION**

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

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

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

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

**NET POSITION (Continued)**

actions of CCBC or by the passage of time or restrictions which are required to be maintained in perpetuity.

- Unrestricted – Consists of all other net position that does not meet the definition of ‘restricted’ or ‘net investment in capital assets’.

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

**CASH AND CASH EQUIVALENTS**

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

**INVESTMENTS**

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

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

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

**RECEIVABLES- STUDENTS**

Accounts receivable - students is stated at net realizable value. The management of CCBC uses the allowance method of accounting for determining the annual provision for bad debt expense based on the methods and criteria established by the College’s accounts receivable policy. Accounts receivable – students, as reflected in Exhibit A, of \$523,127 (June 30, 2015) and \$545,931 (June 30, 2014) is net of provision for doubtful accounts.

**INVENTORIES**

Inventory for the years ended June 30, 2015 and 2014 consists of expendable supplies of \$27,883 and \$39,263 respectively, held for general consumption. Inventory is stated at cost.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

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

**PROPERTY AND EQUIPMENT**

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

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

Depreciation expense for year ended June 30, 2015 and 2014 was \$1,716,437 and \$1,807,563 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 FINANCING COSTS**

Bond issue costs are recorded as expenditures in the governmental fund financial statements in the year paid. The College did not incur any bond issuance costs during the 2014-2015 fiscal year.

**PENSIONS**

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS), and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment assets are reported at fair value. More information on pension activity is included in Note 9.

**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, 2015 and 2014, accumulated compensated absences totaled \$678,189 and \$685,819 respectively.

**INCOME TAXES**

The CCBC Foundation is a not for profit organization exempt from federal income taxes as determined under Section 501(c)3 of the Internal Revenue Code (IRC). CCBC Foundation has been classified as an organization that is not a private foundation under (IRC) Section 509(a). The CCBC Foundation's Form 990 'Return of Organization Exempt from Income Tax' for the years ended June 30, 2015, 2014, and 2013 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

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

**USE OF ESTIMATES**

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

**NOTE 2 – CASH DEPOSITS AND INVESTMENTS**

**CASH DEPOSITS:**

Cash and cash equivalents are comprised of the following:

|                     | ----- June 30, 2015 ----- | ----- June 30, 2014 ----- |                           |
|---------------------|---------------------------|---------------------------|---------------------------|
|                     | <u>Bank<br/>Balance</u>   | <u>Carrying<br/>Value</u> | <u>Bank<br/>Balance</u>   |
|                     | <u>Value</u>              | <u>Value</u>              | <u>Carrying<br/>Value</u> |
| Primary Institution | \$ 1,593,771              | \$ 1,089,675              | \$ 2,354,773              |
| CCBC Foundation     | 718,888                   | 710,833                   | 46,044                    |
|                     | <u>\$ 2,312,659</u>       | <u>\$ 1,800,508</u>       | <u>\$ 2,400,817</u>       |
|                     |                           |                           | <u>\$ 1,913,276</u>       |

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

**Custodial Credit Risk:**

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The College does not have a policy for custodial credit risk. As of June 30, 2015 and 2014, \$1,343,771 and \$1,984,381 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, 2015 and 2014, \$468,888 and \$9,006 respectively of CCBC Foundation's bank balance total is exposed to custodial credit risk as this amount represents uninsured deposits in excess of the FDIC coverage threshold.

**INVESTMENTS:**

**Credit Risk:**

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

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

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

**INVESTMENTS: (Continued)**

**Custodial Credit Risk:**

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

**Interest Rate Risk:**

CCBC Foundation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Concentration of Credit Risk:**

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

**NOTE 3 – GRANTS RECEIVABLE**

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

|                                   | <u>6/30/2015</u>  | <u>6/30/2014</u>  |
|-----------------------------------|-------------------|-------------------|
| Federal and State Grants          | \$ 352,522        | \$ 506,355        |
| Financial Aid Awards/Scholarships | -                 | 12,021            |
|                                   | <u>\$ 352,522</u> | <u>\$ 518,376</u> |

**NOTE 4 - FIXED ASSETS**

Fixed assets consisted of the following for the years ended June 30, 2015 and 2014:

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



**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

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

|                            | <b>Balance<br/>7/1/2013</b> | <b>Additions</b>      | <b>Deletions</b> | <b>Balance<br/>6/30/2014</b> |
|----------------------------|-----------------------------|-----------------------|------------------|------------------------------|
| Land                       | \$ 204,425                  | \$ -                  | \$ -             | \$ 204,425                   |
| Land Improvements          | 747,863                     | -                     | -                | 747,863                      |
| Buildings and Improvements | 46,599,865                  | 79,942                | -                | 46,679,807                   |
| Machinery and Equipment    | 10,108,522                  | 87,758                | -                | 10,196,280                   |
| Vehicles                   | 251,942                     | -                     | -                | 251,942                      |
| Books                      | 1,742,388                   | -                     | -                | 1,742,388                    |
|                            | <u>\$ 59,655,005</u>        | <u>\$ 167,700</u>     | <u>\$ -</u>      | <u>\$ 59,822,705</u>         |
| Accumulated Depreciation   | (24,766,861)                | (1,807,564)           | -                | (26,574,425)                 |
|                            | <u>\$ 34,888,144</u>        | <u>\$ (1,639,864)</u> | <u>\$ -</u>      | <u>\$ 33,248,280</u>         |

**NOTE 5 – NOTES PAYABLE**

**PENNSYLVANIA FINANCE AUTHORITY**

**COLLEGE REVENUE BONDS – SERIES OF 2012**

In August of 2012, the Pennsylvania Finance Authority issued \$2,890,000 in College Revenue Bonds - Series of 2012. The bonds were issued to refund the outstanding amount of Community College Revenue Bonds – Series of 1998, and to pay for the costs of issuing the bonds. In connection with the issuance of the Bonds, the Authority entered into a Loan Agreement with the Community College of Beaver County (CCBC), whereby the Authority will loan the proceeds of the bonds to the College. The loan agreement requires the College to make loan repayments to the Authority in an amount sufficient to pay the debt service requirements of the Bonds. The obligation of the College under the loan agreement is evidenced by a signed general obligation promissory note dated as of February 1, 1998. 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.

**COLLEGE REVENUE BONDS – SERIES OF 2007**

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

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

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

A summary of the Community College of Beaver County's general obligation promissory notes outstanding, due the Pennsylvania Finance Authority at June 30, 2015, is as follows:

| <b><u>YEAR END<br/>JUNE 30,</u></b> | <b><u>2012<br/>PRINCIPAL</u></b> | <b><u>2007<br/>PRINCIPAL</u></b> | <b><u>INTEREST</u></b>      | <b><u>TOTAL</u></b>         |
|-------------------------------------|----------------------------------|----------------------------------|-----------------------------|-----------------------------|
| 2016                                | \$ 265,000                       | \$ 560,000                       | \$ 1,051,988                | \$ 1,876,988                |
| 2017                                | 270,000                          | 580,000                          | 1,025,404                   | 1,875,404                   |
| 2018                                | 275,000                          | 600,000                          | 997,678                     | 1,872,678                   |
| 2019                                | 280,000                          | 620,000                          | 967,554                     | 1,867,554                   |
| 2020                                | 285,000                          | 655,000                          | 935,629                     | 1,875,631                   |
| 2021-2025                           | -                                | 7,590,000                        | 3,838,967                   | 11,428,967                  |
| 2026-2030                           | -                                | 9,410,000                        | 2,017,916                   | 11,427,916                  |
| 2031-2032                           | -                                | 4,375,000                        | 193,485                     | 4,568,485                   |
|                                     | <b><u>\$ 1,375,000</u></b>       | <b><u>\$ 24,390,000</u></b>      | <b><u>\$ 11,028,621</u></b> | <b><u>\$ 36,793,623</u></b> |

**BOND DISCOUNT AND BOND PREMIUM**

In connection with the College's note payable obligation to the Pennsylvania Finance Authority for the Series of 2012 and Series of 2007 Community College Revenue Bond issues, the College paid \$425,845 and \$1,193,690 respectively in bond discount and closing costs. Through June 30, 2013, these costs were being amortized on a straight-line basis over the life of the aforementioned note and bond issues. Effective July 1, 2013, in conformity with GASB Statement No. 65, bond acquisition costs are charged against operations as incurred. All remaining unamortized bond acquisition costs as of June 30, 2013 (\$698,916) are deducted from net position as a restatement effective July 1, 2013 (Exhibit B).

Bond discount amortization for the years ended June 30, 2015 and 2014 was \$17,034 respectively and is included as a component of interest expense on Exhibit B. The unamortized portion of the bond discount of \$288,156 at June 30, 2015 and \$305,189 at June 30, 2014 is deducted from the long-term portion of notes payable on Exhibit A.

In connection with the issuance of the College Revenue Bonds – Series of 2012, CCBC received an original issue premium of \$46,007 which is being amortized over the life of the bond issue. Bond premium amortization for the years ended June 30, 2015 and 2014 was \$7,361 respectively and is included as a component of interest expense on Exhibit B. The unamortized balance of \$25,151 at June 30, 2015 and \$32,512 at June 30, 2014 is added to the long-term portion of notes payable on Exhibit A.

**ADVANCE REFUNDING OF DEBT**

In connection with the advance refunding of the Series A of 1994 Community College Revenue Bonds, the Pennsylvania Finance Authority entered into an irrevocable trust agreement with PNC Bank to purchase U.S. Government Securities in an amount sufficient to fully service the defeased 1994 Bond Issue debt as it matures or is called. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability for the College. The excess of the reacquisition price over the net carrying amount of refunded debt is recorded as a reduction to long-term debt on the statement of net position and amortized over the shorter of the term of the refunding issue or refunded bonds. CCBC incurred a deferred refunding loss of \$569,680 which is being amortized over the life of the refunding issue using the straight-line method. During the years ended June 30, 2015 and 2014, CCBC amortized \$30,267 respectively of this loss which is shown as part of interest expense on Exhibit B. The unamortized balance of \$103,412 and \$133,679 at June 30, 2015 and 2014 respectively, is reflected as 'deferred outflow of resources' in Exhibit A.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

**NOTE 6 – CAPITAL LEASE OBLIGATION**

In July of 2012, the Community College of Beaver County entered into a lease agreement with First National Bank Commercial Leasing in order to finance the purchase of technology equipment in the amount of \$484,546. The terms of the lease agreement call for four (4) annual payments of \$125,155 commencing on August 10, 2012 through August 10, 2015 at an interest rate of approximately 2.22%. The equipment purchased serves as collateral on the lease.

In September of 2013, the Community College of Beaver County entered into a lease agreement with First National Bank Commercial Leasing in order to finance the purchase of technology equipment in the amount of \$171,303. The terms of the lease agreement call for three (3) annual payments of \$58,654 commencing on September 23, 2013 through September 23, 2016 at an interest rate of approximately 2.15%. The equipment purchased serves as collateral on the lease.

A summary of the capital lease payments obligations remaining as of June 30, 2015, is as follows:

| <b><u>YEAR END</u></b><br><b><u>JUNE 30,</u></b><br><b>2016</b> | <b><u>2012</u></b><br><b><u>PRINCIPAL</u></b> | <b><u>2013</u></b><br><b><u>PRINCIPAL</u></b> | <b><u>INTEREST</u></b> | <b><u>TOTAL</u></b> |
|-----------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|------------------------|---------------------|
|                                                                 | \$ 122,582                                    | \$ 56,573                                     | \$ 4,143               | \$ 183,298          |

**NOTE 7 – CHANGES IN LONG-TERM LIABILITIES**

The following represents the changes in the College's long-term liabilities during the 2014-2015 and 2013-2014 fiscal years:

|                                | <b><u>Balance</u></b><br><b><u>7/1/2014</u></b> | <b><u>Additions</u></b>  | <b><u>Reductions</u></b> | <b><u>Balance</u></b><br><b><u>6/30/2015</u></b> | <b><u>Due Within</u></b><br><b><u>One Year</u></b> |
|--------------------------------|-------------------------------------------------|--------------------------|--------------------------|--------------------------------------------------|----------------------------------------------------|
| General Obligation Notes       | \$ 26,560,000                                   | \$ -                     | \$ 795,000               | \$ 25,765,000                                    | \$ 825,000                                         |
| Capital Leases                 | 355,290                                         | -                        | 176,135                  | 179,155                                          | 179,155                                            |
| Compensated Absences           | 685,819                                         | -                        | 7,630                    | 678,189                                          | 20,000                                             |
| Net Pension Liability (Note 9) | 2,335,000                                       | -                        | -                        | 2,335,000                                        | -                                                  |
| Net OPEB Liability             | 401,439                                         | 160,619                  | -                        | 562,058                                          | 132,851                                            |
|                                | <b><u>\$ 30,337,548</u></b>                     | <b><u>\$ 160,619</u></b> | <b><u>\$ 978,765</u></b> | <b><u>\$ 29,519,402</u></b>                      | <b><u>\$ 1,157,006</u></b>                         |

|                                | <b><u>Balance</u></b><br><b><u>7/1/2013</u></b> | <b><u>Additions</u></b>  | <b><u>Reductions</u></b>   | <b><u>Balance</u></b><br><b><u>6/30/2014</u></b> | <b><u>Due Within</u></b><br><b><u>One Year</u></b> |
|--------------------------------|-------------------------------------------------|--------------------------|----------------------------|--------------------------------------------------|----------------------------------------------------|
| General Obligation Notes       | \$ 27,976,040                                   | \$ -                     | \$ 1,416,040               | \$ 26,560,000                                    | \$ 795,000                                         |
| Capital Leases                 | 360,231                                         | 171,303                  | 176,244                    | 355,290                                          | 175,760                                            |
| Compensated Absences           | 623,589                                         | 62,230                   | -                          | 685,819                                          | 20,000                                             |
| Net Pension Liability (Note 9) | 2,448,535                                       | -                        | 113,535                    | 2,335,000                                        | -                                                  |
| Net OPEB Liability             | 51,872                                          | 349,567                  | -                          | 401,439                                          | 83,390                                             |
|                                | <b><u>\$ 90,275,127</u></b>                     | <b><u>\$ 583,100</u></b> | <b><u>\$ 1,705,819</u></b> | <b><u>\$ 30,337,548</u></b>                      | <b><u>\$ 1,074,150</u></b>                         |

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

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

The Community College of Beaver County currently leases copier equipment from Xerox for use in its publications department. The terms of the amended lease agreement dated July 1, 2010, call for monthly payments of \$12,599.98. Lease expense for the years ended June 30, 2015 and 2014 was \$151,200 and \$151,200 respectively. This lease was renewed on June 1, 2015 and will end on June 30, 2020. The new monthly payment will be \$12,587.61.

**NOTE 9 - PENSION PLANS**

**PSERS**

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

**Plan Description:**

**Name of Plan:** Public School Employees' Retirement System (the System)

**Type of Plan:** 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.

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

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

**Benefits Provided:**

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

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

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

**PSERS (Continued)**

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.

**Contribution Rates:**

**Member Contributions** - Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.5% (Membership Class TD) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute 6.25% (Membership Class TC) or at 7.5% (Membership Class TD) of the members qualifying compensation. Members who joined the System after June 30, 2001 and before June 1, 2011, contribute at 7.5% (automatic Membership Class TD). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002. Members who joined the System after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a 'shared risk' provision in Act 120 of 2010 that in future years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.30%.

**Employer Contributions** - Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2015, the rate of employer's contribution was 21.4% of covered payroll. The 21.40% is comprised of a pension contribution rate of 20.5% for pension benefits and .90% for healthcare insurance premium assistance.

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

| <u>YEAR</u> | <u>COLLEGE<br/>EXPENSE</u> | <u>EMPLOYEE<br/>CONTRIBUTIONS</u> | <u>COVERED<br/>PAYROLL</u> |
|-------------|----------------------------|-----------------------------------|----------------------------|
| 2014-2015   | \$ 148,208                 | \$ 101,992                        | \$ 697,500                 |
| 2013-2014   | 125,465                    | 110,127                           | 746,518                    |
| 2012-2013   | 91,203                     | 109,409                           | 743,959                    |

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

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

At June 30, 2015, the College reported a liability of \$2,335,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2013 to June 30, 2014. 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, 2014, the College's proportion was .0059%, which was an increase of .0001% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the College recognized pension expense of \$213,000. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                          | <b><u>Deferred Outflows<br/>of Resources</u></b> | <b><u>Deferred Inflows<br/>of Resources</u></b> |
|------------------------------------------------------------------------------------------|--------------------------------------------------|-------------------------------------------------|
| Difference between expected and actual experience                                        | \$ -                                             | \$ -                                            |
| Changes in assumptions                                                                   | -                                                | -                                               |
| Net difference between projected and actual investment earnings                          | -                                                | 167,000                                         |
| Changes in proportions                                                                   | 33,000                                           | -                                               |
| Difference between employer contributions and proportionate share of total contributions | 7,465                                            | -                                               |
| Contributions subsequent to the measurement date                                         | 148,208                                          | -                                               |
|                                                                                          | <b><u>\$ 188,673</u></b>                         | <b><u>\$ 167,000</u></b>                        |

The \$148,208 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows/outflows of resources related to pensions will be recognized in pension expense as follows:

| <b><u>Year ended<br/>June 30,</u></b> | <b><u>Amount</u></b> |
|---------------------------------------|----------------------|
| 2015                                  | \$ (34,000)          |
| 2016                                  | (34,000)             |
| 2017                                  | (34,000)             |
| 2018                                  | (34,000)             |
| 2019                                  | 1,000                |

**Actuarial assumptions**

The total pension liability as of June 30, 2014 was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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

**Investment Asset Allocation**

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

| <u>Asset Class</u>           | <u>Target Allocation</u> | <u>Expected Real Rate of Return</u> |
|------------------------------|--------------------------|-------------------------------------|
| Public markets global equity | 19%                      | 5.00%                               |
| Private markets (equity)     | 21%                      | 6.50%                               |
| Private real estate          | 13%                      | 4.70%                               |
| Global fixed income          | 8%                       | 2.00%                               |
| U.S. long treasuries         | 3%                       | 1.40%                               |
| TIPS                         | 12%                      | 1.20%                               |
| High yield bonds             | 6%                       | 1.70%                               |
| Cash                         | 3%                       | 0.90%                               |
| Absolute return              | 10%                      | 4.80%                               |
| Risk parity                  | 5%                       | 3.90%                               |
| MLPs/Infrastructure          | 3%                       | 5.30%                               |
| Commodities                  | 6%                       | 3.30%                               |
| Financing (LIBOR)            | -9%                      | 1.10%                               |
|                              | <u>100%</u>              |                                     |

The above was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

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

**PSERS (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

|                                                               | <b><u>1%<br/>Decrease<br/>6.50%</u></b> | <b><u>Current<br/>Discount<br/>Rate<br/>7.50%</u></b> | <b><u>1%<br/>Increase<br/>8.50%</u></b> |
|---------------------------------------------------------------|-----------------------------------------|-------------------------------------------------------|-----------------------------------------|
| College's proportionate share of<br>the net pension liability | <b><u>\$ 2,913,000</u></b>              | <b><u>\$ 2,335,000</u></b>                            | <b><u>\$ 1,842,000</u></b>              |

**Pension plan fiduciary net position**

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**TIAA-CREF**

The Community College of Beaver County established a Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF) under Section 403 (B) of the Internal Revenue Code for eligible College employees. Under the plan, individual contracts are entered into for covered employees. Employees are fully vested, and the contract fully funded, in accordance with the terms of the contract. Employee contributions are five percent (5%). College contributions are **1**) five percent (5%) on the first \$7,800 of salary for the staff **2**) ten percent (10%) on the remaining staff salary and **3**) ten percent (10%) for the faculty and administrators. During the years ended June 30, 2015, 2014 and 2013, the College contributed \$727,995, \$705,700, and \$652,648 respectively to this retirement plan.



**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

**NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION**

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

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

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

The above health and early retirement incentive amounts were calculated for each applicable participant through age 65 for health insurance and through June 30, 2017 for the early retirement incentives. The health insurance calculations were based on the application of projected inflationary increases, and both the health insurance and early retirement totals were discounted using present value techniques. The College has chosen to measure and recognize these accrued retirement benefits at June 30, 2015 and 2014 in accordance with the provisions of FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pension". Though no actuarial study was conducted, the College believes that the fixed nature of the early retirement incentives and the available premium rates for health insurance (adjusted for inflation) provide a reliable basis for calculation of this material liability in accordance with FASB Statement No. 106. The total calculated liability for retiree health insurance benefits and early retirement incentives as of June 30, 2015 totaled \$562,058. There was no early retirement incentive balance as of June 30, 2015. The total calculated liability for retiree health insurance benefits and early retirement incentives as of June 30, 2014 totaled \$397,049 and \$4,390 respectively.

**NOTE 11 – COMMITMENTS AND CONTINGENT LIABILITIES**

**FEDERAL AND STATE GRANTS**

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

**POLICE TECHNOLOGY PROGRAM**

The Community College of Beaver County is potentially liable for any costs of program noncompliance, not covered by commercial insurance, incurred by its Police Technology Program as a result of a program audit conducted by the Commonwealth of Pennsylvania. CCBC recorded an initial estimated liability of \$150,000 during the 2003-2004 fiscal year to cover these potential costs. As of June 30, 2015 and 2014, the remaining unused portion of this estimated liability was \$143,822.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

**NOTE 11 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

**DEFERRED COMPENSATION**

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

**NOTE 12 – RISK MANAGEMENT**

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

**NOTE 13 – CCBC FOUNDATION**

The CCBC Foundation (Note 1) reports its financial activity under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As a result, certain revenue recognition criteria and presentation features are different from those aspects as required by GASB. No modifications have been made to the Foundation's revenue information for these differences. Net asset information of the Foundation has been conformed to the 'Net Position' categories as defined by GASB.

Nonexpendable net position represent funds received from various donor organizations restricted for costs such as tuition, fees, books, programs, projects, facilities, and equipment. Unrestricted net position represents contributions to the Foundation for scholarship purposes with no restriction for maintaining the principal in perpetuity.

**NOTE 14– HEALTH INSURANCE CONSORTIUM**

The Community College of Beaver County is one of forty-seven members of the Allegheny County Schools Health Insurance Consortium (ACSHIC) which purchases health benefits on behalf of participating public school districts. 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 \$1,843,147 for the year ended June 30, 2015.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

**NOTE 14– HEALTH INSURANCE CONSORTIUM (Continued)**

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, 2015, the net assets of the Consortium were \$41,604,741 of which \$313,866 is attributable to the Community College of Beaver County.

**NOTE 15 – WORKING CAPITAL LINE NOTE**

On August 21, 2009, the Community College of Beaver County issued a promissory note (Working Capital Line Note) for \$1,500,000 to First National Bank. The terms of the note call for a per annum rate of interest equal to the LIBOR Rate plus 150 basis points (1.50%). The general revenues of the College serve as collateral on the note. In January of 2015, CCBC drew down \$350,000 on the line of credit. This amount, with interest of \$263, was paid back in February of 2015. The funds were drawn down due to the College waiting on the release of federal financial aid dollars.

**NOTE 16 – RESTATEMENT OF NET POSITION**

The July 1, 2014 net position of CCBC was restated by \$2,248,535, as reflected in Exhibit B. This amount represents the implementation of Government Accounting Standards Board (GASB) Statements No. 68 and 71, which require the accounting for unfunded pension liability for the PSERS plan.

The July 1, 2013 net position of CCBC was restated by \$698,916, as reflected in Exhibit B. This amount represents the implementation of GASB Statement No. 65 which required for the write-off of prior year unamortized bond issue costs of the college as of July 1, 2013.

**NOTE 17 – PENDING GASB PRONOUNCEMENTS**

In February of 2015, the Government Accounting Standards Board (GASB) issued Statement No. 72, 'Fair Value Measurement and Application'. The primary objective of this Statement is to clarify the definition of fair value, establish general principles for measuring fair value and enhances disclosure about fair value measurements. The provisions of this Statement are effective for CCBC's June 30, 2016 financial statements.

In June of 2015, GASB issued Statement No. 74, 'Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans'. The primary objective of this Statement is to address reporting by governments that provide Other Post-Employment Benefits (OPEB) to their employees. The provisions of this Statement are effective for CCBC's June 30, 2017 financial statements.

In June of 2015, GASB issued Statement No. 75, 'Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.' The primary objective of this Statement is to replace GASB 45 with a requirement to report a liability on the financial statements for the OPEB that governments provide to employees. The provisions of this Statement are effective for CCBC's June 30, 2018 financial statements.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

**NOTE 17 – PENDING GASB PRONOUNCEMENTS (Continued)**

In June of 2015, GASB issued Statement No. 76, 'The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments'. The primary objective of this Statement is to reduce the Generally Accepted Accounting Principles (GAAP) hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55. The provisions of this Statement are effective for CCBC's June 30, 2016 financial statements.

The effects of the implementation of these standards on CCBC's financial statements have not yet been determined.

**NOTE 18– SUBSEQUENT EVENTS**

Due to the Pennsylvania state budget impasse, on October 28, 2015, CCBC drew down \$750,000 from its existing \$1.5 million line of credit at First National Bank.

On October 21, 2015, CCBC signed loan documents with First National Bank to extend our total available line of credit to an additional \$3.5 million. Therefore, CCBC has a total of \$5 million in working capital available in the event that the PA state budget impasse is not resolved soon.

The college is pursuing a bond in the amount of \$5.6 million. Of this \$5.6 million, \$4.8 million is to complete capital projects at the college including HVAC and roof repair to several buildings, repaving the parking lots and sidewalks, adding new signage to the campus, adding a magnetic locking and badging system to all college buildings and landscaping. The state and the local sponsor will share the debt for this piece of the bond.

The remaining \$800,000 of the bond issue will be used to purchase a 13 acre parcel adjacent to the campus. This debt will be assumed by the college.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DEFINED BENEFIT PENSION PLAN**  
**JUNE 30, 2015**

**SCHEDULE OF COLLEGE CONTRIBUTIONS:**

| <b>June 30,</b>                                                     | <b><u>2015</u></b> | <b><u>2014</u></b> | <b><u>2013</u></b> |
|---------------------------------------------------------------------|--------------------|--------------------|--------------------|
| Contractually required contributions                                | \$ 148,208         | \$ 125,465         | \$ 91,203          |
| Contribution in relation to the contractually required contribution | (148,208)          | (125,465)          | (91,203)           |
| Contribution deficiency (excess)                                    | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| College's covered-employee payroll                                  | \$ 697,500         | \$ 746,518         | \$ 743,959         |
| Contributions as a percentage of covered-employee payroll           | 21.25%             | 16.81%             | 12.26%             |

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

| <b>As of the measurement date of June 30,</b>                                                              | <b><u>2013</u></b> |
|------------------------------------------------------------------------------------------------------------|--------------------|
| College's proportion of the net pension liability                                                          | 0.0059%            |
| College's proportionate share of the net pension liability                                                 | \$ 2,335,000       |
| College's covered-employee payroll                                                                         | \$ 743,959         |
| College's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 313.86%            |
| Plan fiduciary net position as a percentage of the total pension liability                                 | 83.50%             |

**COMMUNITY COLLEGE  
OF BEAVER COUNTY**

***INFORMATION AS REQUIRED BY  
OFFICE OF MANAGEMENT AND BUDGET  
(OMB) CIRCULAR A-133***

**Mark C. Turnley**

---

Certified Public Accountant

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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States, the financial statements of the Community College of Beaver County, and its discretely presented component unit, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Community College of Beaver County's basic financial statements, and have issued my report thereon dated November 2, 2015.

**Internal Control over Financial Reporting**

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

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

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



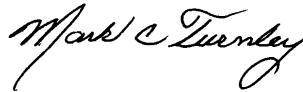
**To the Board of Trustees  
The Community College of Beaver County**

**Compliance and Other Matters**

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

**Purpose of this Report**

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



Mark C. Turnley  
Certified Public Accountant

November 2, 2015  
New Brighton, Pennsylvania

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

I have audited Community College of Beaver County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Community College of Beaver County's major federal programs for the year ended June 30, 2015. Community College of Beaver County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirement of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of Community College of Beaver County's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community College of Beaver County's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In my opinion, Community College of Beaver County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

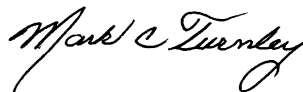
## Report on Internal Control over Compliance

Management of Community College of Beaver County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Community College of Beaver County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Community College of Beaver County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Mark C. Turnley  
Certified Public Accountant

November 2, 2015  
New Brighton, Pennsylvania

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

| FEDERAL GRANTOR /<br>PROJECT TITLE                                         | FEDERAL<br>CFDA<br>NUMBER | PASS-THROUGH<br>GRANTOR<br>NUMBER | GRANT<br>PERIOD<br>BEGINNING /<br>ENDING DATE | PROGRAM<br>AWARD<br>AMOUNT | EXPENDITURES         |
|----------------------------------------------------------------------------|---------------------------|-----------------------------------|-----------------------------------------------|----------------------------|----------------------|
| <b><u>U.S. Department of Education:</u></b>                                |                           |                                   |                                               |                            |                      |
| <b>Student Financial Aid Cluster:</b>                                      |                           |                                   |                                               |                            |                      |
| PELL Grants                                                                | 84.063                    | N/A                               | 7/1/14-6/30/15                                | N/A                        | \$ 3,698,766 (1)     |
| College Work Study                                                         | 84.033                    | N/A                               | 7/1/14-6/30/15                                | N/A                        | 50,442 (1)           |
| SEOG Grant                                                                 | 84.007                    | N/A                               | 7/1/14-6/30/15                                | N/A                        | 52,634 (1)           |
| Federal Direct Student Loans                                               | 84.268                    | N/A                               | 7/1/14-6/30/15                                | N/A                        | 5,954,309 (1)        |
| <b>Total Student Financial Aid Cluster</b>                                 |                           |                                   |                                               |                            | <b>\$ 9,756,151</b>  |
| <b>Passed through Pa. Dept. of Education:</b>                              |                           |                                   |                                               |                            |                      |
| Carl Perkins                                                               | 84.048                    | FA-381-15-0001                    | 7/1/14-6/30/15                                | \$ 231,046                 | \$ 231,046           |
| <b>TOTAL DEPARTMENT OF EDUCATION</b>                                       |                           |                                   |                                               |                            | <b>\$ 9,987,197</b>  |
| <b><u>U.S. Department of Health and Human Services</u></b>                 |                           |                                   |                                               |                            |                      |
| <b>Passed through Inspiritec:</b>                                          |                           |                                   |                                               |                            |                      |
| KEYS - TANF                                                                | 93.558                    | N/A                               | 7/1/14-6/30/15                                | \$ 137,216                 | \$ 124,658           |
| <b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                       |                           |                                   |                                               |                            | <b>\$ 124,658</b>    |
| <b><u>U.S. Department of Labor</u></b>                                     |                           |                                   |                                               |                            |                      |
| <b>Passed through Community College of Philadelphia:</b>                   |                           |                                   |                                               |                            |                      |
| Trade Adjustment Assistance Community<br>College and Career Training Grant | 17.282                    | TC-22519-11-60-A-42               | 10/1/11-9/30/15                               | \$ 691,518                 | \$ 89,293            |
| <b>TOTAL DEPARTMENT OF LABOR</b>                                           |                           |                                   |                                               |                            | <b>\$ 89,293</b>     |
| <b><u>National Science Foundation</u></b>                                  |                           |                                   |                                               |                            |                      |
| Education and Human Resources                                              | 47.076                    | N/A                               | 7/1/14-6/30/15                                | \$ 199,828                 | \$ 47,985            |
| <b>TOTAL NATIONAL SCIENCE FOUNDATION</b>                                   |                           |                                   |                                               |                            | <b>\$ 47,985</b>     |
| <b>TOTAL FEDERAL ASSISTANCE</b>                                            |                           |                                   |                                               |                            | <b>\$ 10,249,133</b> |

(1) - DENOTES MAJOR PROGRAM

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2015**

**NOTE 1 - FEDERAL AWARD PROGRAMS**

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the Community College of Beaver County.

**NOTE 2 - BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards is presented using the accrual method of accounting. Under this method, revenue is recognized to the extent of related grant expenditures. Expenditures are recognized when the liability for the expenditure is incurred rather than when the disbursement is actually made.

**NOTE 3 - RELATIONSHIP TO FINANCIAL STATEMENTS**

Federal financial award revenues are included in the financial statements as part of 'Government Grants' (Exhibit B). Grant receivables and unearned grant revenues as of June 30, 2015 are shown as part of 'Grants Receivable' and 'Unearned Revenues' (Exhibit A).

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**A. SUMMARY OF AUDIT RESULTS**

1. The audit report expresses an unmodified opinion on the financial statements of the Community College of Beaver County.
2. The 'Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards' contained no deficiencies.
3. No instances of noncompliance material to the financial statements of the Community College of Beaver County were disclosed during the audit.
4. No deficiencies relating to the audit of the major federal award programs are reported in the 'Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance required by OMB Circular A-133'.
5. The auditor's report on compliance for the major federal award programs for the Community College of Beaver County expresses an unmodified opinion.
6. The programs tested as major programs include:

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

**Student Financial Aid Cluster:**

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

7. The Threshold for distinguishing Types A and B programs was \$300,000.
8. Community College of Beaver County qualifies as a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None

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

None

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**STATUS OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

The audit report of the Community College of Beaver County for the year ended June 30, 2014, dated October 14, 2014, contained the following:

**A. FINDINGS - FINANCIAL STATEMENT AUDIT**

None

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

None