

HARFORD COMMUNITY COLLEGE
COMPONENT UNIT FINANCIAL STATEMENTS AND
SINGLE AUDIT COMPLIANCE REPORTS
YEAR ENDED JUNE 30, 2019

**HARFORD COMMUNITY COLLEGE
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Harford Community College
Bel Air, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Harford Community College (the College), a component unit of Harford County, Maryland, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of The Harford Community College Foundation, Inc., the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information, of the College as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During the fiscal year ended June 30, 2019, the College adopted GASB Statement No. 84, *Fiduciary Activities*. As a result of the implementation of GASB Statement No. 84, the College reported a restatement for the change in accounting principle.

In addition, to conform with accounting principles generally accepted in the United States of America, the College restated net position as of July 1, 2018 for a correction of the accounting for HEAT Center assets in previously issued financial statements.

The effect of these restatements is identified in Note 18. Our auditors' opinion is not modified with respect to these restatements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in the College's Net OPEB Liability and Related Ratios, the Schedule of the College's OPEB Contributions, the Schedule of the College's Proportionate Share of the Net Pension Liability and the Schedule of the College's Pension Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, *Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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

Board of Trustees
Harford Community College

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2019, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Harford Community College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
October 8, 2019

**HARFORD COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

Overview of the Financial Statements and Financial Analysis

The discussion and analysis of Harford Community College's (the College or HCC) financial statements provides an overview of the College's financial activities for the year ended June 30, 2019. Management has prepared this discussion along with the financial statements and related footnote disclosures. *Management's Discussion and Analysis* should be read in conjunction with the financial statements. Responsibility for the completeness and fairness of this information rests with the College.

The entity-wide financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. This approach is intended to summarize and simplify the user's analysis of the cost of various College services to students and the public. This report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and, the statement of cash flows. These statements provide an overall view of the College's financial activities, both current and long term. Fiduciary funds are used to account for resources held for the benefit of parties outside of the College. Fiduciary funds are not reflected in the College's basic financial statements because the resources of those funds are not available to support the College's own programs. The accounting for fiduciary funds is similar to that used by the College's proprietary fund financial statements. Notes to the financial statements are required to complete the entity-wide statements and are an integral component of the basic financial statements.

Statement of Net Position

The statement of net position is a financial statement that provides a fiscal snapshot of the institution's financial position at a selected point in time. Total net position represents the difference between total assets, total liabilities, and deferred inflows and outflows of resources and is one of the indicators of the current financial condition of the College. Readers of the statement of net position are able to determine the assets available to continue the operations of the College. Over time, changes in net position are indicators of the improvement or erosion of the College's financial health when considered along with nonfinancial facts, such as enrollment changes and the condition of facilities.

The assets and liabilities are categorized between current and noncurrent. Current assets and current liabilities mature or become payable within the normal 12-month accounting cycles while noncurrent assets and liabilities mature or become payable after 12 months. For June 30, 2019, the College's current assets consist primarily of cash and cash equivalents and accounts receivable while noncurrent assets consist primarily of capital assets, including property, plant, and equipment maintained by the College. All of the College's liabilities except compensated absences and net pension liability are considered short-term in nature.

Net position is divided into four major categories:

- Unrestricted – available to the College for any lawful purpose.
- Net investment in capital assets – the College's ownership equity in property, plant and equipment, net of related debt.
- Expendable restricted – available to be spent by the College after externally imposed stipulations have been fulfilled or after the passage of time.
- Nonexpendable restricted – results from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or removed by the College's actions.

**HARFORD COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

Statement of Net Position (Continued)

CONDENSED STATEMENT OF NET POSITION

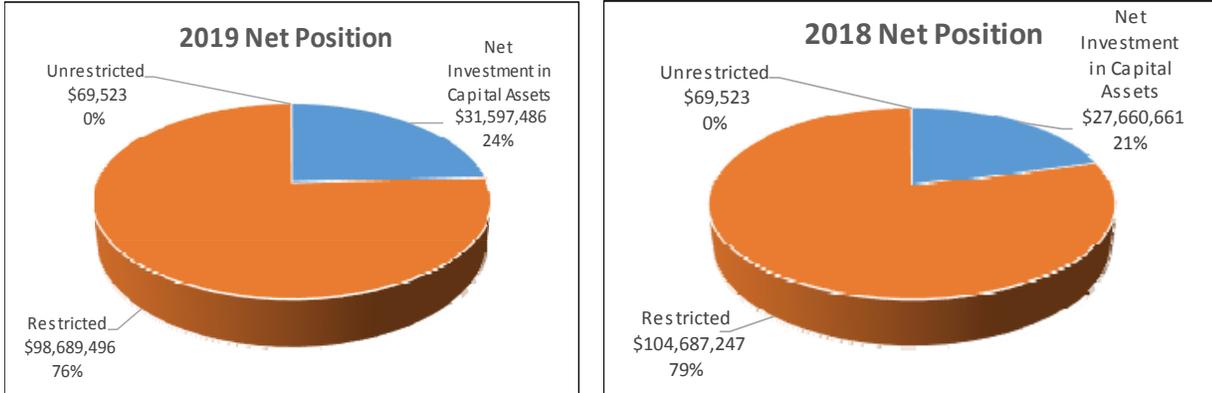
	June 30, 2019	Percent of Total	June 30, 2018*	Percent of Total
ASSETS				
Current Assets	\$ 40,861,469	28.1%	\$ 37,365,465	25.6 %
Noncurrent Assets:				
Capital Assets	98,689,496	67.9	104,687,247	71.7
Other Assets	5,830,220	4.0	3,960,222	2.7
Total Noncurrent Assets	<u>104,519,716</u>	71.9	<u>108,647,469</u>	74.4
 Total Assets	 145,381,185	 100.0	 146,012,934	 100.0
 DEFERRED OUTFLOWS	 <u>407,842</u>	 0.3	 <u>316,020</u>	 0.2
 LIABILITIES				
Current Liabilities	12,970,093	8.9	11,653,543	8.0
Noncurrent Liabilities	2,302,270	1.6	2,095,238	1.4
Total Liabilities	<u>15,272,363</u>	10.5	<u>13,748,781</u>	9.4
 DEFERRED INFLOWS	 <u>160,159</u>	 0.1	 <u>162,742</u>	 0.1
 NET ASSETS				
Unrestricted	31,597,486	21.7	27,660,661	18.9
Net Investment in Capital Assets	98,689,496	67.9	104,687,247	71.7
Restricted	69,523	0.0	69,523	0.0
Total Net Assets	<u>\$ 130,356,505</u>	89.7	<u>\$ 132,417,431</u>	90.7

*2018 amounts do not include the effect of restatements shown as of July 1, 2018

Fiscal Year 2019 compared to 2018. Net position decreased by 1.6% or \$2.06 million from \$132.4 million in fiscal year 2018 to \$130.4 million in 2019. Current assets increased by \$3.5 million. Current assets consist primarily of cash and cash equivalents and accounts receivable, which include funds due for federal aid and for state funding of capital project expenses. Cash increased \$1.7 million due to favorable operating performance within the general fund. In addition, investment income increased \$349,000 or 89%. Accounts receivable increased \$2.1 million primarily due to a \$1.5 million accrual due from the state related to the renovation of Fallston Hall. The College is self-insured, and the \$.4 million decrease in the deposit with trustee (Harford County) is a result of an estimated unfavorable healthcare experience in fiscal year 2019. Prepaid expenses and Other Assets increased \$.07 million while the receivable due from the HCC Foundation decreased \$0.03 million due to the timing of payments. Current liabilities increased by \$1.3 million. The key components of the College's current liabilities are accounts payable, accrued liabilities and unearned revenue. Accounts payable due to vendors increased \$.8 million primarily due to a retainer due to a contractor for capital renovations. Accrued payroll liabilities increased by \$.02 million and unearned revenue increased by \$.1 million.

**HARFORD COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

Statement of Net Position (Continued)



The unrestricted net position includes the fund balances contained within the College's plant fund budgets for projects that are anticipated or in progress along with auxiliary service fund balances generated through operations. Currently, designations of \$7 million are budgeted within the plant funds for various capital projects such as the renovation of the Chesapeake Center, Hays Heighe House, and the Amoss Center as well as funds set aside for a satellite campus in Edgewood, Maryland. Other plant fund balances are also internally designated for deferred projects, roof replacements, parking lot improvements, athletic fields and computer equipment and technology expenditures.

Restricted net position consists of Russell Hudson student loans. The increase in unrestricted net position is a result of the favorable performance of expenditures within the operating fund coupled with the net income generated by the auxiliaries.

Statement of Revenues, Expenses, and Changes in Net Position

The purpose of this statement is to present the revenues received and expenses paid by the College, both operating and nonoperating, as well as any other revenues, expenses, gains and losses received or spent by the institution, over a period of time.

**HARFORD COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

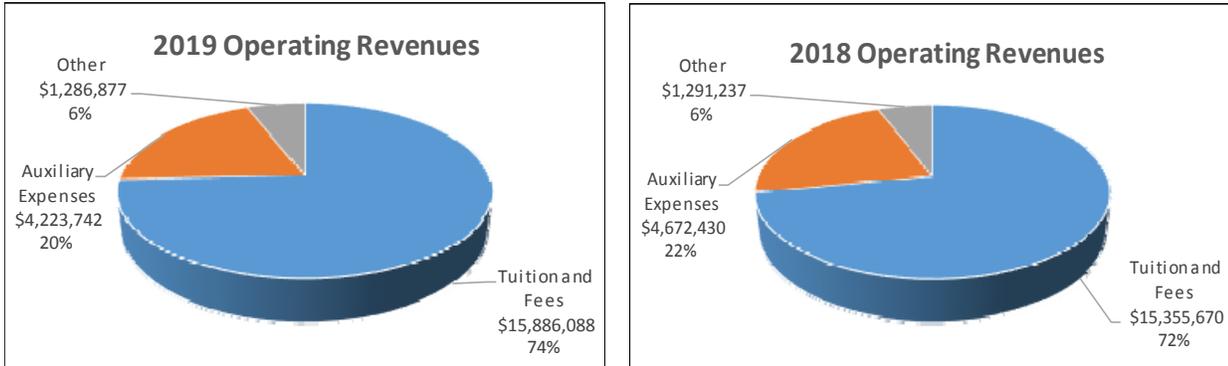
Statement of Revenues, Expenses, and Changes in Net Position (Continued)

	Years Ended June 30,		Percent Change
	2019	2018*	
OPERATING REVENUE			
Tuition and Fees, Net	\$ 15,886,088	\$ 15,355,670	3.5 %
Auxiliary Enterprises	4,223,742	4,672,430	(9.6)
Other	1,286,877	1,291,237	(0.3)
Total Operating Revenue	<u>21,396,707</u>	<u>21,319,337</u>	0.4
OPERATING EXPENSES	<u>67,055,956</u>	<u>64,118,084</u>	4.6
OPERATING LOSS	(45,659,249)	(42,798,747)	6.7
NONOPERATING REVENUES (EXPENSES)			
Certain Fringe Benefits Paid Directly by the State of Maryland	2,651,737	2,550,263	4.0
Federal Grants and Contracts	6,456,728	6,541,984	(1.3)
State Grants and Contracts	13,612,342	13,223,357	2.9
Harford County Grants and Contracts	17,593,804	17,237,790	2.1
Contributions	625,712	607,977	2.9
Interest Income	747,407	398,290	87.7
Loss on Disposal of Assets	(3,465)	(88,658)	(96.1)
Total Nonoperating Revenues	<u>41,684,265</u>	<u>40,471,003</u>	3.0
LOSS BEFORE OTHER REVENUES	(3,974,984)	(2,327,744)	70.8
State Capital Grants	164,733	308,677	(46.6)
Harford County Capital Grants	<u>2,092,801</u>	<u>500,340</u>	318.3
DECREASE IN NET POSITION	(1,717,450)	(1,518,727)	13.1
Net Position - Beginning of Year	132,417,431	134,360,889	(1.4)
Restatement for July 1, 2017 OPEB Liability and Related Expense	-	(424,731)	
Restatement for July 1, 2018 Correction of Accounting for HEAT Center	(1,217,558)	-	
Restatement for July 1, 2018 Early Adoption of GASB 84	<u>874,082</u>	<u>-</u>	
Net Position - Beginning of Year, Restated	<u>132,073,955</u>	<u>133,936,158</u>	
NET POSITION - END OF YEAR	<u>\$ 130,356,505</u>	<u>\$ 132,417,431</u>	(1.6)

*2018 amounts do not include the effect of restatements shown as of July 1, 2018

**HARFORD COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

Statement of Revenues, Expenses, and Changes in Net Position (Continued)



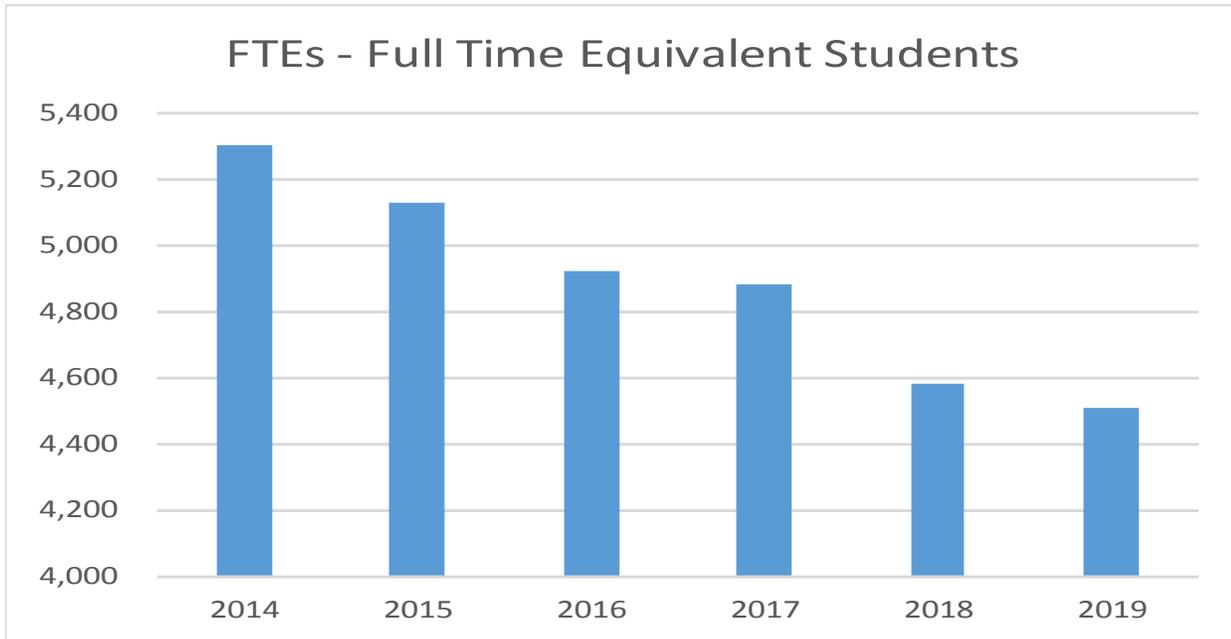
Generally speaking, operating revenues are received for providing goods and services to students and other constituencies and customers of the College. Operating expenses are paid to acquire or produce the goods and services that are provided in return for operating revenues, thus carrying out the mission of the College. Nonoperating revenues are receipts for which goods and/or services are not provided. For example, state and local appropriations are considered nonoperating because they are provided to the College by the appropriate governmental entity without it directly receiving commensurate goods and/or services.

Fiscal Year 2019 compared to 2018. Net position decreased \$2.06 million or 1.6% in 2019. This decrease can primarily be attributed to the correction of an error related to the accounting for the HEAT Center as well as a decrease in auxiliary enterprise net profits. The state and county provided a total of \$2.3 million in revenues for investment in capital assets in 2019 versus \$.8 million in 2018. This revenue increase was not sufficient to offset the \$4.9 million in depreciation expense recorded on the College's capital assets.

Net tuition and fees increased 3.4% primarily due to an increase in credit tuition rates. Scholarship allowances in 2019 are \$6.02 million or 27.5% of gross tuition and fee revenue, which is a decrease of 5.9% from 2018 scholarship allowances of \$6.4 million or 29.4% of gross tuition and fee revenue. This analysis continues to show that a significant portion of the College's students receive federal or some other form of financial assistance.

**HARFORD COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

Statement of Revenues, Expenses, and Changes in Net Position (Continued)



In FY 2019 the full-time equivalent (FTE) student enrollment decreased by 75 or 1.6%. Credit FTE students decreased by 47 while noncredit FTE students decreased by 28.

**HARFORD COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

Statement of Revenues, Expenses, and Changes in Net Position (Continued)

Analyzing operating and nonoperating revenues together for 2019, tuition and fees net of scholarship allowances, comprise 25.2% of total revenues. State and county funding, including the state payment for retirement, provided an additional 53.7% of operating and nonoperating revenues. Federal funding accounts for 10.2% of total 2019 revenues. The revenue from auxiliary enterprises accounts for 6.7% of total 2019 revenues.

The statement of operating expenses provides more detail on the operating expenses from the previous table. The expenses include the functional classifications of all funds.

OPERATING EXPENSES

	Years Ended June 30,		Percent Change
	2019	2018*	
OPERATING EXPENSES			
Instruction	\$ 19,680,852	\$ 19,465,831	1.1 %
Academic Support	6,696,260	6,692,006	0.1
Student Services	8,662,928	7,730,125	12.1
Institutional Support	11,162,165	10,714,991	4.2
Operations and Maintenance of Plant	7,998,484	6,457,747	23.9
Scholarship Expense	1,153,080	1,180,830	(2.4)
Subtotal	<u>55,353,769</u>	<u>52,241,530</u>	6.0
Certain Fringe Benefits Paid Directly by the State of Maryland	2,651,737	4,344,757	(39.0)
Depreciation	4,874,016	2,550,263	91.1
Auxiliary Enterprises	<u>4,176,434</u>	<u>4,981,534</u>	(16.2)
 Total	 <u><u>\$ 67,055,956</u></u>	 <u><u>\$ 64,118,084</u></u>	 4.6

**2018 amounts do not include the effect of restatements shown as of July 1, 2018*

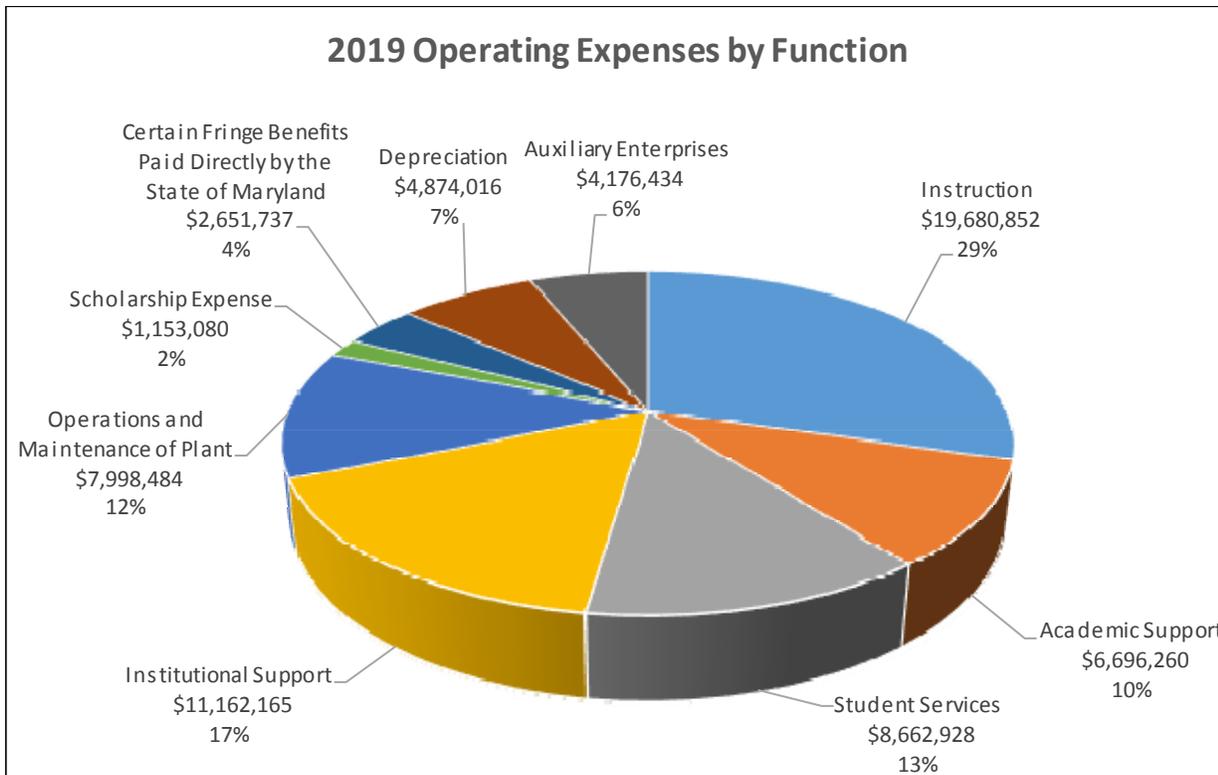
Instruction accounts for 29.3% of the total operating expense of the College. This figure does not include the state payment for retirement benefits associated with instruction. The instruction function increased 1.1% primarily due to the 3% base salary adjustment that occurred, partially offset by the vacant positions that existed in 2019.

Academic support expenses increased .1% in fiscal year 2019. This increase is primarily due to investments in instructional support that aligns with our strategic plan objectives and the 3% base salary adjustment offset by vacant positions that existed in FY19.

The 12.1% increase in student services expenditures is primarily attributable to the early of adoption of GASB Statement No. 84 which adjusted Student Services expenses by 10.8%. In addition, financial aid refunds paid directly to students for awarded Pell grants increased by 1.7%. This increase in refunds to students occurred in addition to an increase of approximately \$0.2 million in total Pell grant expenditures in 2019. The portion of Pell grant awards applied to tuition and fees is netted against tuition and fee revenue on the statement of revenues, expenses, and changes in net position. Lastly, this increase is also attributable in part to the 3% base salary increase.

**HARFORD COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

Statement of Revenues, Expenses, and Changes in Net Position (Continued)



Institutional support increased 4.2% in 2019 mainly due to an increase in additional technology investments.

Operations and maintenance of plant increased significantly in 2019 due to construction costs for the renovations at Fallston Hall.

Scholarships slightly decreased \$.03 million or 2.4%. This line includes state mandated and college tuition waivers to credit and noncredit students.

The decrease in auxiliary enterprise expenditures of \$.2 million or 3.9% is driven primarily by the decrease in auxiliary enterprise revenues resulting from industry trends in textbook sales.

Other major components of operating expenses include: the \$2.7 million that represents the state's contribution for college employees to the Maryland state retirement system and the recognition of \$4.9 million in depreciation on capital assets.

**HARFORD COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

Statement of Cash Flows

The statement of cash flows presents detailed information about cash receipts and cash payments of the College. This statement helps users assess the College's ability to generate future cash flows, the ability to meet obligations as they come due, and its needs for external financing.

The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used for the operating activities of the College. The second section reflects the cash received and spent for nonoperating, noninvesting and other noncapital financing purposes. The third section deals with cash flows from capital and related financing activities, providing information on the cash used for the acquisition and construction of capital and related items. The fourth part reflects the cash flows from investing activities and shows the purchases, proceeds, interest received and investment income from such activities. The fifth section reconciles the net cash used for operating activities to the operating income or loss reflected on the statement of revenues, expenses and changes in net position.

	Years Ended June 30,		Percent Change
	2019	2018*	
Cash Provided (Used) by:			
Operating Activities	\$ (37,490,582)	\$ (36,650,027)	2.3 %
Noncapital Financing Activities	39,117,286	38,007,892	2.9
Capital and Related Financing Activities	299,116	19,267	1,452.5
Investing Activities	747,407	398,290	87.7
Net Increase in Cash	<u>2,673,227</u>	<u>1,775,422</u>	50.6
Cash - Beginning of Year, as Originally Stated	32,151,368	30,375,946	5.8
Restatement for July 1, 2018 Early Adoption of GASB 84	870,909	-	
Cash - Beginning of Year, as Restated	<u>33,022,277</u>	<u>30,375,946</u>	
CASH - END OF YEAR	<u><u>\$ 35,695,504</u></u>	<u><u>\$ 32,151,368</u></u>	11.0

*2018 amounts do not include the effect of restatements shown as of July 1, 2018

The primary cash receipts from operating activities consist of \$14.9 million from tuition and fees and \$4.3 million from auxiliary enterprises. Major cash outlays in operating activities consist of salaries and benefits of \$33.7 million and payments to suppliers of \$24.2 million. The increase in payments to employees and the increase in payments to suppliers is driving the increase in net cash used by operating activities.

Federal, state and local funding is the primary source of noncapital financing. The accounting standards require that the College reflect this source of revenue as nonoperating even though the College's budget depends on this funding to continue, or expand the existing level of operations. Cash provided by noncapital financing activities increased 2.9%. The increase in cash receipts from the county and state provided to the College for operations leads to this overall increase in noncapital financing activities.

The primary financing activities included within the report are associated with capital appropriations for the College's commitment to expansion of new facilities and the continued renovation of its older facilities. Net cash flows provided by capital financing activities increased from \$.02 million in 2018 to \$.3 million in 2019. The College began capital renovations in 2019 with the renovation of Fallston Hall.

**HARFORD COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

Capital Asset and Debt Administration

Capital Assets

At June 30, 2019, the College had \$154.7 million invested in capital assets, less accumulated depreciation of \$56.0 million. Depreciation charges for the current year totaled \$4.9 million.

CAPITAL ASSETS, NET

	June 30,		Percent Change
	2019	2018*	
CAPITAL ASSETS			
Land and Land Improvements	\$ 21,527,028	\$ 21,675,597	(0.7)%
Buildings	120,094,384	123,088,441	(2.4)
Furniture and Equipment	6,331,031	6,331,871	(0.0)
Computer Technology	4,379,138	4,252,025	3.0
Vehicles	877,528	877,615	(0.0)
Library Books	1,488,837	1,523,660	(2.3)
Total	154,697,945	157,749,209	(1.9)
Less: Accumulated Depreciation	56,008,449	53,061,962	5.6
Net Capital Assets	\$ 98,689,496	\$ 104,687,247	(5.7)

*2018 amounts do not include the effect of restatements shown as of July 1, 2018

A correction of an accounting error related to the HEAT Center required removal of building and land improvements totaling \$1.7 million. Capital assets totaling \$.6 million were added in 2019 which consisted of plant services equipment, technology, books and instructional equipment.

Debt

The College has no long-term debt as of June 30, 2019.

Economic Factors That Will Affect the Future

The College's general operations are funded through three primary revenue sources: tuition and fee payments from students, funding appropriations from Harford County, and funding appropriations from the state of Maryland. Prior to 2009, tuition and fees accounted for approximately one-third of the College's total operating revenues. Credit enrollment increased at very high rates during fiscal years 2009-2011. This enrollment increase aligned with the theory that during economic recessions, community college enrollments generally rise. During this same period, there was a decrease in the percentage of public funding with county appropriations remaining flat for four years. As a result, tuition and fee revenues eclipsed county appropriations as the leading revenue source for the College in 2011. This trend has continued although we have seen increases in county and state funding in recent years.

**HARFORD COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

Economic Factors That Will Affect the Future (Continued)

As the College cannot influence the various economic variables which correlate to the public support it receives, HCC administration continues to develop strategies to ensure the College generates necessary operating revenues in future years. The College's Board of Trustees approved a 2% tuition increase per credit hour for fiscal year 2019. By approving a tuition rate increase measured at or below 2%, the College qualified for a state supplemental grant of approximately \$137,000. As a result of the actions taken to increase tuition and fee revenue coupled with the effective management of operating expenditures, the College has been able to balance the budget in each of the past five fiscal years.

A great deal of uncertainty continues to exist surrounding future credit enrollments. Fiscal years 2015-2019 have featured annual enrollment declines averaging 4%. Community colleges across the state have experienced a similar trend of declining enrollment during declining unemployment. This economic reality has challenged the College to implement strategies to increase enrollment and improve retention. These strategies coupled with historically favorable out-of-county and out-of-state enrollment led the College to expect that billable credit hours would remain flat in fiscal year 2019.

The College continues to face an environment of rising costs with limited resources. Healthcare costs continue to rise, deferred maintenance costs of our large and aging campus increase yearly as well as the overall rising costs-of-doing-business. The College is challenged to meet the needs of an evolving institution while balancing the budget. As we plan for these challenges, the College is evaluating and exploring opportunities that not only improve the services we provide the community but will also offer additional funding sources to ensure the future viability of our institution.

Requests for Information

The financial report is designed to provide a general overview of the College's finances. Questions concerning any of the information provided in this report or other requests for additional information should be addressed to the Harford Community College Finance Office.

**HARFORD COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2019**

	<u>Harford Community College</u>	<u>Component Unit Harford Community College Foundation</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 29,876,017	\$ 424,727
Accounts Receivable, Net	9,302,693	-
Promises to Give, Net	-	422,810
Inventories	479,691	-
Prepaid Expenses and Other Assets	496,187	15,850
Due from Foundation	122,185	-
Deposit with Trustee	584,696	-
Total Current Assets	<u>40,861,469</u>	<u>863,387</u>
Noncurrent Assets:		
Cash and Cash Equivalents, Capital Projects	5,819,487	-
Investments	-	11,076,914
Net OPEB Asset	10,733	-
Land and Construction in Progress	3,741,759	-
Capital Assets being Depreciated	150,956,186	-
Less: Accumulated Depreciation	<u>(56,008,449)</u>	<u>-</u>
Total Noncurrent Assets	<u>104,519,716</u>	<u>11,076,914</u>
 Total Assets	 <u>145,381,185</u>	 <u>11,940,301</u>
 DEFERRED OUTFLOWS - PENSION	 <u>407,842</u>	 <u>-</u>

See accompanying Notes to Financial Statements.

**HARFORD COMMUNITY COLLEGE
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2019**

	Harford Community College	Component Unit Harford Community College Foundation
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,512,108	\$ -
Accrued Payroll and Related Liabilities	1,867,706	-
Deposits Held for Students	49,052	-
Unearned Revenue	8,262,254	20,250
Compensated Absences, Current	183,049	-
Due to College	-	122,185
Other Liabilities	95,924	-
Total Current Liabilities	12,970,093	142,435
Noncurrent Liabilities:		
Net Pension Liability	1,263,155	-
Compensated Absences, Net of Current Portion	1,039,115	-
Total Noncurrent Liabilities	2,302,270	-
Total Liabilities	15,272,363	142,435
DEFERRED INFLOWS - PENSION	160,159	-
NET POSITION		
Unrestricted	31,597,486	859,978
Net Investment in Capital Assets	98,689,496	-
Restricted:		
Expendable	69,523	6,384,425
Nonexpendable	-	4,553,463
Total Net Position	\$ 130,356,505	\$ 11,797,866

See accompanying Notes to Financial Statements.

**HARFORD COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019**

	<u>Harford Community College</u>	<u>Component Unit Harford Community College Foundation</u>
OPERATING REVENUES		
Student Tuition and Fees (Net of Scholarship Allowances of \$6,023,331)	\$ 15,886,088	\$ -
Gifts and Contributions	-	985,043
Auxiliary Enterprises	4,223,742	-
Other Operating Revenues	1,286,877	-
Total Operating Revenues	21,396,707	985,043
OPERATING EXPENSES		
Instruction	19,680,852	-
Academic Support	6,696,260	-
Student Services	8,662,928	-
Institutional Support	11,162,165	-
Operations and Maintenance of Plant	7,998,484	-
Scholarship Expense	1,153,080	-
Certain Fringe Benefits Paid Directly by the State of Maryland	2,651,737	-
Other Operating Expenses	-	219,079
Depreciation	4,874,016	-
Auxiliary Enterprises	4,176,434	-
Total Operating Expenses	67,055,956	219,079
OPERATING INCOME (LOSS)	(45,659,249)	765,964

See accompanying Notes to Financial Statements.

HARFORD COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)
YEAR ENDED JUNE 30, 2019

	<u>Harford Community College</u>	<u>Component Unit Harford Community College Foundation</u>
NONOPERATING REVENUES (EXPENSES)		
Certain Fringe Benefits Paid Directly by the State of Maryland	\$ 2,651,737	\$ -
Federal Grants and Contracts	6,456,728	-
State Grants and Contracts	13,612,342	-
Harford County Grants and Contracts	17,593,804	-
Contributions from HCC Foundation	625,712	(625,712)
Investment Income	747,407	666,459
Loss on Disposal of Assets	(3,465)	-
Net Nonoperating Revenues	<u>41,684,265</u>	<u>40,747</u>
 INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND ADDITIONS TO ENDOWMENTS	 (3,974,984)	 806,711
 OTHER REVENUES		
State Capital Grants	164,733	-
Harford County Capital Grants	2,092,801	-
Total Other Revenues	<u>2,257,534</u>	<u>-</u>
 INCREASE (DECREASE) IN NET POSITION	 (1,717,450)	 806,711
 Net Position - Beginning of Year, as Restated	 <u>132,073,955</u>	 <u>10,991,155</u>
 NET POSITION - END OF YEAR	 <u><u>\$ 130,356,505</u></u>	 <u><u>\$ 11,797,866</u></u>

See accompanying Notes to Financial Statements.

**HARFORD COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019**

	<u>Harford Community College</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	\$ 14,927,853
Payments to Suppliers	(24,239,566)
Payments to Employees	(33,725,507)
Auxiliary Enterprise Charges	4,259,761
Other Receipts	<u>1,286,877</u>
Net Cash Used by Operating Activities	(37,490,582)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal Student Loan Programs Receipts	4,235,333
Federal Student Loan Programs Disbursements	(4,235,333)
Federal Grants and Appropriations	7,059,396
State Grants and Appropriations	13,995,347
County Grants and Appropriations	17,587,739
Private Grants and Contributions	<u>474,804</u>
Net Cash Provided by Noncapital Financing Activities	39,117,286
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants Received	911,477
Purchase of Capital Assets	(618,690)
Proceeds from the Sale of Capital Assets	<u>6,329</u>
Net Cash Provided by Capital and Related Financing Activities	299,116
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	<u>747,407</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	
	2,673,227
Cash and Cash Equivalents - Beginning of Year, as Restated	<u>33,022,277</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	
	<u>\$ 35,695,504</u>
Cash and Cash Equivalents - Current	\$ 29,876,017
Cash and Cash Equivalents - Capital Projects	<u>5,819,487</u>
Total	<u>\$ 35,695,504</u>

See accompanying Notes to Financial Statements.

**HARFORD COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

	<u>Harford Community College</u>
RECONCILIATION OF OPERATING LOSS	
NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (45,659,249)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	4,874,016
Certain Fringe Benefits Paid Directly to the State of Maryland	2,651,737
Effect of Changes in Operating Assets and Liabilities:	
Accounts Receivable	(840,835)
Inventories	(77,160)
Prepaid Expenses	(53,652)
Due from Foundation	(26,749)
Net OPEB Receivable	(10,733)
Deferred Outflows	(24,097)
Accounts Payable	817,194
Accrued Salaries	325,317
Deposits Held for Students	73,563
Unearned Revenue	14,899
Accrued Compensated Absences	152,735
Other Accrued Liabilities	8,228
Net Pension Liability	354,512
Deferred Inflows	(70,308)
Net Cash Used by Operating Activities	<u>\$ (37,490,582)</u>

See accompanying Notes to Financial Statements.

**HARFORD COMMUNITY COLLEGE
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019**

	<u>OPEB Trust Fund</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 3,723
Other Assets	<u>7</u>
Total Current Assets	<u>3,730</u>
Noncurrent Assets:	
Investments	<u>681,659</u>
Total Noncurrent Assets	<u>681,659</u>
Total Assets	<u><u>\$ 685,389</u></u>
NET POSITION	
Restricted	<u>\$ 685,389</u>
Total Net Position	<u><u>\$ 685,389</u></u>

See accompanying Notes to Financial Statements.

**HARFORD COMMUNITY COLLEGE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2019**

	OPEB Trust Fund
ADDITIONS	
Contributions:	
Employers	\$ 34,920
Investment Income	37,719
Total Contributions	72,639
DEDUCTIONS	
Benefits Paid to Participants or Beneficiaries	34,920
Administrative Expense	4,389
Total Deductions	39,309
INCREASE IN NET POSITION	33,330
Net Position - Beginning of Year	652,059
NET POSITION - END OF YEAR	\$ 685,389

See accompanying Notes to Financial Statements.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Harford Community College (the College) is considered a “body politic” under Maryland state law as an instrumentality of the state of Maryland (the State). The College is governed by a nine-member board of trustees, who are appointed for five-year terms by the Governor of the State.

Funding is received from both the State and Harford County (the County). The State portion is based on a formula established by statute, which includes a portion of funds based upon full-time equivalent students as reported two years earlier.

Although the College is not an agency of the County, as a result of the College’s relationship with the County, the College’s financial statements are considered component unit financial statements and are included in the Comprehensive Annual Financial Report of the County in accordance with accounting principles generally accepted in the United States of America.

The Harford Community College Foundation, Inc. (the Foundation) is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation is governed by a board of directors. Although the College does not control the timing of receipts from the Foundation, all of the resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the Harford Community College Foundation, Inc. is presented in a discrete format.

The Foundation is a private nonprofit organization that follows standards for financial statements for not for profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial information in the College’s financial reporting entity for these differences.

A summary of the College’s and Foundation’s significant accounting policies follows:

Basis of Presentation

The College presents its financial statements in accordance with GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements—and Management’s Discussion Analysis—for Public Colleges and Universities*. The financial statement presentation provides a comprehensive one-line look at the total entity and requires capitalization of assets and recording of depreciation. GASB Statement No. 34 identified three types of special purpose governments (SPG): (1) those engaged only in governmental activities; (2) those engaged only in business-type activities (BTA); and (3) those engaged in both governmental and business-type activities. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Given the importance of tuition, fees and other exchange-type transactions in financing higher education, the College adopted the financial reporting model required by SPG's engaged in business-type activities. The BTA model requires the following in component unit financial statements:

- Management's discussion and analysis
- Statement of net position
- Statement of revenues, expenses and changes in net position
- Statement of cash flows
- Notes to the financial statements

The College's financial statements are prepared using the format of an SPG engaged only in business-type activities, with an economic resources measurement focus, using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when incurred (when there is a legal contractual obligation to pay). The statements are intended to report the public institution as an economic unit that includes all measurable assets and liabilities, financial and capital, of the institution.

The statement of revenues, expenses and changes in net position for SPG's engaged in business-type activities requires an operating/nonoperating format to be used. The College has elected to report its operating expenses by functional classification. The statement of cash flows is presented using the direct method, which depicts cash flows from operating activities and a reconciliation of operating cash flows to operating income/loss.

The College also reports on fiduciary funds, which include the following:

Other Postemployment Benefits Trust Fund – Accounts for the accumulation of assets to be used for healthcare benefit payments to qualified employees.

Colleges engaged in business-type activities and reporting as BTAs follow GASB standards applicable to proprietary (enterprise) funds.

One of the primary purposes of financial reporting is to account for resources received and used, as well as accounted for and reported. In certain situations, both restricted and unrestricted net position may be available to cover an expense incurred. In those few cases, as long as the expense meets all of the requirements of the restricted net position, restricted resources would be applied first.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating and Nonoperating Components

Financial statement operating components include all transactions and other events that are not defined as capital and related financing, noncapital financing or investing activities. The College's principal ongoing operations determine operating flow activities. Ongoing operations in the College include, but are not limited to, providing intellectual, cultural and social services through two-year associate degree programs, continuing education programs and continuous learning programs. Operating revenues of the College primarily consist of tuition and fees, grants and contracts, and auxiliary enterprise revenues.

Financial statement nonoperating components include transactions and other events that are defined as noncapital financing activities, capital and related financing activities, and investing activities. Noncapital financing activities include borrowing money for purposes other than to acquire, construct or improve capital assets and repaying those amounts borrowed, including interest. Also included are certain inter-fund and intergovernmental receipts and payments such as state appropriations and student organization transactions. Capital and related financing activities include (a) acquiring and disposing of capital assets used in providing services or producing goods; (b) borrowing money for acquiring, constructing or improving capital assets and repaying the amounts borrowed, including interest; (c) paying for capital assets obtained from vendors on credit; and (d) obtaining local, state, and federal grants for acquiring, constructing, or improving capital assets. Investing activities include acquiring and disposing of debt or equity instruments.

Cash and Cash Equivalents

Cash and cash equivalents include debt instruments with a maturity at acquisition of three months or less and funds invested in the Maryland Local Government Investment Pool (MLGIP), which provides local governmental units of the State an investment vehicle for the short-term investment of funds. The College considers this investment to be a cash equivalent. Cash held for capital projects is unrestricted as to use; however, the amounts have been set aside to cover expenditures related to capital projects.

Accounts Receivable

The College has accounts receivable related to tuition and fees and other grant and contractual relationships. Tuition receivables are obligations of students resulting from course registrations. Amounts that remain uncollected are considered delinquent and may be referred to a collection agency. The allowance for doubtful accounts for the College was \$221,772 at June 30, 2019.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (Continued)

The College's tuition and fee revenue is reported net of any scholarship allowance. A scholarship allowance is defined as the difference between the stated charges for tuition, goods and services provided by the College, and the amount that is paid by the student and/or third parties making payments on behalf of the student. The scholarship allowance represents the amount of dollars the College receives as tuition from outside resources such as the Title IV Federal Grant Program, restricted grants and the College's own board of trustees grants. Funds received for tuition costs from outside resources are reported in the appropriate revenue classification. Certain aid, such as loans and third-party payments, is credited to the student's account as if the student made the payment. The College netted student aid expense against tuition revenue in the amount of \$6,023,331 for fiscal year 2019.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions received are recorded as without donor restrictions (unrestricted) or with donor restrictions (expendable or nonexpendable) depending on the existence and/or nature of any donor restrictions.

Promises to give to be received in a future period are discounted to their net present value at the time the revenue is recorded. The Foundation's promises to give are discounted at a rate of 3%.

The Foundation uses the specific identification method to determine uncollectible promises to give. As of June 30, 2019, management determined there were no uncollectible promises to give.

Investments

College and Foundation investments are carried at fair value. The College's investments in the MLGIP are reported at cost, which approximates fair value. Fair value is the quoted market price of the investment or the net asset value for mutual funds. The change in unrealized appreciation or depreciation of the Foundation's marketable securities for the year is reflected in the statement of revenues, expenses, and changes in net position. Realized gains and losses on sales of investments are computed on a specific identification basis and are recorded on the settlement date of the transaction. Certain investments are effectively restricted as to use to the extent of permanently and temporarily restricted net assets.

The Foundation invests with the University System of Maryland Foundation (USMF) in a comingled investment fund. These investments are recorded at fair value. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost or market and consist primarily of items held for sale in the College Store and consumable supplies. The cost of these items is recorded as an expense at the time they are relieved from inventory for use. Inventories are determined by actual count and priced on the first-in, first-out basis.

Capital Assets

Capital assets are recorded at cost or fair value at the date of donation in the case of gifts. The College's policy is to include only those capital assets with a purchase price or fair value at donation of at least \$5,000. The entire library collection is recorded and valued at cost or estimated cost. Additions constructed via funds from state or county governmental agencies are stated at cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Depreciation is provided over the estimated economic life of the item on a straight-line basis as follows:

Buildings	30 – 45 Years
Computer Technology	5 Years
Library Books	10 Years
Furniture and Equipment	10 – 20 Years
Land Improvements	7 – 20 Years
Vehicles	7 Years

Encumbrances

The College maintains an encumbrance system for tracking outstanding purchase orders and other commitments for materials or services not received during the year. Encumbrances at year-end represent the estimated amount of expenses ultimately to result if unperformed contracts in process are completed. It primarily consists of encumbrances related to capital project spending and various contracts for services within the general operating fund. Encumbrances outstanding do not constitute expenses or liabilities and are not reflected in these component unit financial statements. Encumbrances at June 30, 2019 were \$5,010,810.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources are presented in separate sections on the Statement of Net Position as required by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Deferred Outflows of Resources are defined as the consumption of net assets applicable to a future reporting period, and have a positive effect on net position, similar to assets. Deferred Inflows of Resources are defined as an acquisition of net assets applicable to a future reporting period, and have a negative effect on net position, similar to liabilities. The implementation of GASB Statement No. 68 resulted in deferred inflows and outflows of resources related to differences between expected and actual experience, changes in pension actuarial assumptions, differences between projected and actual earnings on pension plan investments, changes in the College's proportional share of the net pension liability, and pension contributions made subsequent to the measurement date.

Compensated Absences

It is the College's policy to allow employees to bank unused annual vacation leave up to a maximum of 10 days. Employees are allowed four months subsequent to fiscal year-end to utilize any vacation leave which exceeds this bank amount. Sick leave days carry over is not subject to limitation. Sick leave days are not paid out at termination except in the case of retirement and 10 years of serviceable employment where a maximum of 360 days can be paid out at a per diem rate of \$30.

Unearned Revenue

Tuition and fees are recognized in the academic period that they are earned. Amounts received for future semesters are deferred until earned in the related academic period. Tuition received for the summer semester is recognized equally over two periods as approximately half the semester relates to the current fiscal year and half of the semester occurs during the next fiscal year. The Foundation's deferred revenue represents amounts received for fundraising events held subsequent to fiscal year-end.

Net Position

Net position is classified as follows:

Net Investment in Capital Assets – This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Restricted Net Position – Expendable – Expendable restricted net position includes resources for which the College and Foundation are legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Restricted Net Position – Nonexpendable – Nonexpendable restricted net position includes resources for which the donor has stipulated, as a condition of the gift instrument, that the principal is to be maintained in perpetuity and invested for the purpose of producing present and future income.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

Unrestricted Net Position – Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College.

County Appropriations

County appropriations are provided to the College to fund general operations and certain construction projects.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the College's retirement plans and additions to/deductions from the retirement plans' fiduciary net position have been determined on the same basis as they are reported by the retirement plans. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the College's OPEB Plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the Maryland Association of Counties Pooled OPEB Trust for Harford Community College (the OPEB trust). For this purpose, member contributions are recognized as revenue in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment has been made to provide the contributions. Investments are reported at fair value, except for money market investments which cost approximates fair value.

Income Tax Status

The College is exempt from federal and state income taxes as it is essentially a political subdivision of the State. The Foundation is exempt from taxation pursuant to Internal Revenue Code Section 501(c)(3). The Foundation follows the accounting standard covering uncertain tax positions. The standard had no financial effect on the Foundation.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The College and Foundation account for their financial instruments as well as certain assets and liabilities at fair value. Fair value is defined as the price that would be paid in an orderly transaction, or exit price, between market participants to sell the asset or transfer the liability in the principal or most advantageous market for the asset or liability. Fair value is a market based measurement, not an entity-specific measurement, and should therefore be determined based on the assumptions that market participants would use in pricing the asset or liability.

The Foundation is required by generally accepted accounting principles to categorize its financial instruments based on a three-level fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value of the instrument.

Financial assets and liabilities recorded on the statement of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Foundation has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include among others, quoted prices for similar assets or liabilities in active market or nonactive markets.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Use of Estimates

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

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 CASH AND CASH EQUIVALENTS

State statutes authorize the College to invest in obligations of the United States Government, federal government agency obligations, secured time deposits in Maryland banks, bankers' acceptances, the Maryland Local Government Investment Pool (MLGIP), money market mutual funds, commercial paper and repurchase agreements secured by direct government or agency obligations.

The College is a participant of the MLGIP. The MLGIP was created under Maryland state law and is regulated by the Maryland State Treasurer's Office. It is maintained exclusively to assist eligible participants, as defined in Articles 95 and 22 of the Annotated Code of Maryland. The MLGIP may invest in any instrument in which the State Treasurer may invest. Permissible instruments are established by Section 6-222 of the State Finance and Procurement Article. No direct investment may have a maturity date of more than 13 months after its acquisition. Securities of the MLGIP are valued daily on an amortized cost basis, which approximates market value, and are held to maturity under normal circumstances.

The fair value of the position in the MLGIP is the same as the value of the MLGIP net assets (shares). The MLGIP is a 2a-7 like external investment pool, which issues a publicly-available financial report that includes financial statements and required supplementary information for the MLGIP. This report can be obtained by writing: PNC Institutional Investments, Maryland Local Government Investment Pool, 2 Hopkins Plaza, 4th Floor, and Baltimore, Maryland, 21201.

At June 30, 2019, the carrying amount of the College deposits, including petty cash of \$6,880, was \$7,185,842 and the bank balance was \$7,786,618.

At June 30, 2019, the College had \$28,509,662 invested in MLGIP.

Cash and cash equivalents of the Foundation include money market funds which are available for current operations. Money market funds included therein are stated at fair value, which approximates cost. The Foundation maintains its cash in bank deposits, which at times may be uninsured, and in money market funds which are uninsured. The Foundation has not experienced any losses in such accounts.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the College's deposits may not be recoverable. The College's deposit policy for custodial credit risk is to have uninsured deposits collateralized. Cash and cash equivalents are collateralized by federal agency securities held in the College's name at a rate of 102%.

Interest Rate Risk – Investments

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the College's exposure to fair value losses arising from increasing interest rates, the College's investment policy limits the term of investment maturities. College management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the College from having to sell investments below original cost for that purpose. At June 30, 2019, the MLGIP funds had a weighted average maturity of 31 days.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Credit Risk – Investments

The College invests in the MLGIP which is under the administration of the State Treasurer. The MLGIP is rated AAAM by Standard & Poor's. The MLGIP seeks to maintain a constant value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.

Custodial Credit Risk – Investments

The College does not have a formal investment policy for custodial credit risk. For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the College will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2019, the College's investments in the MLGIP are not subjected to custodial credit risk.

Foreign Currency Risk – Investments

The College's investment policy does not allow for investments denominated in foreign currencies and had no such investments at June 30, 2019.

NOTE 3 HARFORD COMMUNITY COLLEGE FOUNDATION, INC. – INVESTMENTS

Investments of the Foundation are presented in the financial statements at fair value and consist of the following as of June 30, 2019:

	Fair Value	Cost
Investments	\$ 11,076,914	\$ 10,235,652

Investment income consists of interest and dividends of \$78,213 net of fees and net realized and unrealized gains of \$580,291 for the year ended June 30, 2019.

NOTE 4 HARFORD COMMUNITY COLLEGE FOUNDATION, INC. – PROMISES TO GIVE

Promises to give consist of the following at June 30, 2019:

Promises to Give	\$ 478,393
Discount	(55,583)
Total	\$ 422,810

Amounts Due in:	
Less than One Year	\$ 75,060
One to Five Years	243,333
More than Five Years	160,000
Total	\$ 478,393

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 RECEIVABLES AND PAYABLES

Receivables and payables of the College consist of the following at June 30, 2019:

Accounts Receivable:	
Federal Government	\$ 757,004
State of Maryland	55,644
Harford County	1,495,356
Student Receivables and Other	6,994,689
Total	<u>\$ 9,302,693</u>

NOTE 6 CAPITAL ASSETS AND RELATED ACCUMULATED DEPRECIATION

The following is a summary of capital asset activity of the college for the year ended June 30, 2019:

	June 30, 2018 as originally stated	Effects of Restatement	Additions	Retirements	Balance June 30, 2019
Capital Assets Not Being Depreciated:					
Land	\$ 3,741,759	\$ -	\$ -	\$ -	\$ 3,741,759
Total Capital Assets Not Being Depreciated	3,741,759	-	-	-	3,741,759
Capital Assets Being Depreciated:					
Land Improvements	17,933,838	(417,450)	316,947	(48,066)	17,785,269
Buildings	123,088,441	(2,988,228)	-	(5,829)	120,094,384
Furniture and Equipment	6,331,871	-	23,152	(23,992)	6,331,031
Computer Technology	4,252,025	-	150,963	(23,851)	4,379,138
Vehicles	877,615	-	25,196	(25,283)	877,528
Library Books	1,523,660	-	102,432	(137,255)	1,488,837
Total Capital Assets Being Depreciated	154,007,450	(3,405,678)	618,690	(264,276)	150,956,186
Less: Accumulated Depreciation:					
Land Improvements	6,001,084	(297,843)	589,606	(44,632)	6,248,215
Buildings	37,789,419	(1,375,203)	3,411,529	(1,604)	39,824,141
Furniture and Equipment	4,288,792	-	426,741	(23,992)	4,691,541
Computer Technology	3,427,871	-	257,587	(23,522)	3,661,936
Vehicles	567,314	-	87,432	(23,477)	631,269
Library Books	987,482	-	101,120	(137,255)	951,347
Total Accumulated Depreciation	53,061,962	(1,673,046)	4,874,015	(254,482)	56,008,449
Total Capital Assets, Net	<u>\$ 104,687,247</u>	<u>\$ (1,732,632)</u>	<u>\$ (4,255,325)</u>	<u>\$ (9,794)</u>	<u>\$ 98,689,496</u>

NOTE 7 COMPENSATED ABSENCES

Compensated absences activity for the year ended June 30, 2019 is as follows:

	Balance June 30, 2018	Change	Balance June 30, 2019	Balance Due Within Year
Compensated Absences	<u>\$ 1,148,601</u>	<u>\$ 73,563</u>	<u>\$ 1,222,164</u>	<u>\$ 183,049</u>

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 OPERATING LEASES

The College has entered into lease agreements for office equipment and office space that are accounted for as operating leases. Minimum future lease payments under these agreements as of June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 312,624
2021	165,353

Total rent expense for the year ended June 30, 2019 was \$417,410.

NOTE 9 RETIREMENT PLANS

The employees of the College are covered by one of the following defined benefit pension plans affiliated with the State Retirement and Pension System of Maryland (the System), a public employee retirement system administered by the State Retirement Agency:

- The Teachers' Retirement System of the State of Maryland
- The Pension System for Teachers of the State of Maryland
- The Employees' Retirement System of the State of Maryland
- The Pension System for Employees of the State of Maryland

During the 1979 legislative session, the Maryland General Assembly created, effective January 1, 1980, The Pension System for Teachers of the State of Maryland and The Pension System for Employees of the State of Maryland. Prior to this date, all teachers and related positions were required to be members of The Teachers' Retirement System of the State of Maryland, and noncertified positions were members of The Employees' Retirement System of the State of Maryland. All College employees who were members of the "Retirement System" at January 1, 1980 could remain in that System, or elect to join the "Pension System". All teachers hired within the state after December 31, 1979 must join the "Pension System for Teachers". All noncertified employees hired within the state after December 31, 1979 must join the "Pension System for Employees". The "Employees' Retirement System" cover those employees not covered by the teachers' plans. The state of Maryland is able to modify these plans. The plans are classified as cost-sharing, multiple-employer defined benefit plans.

Benefits Provided

These pension plans provide pension benefits and death and disability benefits. A member may retire after 25 years of service from the Retirement System, and as early as age 55 and 15 years of service from the Pension System. Members enrolled prior to July 1, 2011 are vested after accumulating at least 5 years of eligibility service. Members enrolled on or after July 1, 2011 are vested after accumulating at least 10 years of eligibility service.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9 RETIREMENT PLANS (CONTINUED)

Funding Policy

Both the "Retirement System" and the "Pension System" for teachers and noncertificated employees are jointly contributory. Under the "Retirement System" employees contribute 5% – 7% of their total gross salary and under the "Pension System" employees contribute 7% of their gross salary. Effective January 1, 1980, in accordance with the law governing the Systems, all benefits of the Systems are funded in advance. Annually appropriated employer contribution rates for retirement benefits are determined using the entry age normal cost method. The method produces an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year), and (2) the amount for amortization of the unfunded actuarial accrued liability.

Contributions

College contributions totaling \$128,408 and contributions by the state of Maryland to the Maryland Retirement Pension Plan on behalf of the College totaling \$2,115,572, or 15.43% of covered payroll for fiscal year 2019, were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 2018. Additional contributions were made by the state of Maryland to the Optional Retirement System on behalf of the College totaling \$536,165, or 7.25% of covered payroll for fiscal year 2019. Total annual pension costs contributed by the state of Maryland were \$2,651,737 for fiscal year 2019. The contributions made by the state of Maryland on behalf of the College were recognized as both revenue and expenses as required by GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*.

The College has a responsibility for funding employees' contributions that are members of the Employees' Retirement System of the State of Maryland. Therefore, the College has been instructed to treat this plan as a cost-sharing multi-employer defined benefit pension plan.

Pension Costs

At June 30, 2019, the College reported a liability of \$1,263,155 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's contributions to the System in relation to total system contributions including direct aid from the state of Maryland. At June 30, 2019, the College's proportionate share was .0060%.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9 RETIREMENT PLANS (CONTINUED)

Pension Costs (Continued)

The pension liability amount reflected a reduction due to direct aid provided to the System. The amount recognized by the College as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the College were as follows:

<u>Description</u>	<u>Amount</u>
College's Proportionate Share of the Net Pension Liability	\$ 1,263,155
State's Proportionate Share of the Net Pension Liability Associated with the College	21,502,879

For the year ended June 30, 2019, the College recognized pension expense of \$186,738. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 34,208	\$ -
Differences Between Expected and Actual Experience	-	93,544
Change in Proportion	193,430	66,569
Net Difference Between Projected and Actual Investment Earnings	45,399	-
Changes in Proportionate Share of Contributions	6,397	46
College Contributions Subsequent to the Measurement Date	128,408	-
Total	<u>\$ 407,842</u>	<u>\$ 160,159</u>

\$128,408 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2020	\$ 72,711
2021	43,305
2022	(16,636)
2023	389
2024	19,506
Total	<u>\$ 119,275</u>

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9 RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry age normal
- Amortization method – Level percent closed
- Inflation – 2.60% general, 3.10% wage
- Salary increases – 3.10% to 9.10%, including inflation
- Investment rate of return – 7.45%
- Mortality – RP-2014 Mortality Table

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. Best estimates of geometric real rates of return were adopted by the System after considering input from the System’s investment consultant and actuary. For each major asset class that is included in the System’s target asset allocation, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37.0 %	5.8 %
Private Equity	13.0	6.7
Rate Sensitive	19.0	1.1
Credit/Debt Related Strategies	9.0	3.6
Real Assets	14.0	4.8
Absolute Return	8.0	3.2
Total	100.0 %	

Discount Rate

The discount rate used to measure the total pension liability was 7.45%. This single discount rate was based on the expected rate of return on pension plan investments of 7.45%. 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 rates equal to the difference between actuarially determined contribution rates and the member rate. 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.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9 RETIREMENT PLANS (CONTINUED)

Pension Liability Sensitivity

The following presents the College's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	6.45%	7.45%	8.45%
College's Proportionate Share of the Net Pension Liability	\$ 1,819,377	\$ 1,263,155	\$ 801,531

Pension Plan Fiduciary Net Position

Detailed information about the System's fiduciary's net position is available in a separately-issued System financial report which may be requested by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202 or by calling 410-625-5555.

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

General Information About the OPEB Plan

Plan Description and Benefits Provided. The College sponsors postemployment medical benefits under a single employer defined benefit plan. Any full-time employee of Harford Community College is eligible to participate in the plan. The College allows access to the plan if the retiree: (a) retires or becomes disabled with an immediate benefit from the State Retirement and Pension System of Maryland or (b) meets the minimum age eligibility requirement to begin distribution from the Maryland Optional Retirement Plan (ORP) and (c) has been actively participating within the College sponsored health plan for at least the most recent 10 full consecutive years and (d) has at least 10 years of employment service. Disabled participants must reach retirement eligibility. Dependents and surviving spouses of participants are allowed access to the plan but must also pay the full premium. The Plan does not issue a stand-alone financial report.

A closed group of retirees receives an annual subsidy of \$4,800 or less as part of a retirement window benefit program. The window benefit ceases at 65 for some participants and continues for life for other participants. As of June 30, 2019, there were six eligible and participating retirees receiving an annual subsidy.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

General Information About the OPEB Plan (Continued)

Except for the closed group mentioned above, continuation in the College's group program following retirement is at the retiree's own expense. There is no explicit subsidy. This is an implicit subsidy plan only.

Retirement Eligibility: Under the State of Maryland Employees' Pension System (EPS), members hired on or after July 1, 2011 are in the Reformed Contributory Pension System. The earliest retirement eligibility under the Reformed Contributory Pension System is the earliest of

- Rule of 90 (age plus service is at least 90),
- Age 65 with 10 years of service, or
- Age 60 with 15 years of service.

For members of EPS hired before July 1, 2011, the earliest retirement eligibility is the earliest of:

- Age 55 with 15 years of service,
- Age 62 with 5 years of service,
- Age 63 with 4 years of service,
- Age 64 with 3 years of service
- Age 65 with 2 years of service, or
- 30 years of service (regardless of age).

There have been no changes in plan provisions (eligibility or cost-sharing) since the prior valuation.

Employees Covered by Benefit Terms. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently	
Receiving Benefit Payments	6
Inactive Plan Members Entitled to but not yet	30
Receiving Benefit Payments	-
Active Plan Members	291
Total Participants	327

Contributions and Funding Policy. The College has historically funded plan benefits on a pay-as-you-go basis. The College over-funded its total liability by \$10,733 at June 30, 2019 in a qualified Trust. The College has not adopted a funding policy for this Plan and will make future contributions if sufficient excess resources are available.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Net OPEB Liability

The College's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018 and rolled forward to June 30, 2019.

Actuarial assumptions. The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary Increases	2.50%
Investment Rate of Return	7.0%, net of OPEB plan investment expense, including inflation
Healthcare Cost Trend Rates	6.5% initially, grading down to 4.50% ultimate

Mortality Rates

Preretirement:	RP-2014 White Collar Employee table for males and females, with generational mortality projected using scale MP-2017
Postretirement:	RP-2014 White Collar Healthy Annuitant table for males and females, with generational mortality projected using scale MP-2017
Postdisablement:	RP-2014 Disabled Retiree table for males and females.

There have been no changes in assumptions during fiscal year 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each 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. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return. Best estimates of real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2019, and the final investment return assumption, are summarized in the following table:

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Net OPEB Liability (Continued)

<u>Asset Class</u>	<u>Portfolio Weight</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	58.00 %	5.75 %
Fixed Income	35.00	2.25
Real Estate	7.00	4.20
Cash and Equivalents	-	0.60
Total Weighted Average Real Return	<u>100.00 %</u>	

Discount rate. The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that College's contributions will be made equal to the actuarially determined contribution each year. Based on those assumptions, the OPEB 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 OPEB Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB (Asset) Liability (a)-(b)</u>
Balance - June 30, 2018	\$ 652,000	\$ 652,000	\$ -
Changes for the Year:			
Service Cost	12,278	-	12,278
Interest	45,298	-	45,298
Differences Between Expected and Actual Experience	-	-	-
Assumption Changes	-	-	-
Contributions—Employer	-	34,920	(34,920)
Contributions—Employee	-	-	-
Net Investment Income	-	37,719	(37,719)
Benefit Payments	(34,920)	(34,920)	-
Administrative Expense	-	(4,330)	4,330
Net Changes	<u>22,656</u>	<u>33,389</u>	<u>(10,733)</u>
Balance - June 30, 2019	<u>\$ 674,656</u>	<u>\$ 685,389</u>	<u>\$ (10,733)</u>

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the College, as well as what the College's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.0%) than the current discount rate:

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

June 30, 2019	<u>1% Decrease</u> 6.00%	<u>Current Discount Rate</u> 7.00%	<u>1% Increase</u> 8.00%
Total OPEB Liability	\$ 725,617	\$ 674,656	\$ 628,266
Plan Fiduciary Net Position	685,389	685,389	685,389
Net OPEB (Asset) Liability	<u>\$ 40,228</u>	<u>\$ (10,733)</u>	<u>\$ (57,123)</u>

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the College, calculated using healthcare trend rates ranging from 6.50% to an ultimate rate of 4.50%, as well as what the College's net OPEB liability would be if it were calculated using trend rates that are 1.0% lower or 1.00% higher than the current rates.

June 30, 2019	<u>1% Decrease</u> 3.50%	<u>Current Ultimate Trend Rate</u> 4.50%	<u>1% Increase</u> 5.50%
Total OPEB Liability	\$ 609,246	\$ 674,656	\$ 750,352
Plan Fiduciary Net Position	685,389	685,389	685,389
Net OPEB (Asset) Liability	<u>\$ (76,143)</u>	<u>\$ (10,733)</u>	<u>\$ 64,963</u>

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Maryland Association of Counties Pooled OPEB Trust financial report available at www.mdcounties.org/250/OPEB-Trust.

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

For the year ended June 30, 2019, the College recognized OPEB expense of \$(10,733). At June 30, 2019, the College reported \$0 for deferred outflows of resources and deferred inflows of resources related to OPEB.

NOTE 11 RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident; and natural disasters. The College purchases commercial insurance to protect its interest in its property and equipment, insurance against employee dishonesty and liability protection. The College is a member of the Harford County Health Care Consortium. Health benefits are administered through CareFirst Blue Cross Blue Shield. The Consortium was formed for the purpose of pooling resources to purchase health insurance thereby reducing administrative expenses and expanding the provider network. At June 30, 2019, the College had estimated amounts on deposit with the trustee of the Consortium totaling \$584,696. To the extent that claims and administration costs exceed premiums paid, the College is responsible for the excess but not more than 7% of premiums paid. Any claims in excess of 107% of premiums are covered by additional insurance. Included within amounts on deposit with the trustee of the Consortium is a reserve for the self-insured portion of \$346,714.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 RISK MANAGEMENT (CONTINUED)

A reconciliation of the activity of the deposit is set forth as follows:

Fiscal Year Ended June 30,	Beginning Balance (Net)	Premium	Incurred/ Estimated Expenses	Interest/ Other Income	Withdrawals	Changes in Liability for 7% of Premiums Paid	Ending Balance (Net)
2019	\$ 1,028,817	\$ 4,953,058	\$ 5,408,651	\$ 19,781	-	\$ 8,309	\$ 584,696
2018	1,646,186	4,834,363	5,030,015	-	415,000	6,717	1,028,817
2017	964,843	4,738,398	4,056,493	6,866	-	7,428	1,646,186

NOTE 12 RELATED-PARTY TRANSACTIONS

During the year ended June 30, 2019, the Foundation distributed \$625,712 to the College for both restricted and unrestricted purposes. The Foundation paid the College \$44,208 for management fees for the fiscal year 2019. In addition, the College paid, on behalf of the Foundation, a percentage of various overhead-related expenditures totaling approximately \$44,631 for the year ended June 30, 2019.

Complete financial statements for the Foundation can be obtained at 401 Thomas Run Road, Bel Air, Maryland, 21015.

NOTE 13 HARFORD COMMUNITY COLLEGE – RESTRICTED NET POSITION

Restricted (expendable) net position is restricted for the following purposes as of June 30, 2019:

Loans	<u><u>\$ 69,523</u></u>
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NOTE 14 HARFORD COMMUNITY COLLEGE FOUNDATION, INC. – LIQUIDITY

The Foundation receives contributions with donor restrictions to be used in accordance with designated purposes. The Foundation also receives contributions without donor restrictions which can be used for any purposes consistent with the mission of the Foundation. The Foundation Board can designate these funds for specific uses such as scholarships, specific program support and as Board Designated Endowments.

The Foundation considers gifts without donor restriction and income on nonendowed restricted funds to be available to meet cash needs for general expenditures. General expenditures that are expected to be paid in the subsequent year include general and administrative expenses, asset development expenses, some program service expenses, but excludes grants and scholarship expenses funded by restricted funds. Annual operations are defined as activities occurring during the Foundation’s fiscal year.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 14 HARFORD COMMUNITY COLLEGE FOUNDATION, INC. – LIQUIDITY (CONTINUED)

The Foundation manages its cash available to meet general expenditures by following three guiding principles:

1. Operating with a prudent range of financial soundness and stability.
2. Maintaining adequate liquid assets to fund these expenditures for the subsequent year: and
3. Managing and investing assets in a manner that provides reasonable assurance that long-term commitments and obligations that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The following represents the Foundation's financial assets at June 30, 2019, reduced by amounts not available for general use within one year of the balance sheet date because of donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for long-term investing in the operating and other reserves that could be drawn upon if the governing board approves that action.

Financial Assets at Year-End	\$	11,924,451
Less Those Unavailable for General Expenditures		
Within One Year, Due to:		
Net Assets with Donor Restrictions		(10,937,888)
Restricted Cash Due to Harford Community College		(122,185)
Board Designations:		
Funds Designated for Scholarships and Specific Program Support		(37,319)
Quasi-Endowment Funds, Primarily for Long-Term Investing		<u>(96,728)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$</u>	<u>730,331</u>

Net assets with donor restrictions are restricted for the following purposes at June 30, 2019:

Purpose Restrictions		
Equipment and Programs	\$	868,691
Scholarships		1,719,215
Spending Policy		
Investment in Perpetuity, the Income from Which is Expendable to Support:		
Scholarships		4,240,313
General Purpose		310,000
Specific Programs		3,150
Earnings on Endowed Funds, Subject to Spending Policy to Support:		
Scholarships		3,607,859
General Purpose		<u>188,660</u>
	<u>\$</u>	<u>10,937,888</u>

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 15 HARFORD COMMUNITY COLLEGE FOUNDATION, INC. – ENDOWMENT

The Foundation’s endowment consists of approximately 50 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and are reported based on the existence or absence of donor-imposed restrictions.

The Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA), enacted April 14, 2009, establishes a standard of conduct for managing and investing institutional funds. Foundation policies require the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the MUPMIFA.

In accordance with the MUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (I) The duration and preservation of the endowment fund
- (II) The purposes of the Foundation and the endowment fund
- (III) General economic conditions
- (IV) The possible effect of inflation or deflation
- (V) The expected total return from income and the appreciation of investments
- (VI) Other resources of the Foundation
- (VII) The investment policy of the Foundation

Endowment funds as of June 30, 2019 are composed as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 8,349,982	\$ 8,349,982
Board-Designated Endowment Funds	96,728	-	96,728
Total	<u>\$ 96,728</u>	<u>\$ 8,349,982</u>	<u>\$ 8,446,710</u>

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 15 HARFORD COMMUNITY COLLEGE FOUNDATION, INC. – ENDOWMENT (CONTINUED)

Changes in endowment funds for the year ended June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 92,890	\$ 7,667,523	\$ 7,760,413
Contributions	-	288,242	288,242
Investment Income:			
Income on Long-Term Investments, Net	672	59,235	59,907
Net Realized and Unrealized Losses on Long-Term Investments	5,106	439,160	444,266
Reclassification of Net Assets		61,719	61,719
Appropriation of Endowment Assets for Expenditure	(1,940)	(165,897)	(167,837)
Endowment Net Assets - End of Year	<u>\$ 96,728</u>	<u>\$ 8,349,982</u>	<u>\$ 8,446,710</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the MUPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no funds with deficiencies as of June 30, 2019.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to scholarships and programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Beginning in February 2017 the Foundation has adopted investment policies employed by USMF for the Foundation's Endowment which are consistent with the Foundation's investment policy objectives. USMF governs according to fundamental investment principles approved by its Investment Committee and board of directors, with the objective of achieving superior risk adjusted returns in order to grow the corpus of the capital base and provide capital for spending distributions. Specifically, the goal of the Endowment is to achieve returns in excess of inflation plus spending plus fees. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, USMF employs a diversified asset allocation that allows for investment in public risk assets (liquid investments), private risk assets (illiquid portion of the portfolio), and safe assets (cash and U.S. Government securities). In addition, on an as needed basis to further protect capital, assets may be allocated to the portfolio overly class (liquid, exchange traded instruments that aim to hedge against undesired risks).

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 15 HARFORD COMMUNITY COLLEGE FOUNDATION, INC. – ENDOWMENT (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

Except for funds with an explicit donor defined distribution requirement, the Foundation has a policy of appropriating for distribution each year 3% of its endowment fund's average fair value over the most recent 16 fiscal quarters calculated at December 31 of the year preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment to grow at an average of 3% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 16 HARFORD COMMUNITY COLLEGE FOUNDATION, INC. – FAIR VALUE MEASUREMENTS

The Foundation accounts for its financial instruments as well as certain assets and liabilities at fair value. Fair value is defined as the price that would be paid in an orderly transaction, or exit price, between market participants to sell the asset or transfer the liability in the principal or most advantageous market for the asset or liability. Fair value is a market based measurement, not an entity-specific measurement, and should therefore be determined based on the assumptions that market participants would use in pricing the asset or liability.

The Foundation is required by generally accepted accounting principles to categorize its financial instruments based on a three-level fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value of the instrument.

Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Foundation has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include among others, quoted prices for similar assets or liabilities in active market or nonactive market.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 16 HARFORD COMMUNITY COLLEGE FOUNDATION, INC. – FAIR VALUE MEASUREMENTS (CONTINUED)

The Foundation's Investment in USMF

The Foundation's USMF investment is held in a commingled investment fund. The Foundation owns an undivided interest in the whole of USMF and does not have the ability to dispose of individual assets and liabilities at USMF, and there are no restrictions on redemptions such as lockup or gate provisions. Therefore, the Foundation reports the fair value of its investment in USMF using the net asset value as reported by USMF. In calculating the net asset value there are a significant amount of USMF's investments that have Level 3 inputs, and as such, the Foundation's investment in USMF is considered a Level 3 investment.

University System of Maryland Foundation

The following describes the investment valuation methodologies used by USMF to arrive at their net asset value which is used to value the Foundation's investment in USMF. Some of USMF's investments may be illiquid and USMF may not be able to vary the portfolio in response to changes in economic and other conditions. Some of the investments that are purchased and sold are traded in private, unregistered transactions and are therefore subject to restrictions on resale or otherwise have no established trading market. In addition, if USMF is required to liquidate all or a portion of its portfolio quickly, the Foundation may realize significantly less than the value at which it previously recorded those investments.

Money market funds and short-term investments include amounts invested in accounts with depository institutions which are readily convertible to known amounts of cash. USMF invests in these assets to maintain liquidity for spending needs and unfunded commitment liability. Total deposits maintained at these institutions at times exceed the amount insured by federal agencies and therefore bear a risk of loss. USMF has not experienced such losses on these funds.

For investments in U.S. treasury notes and bonds, corporate and foreign bonds, and collateralized mortgage obligations and mortgage-backed securities, fair value is based upon quotes for similar securities.

The value, liquidity, and related income of the investments are sensitive to changes in economic conditions, including real estate value, delinquencies and/or defaults, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates and credit downgrades. USMF invests in these assets to protect in the event of sudden interest rate changes as well as to maintain liquidity for spending needs and unfunded commitment liability.

In general, equity securities traded on national securities exchanges are valued at the last quoted sales price, except securities traded on the NASDAQ Stock Market, Inc. (NASDAQ), which are valued in accordance with the NASDAQ Official Closing price. Over the counter securities are valued at the mean between the latest bid and asked prices as furnished by dealers who make markets in such securities. USMF invests in equities to gain exposure to the overall direction of global equity markets.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

**NOTE 16 HARFORD COMMUNITY COLLEGE FOUNDATION, INC. – FAIR VALUE
MEASUREMENTS (CONTINUED)**

University System of Maryland Foundation (Continued)

Absolute return assets consist of investments that involve the purchase and sale of shares in companies that are the subject of publicly announced transactions, including corporate combinations (for cash or exchange of shares), tender offers, restructurings, liquidations, bankruptcies, capitalizations and deals in distressed securities, which are discounted securities of a company in financial distress or bankruptcy. The fair value of these investments is estimated using the net asset value per share of the investments. The majority of these investments can be redeemed within one year. The remainder of these investments has liquidity provisions that extend past one year, notice period for redemption of investments range from one month to six months. There are no outstanding unfunded commitments to this asset category.

Long/short strategies take long and short positions in publicly traded equity securities in an effort to achieve attractive returns with moderate risk. Also included in these categories are off-shore investment vehicles. The investment managers, as noted in the audited financial statements, value the assets held in the fund at all hierarchy levels. However, USMF's subscription agreement locks up its investment for a period of time and does not allow for sale to another. Also, early withdrawal carries a penalty. The fair value of these investments has been estimated using the net asset value per share of the investments. The majority of these investments can be redeemed within one year. The remainder of these investments has liquidity provisions that extend past one year. Notice period for redemption ranges from one month to six months. There are no outstanding commitments to this asset category.

Private capital consists of private equity and venture capital investments. Private equity investments represent purchases of all or a portion of the equity interest in a company and the arrangement allows the purchasing group to take control. Venture capital investments are made in nonmarketable securities of new companies or companies considered to be in the early stages of growth.

Real estate and energy and natural resources investments include investments in partnerships where the underlying investment is real estate or related to the energy sector. Investments in private equity investment companies and funds are presented at fair value as approved by USMF's management, based in part, on information and valuations provided by the general partner of the partnerships or investment manager.

The general partner or manager generally values the investments at fair value. Securities with no readily available market are initially valued at cost, with subsequent adjustment to values which reflect either the basis of meaningful third-party transactions in the private market or the fair value deemed appropriate by USMF's management. In such instances, consideration is also given to the financial condition and operating results of the issuer, the amount that the investment company/fund can reasonably expect to realize upon the sale of the securities, and any other factors deemed relevant.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 16 HARFORD COMMUNITY COLLEGE FOUNDATION, INC. – FAIR VALUE MEASUREMENTS (CONTINUED)

University System of Maryland Foundation (Continued)

Such value represents USMF’s proportionate share of the capital in the investment company/fund. Accordingly, the value of the investment is generally increased by additional contributions and the share of net earnings from the investments, and decreased by distributions from the partnerships and the partner’s share of net losses. These investments have been labeled as Level 3 based on their lock up periods and the transparency of their assets. Redemption of these investments is left to the discretion of the general partner/manager of the funds. Distributions from each fund will be received as the underlying investments are liquidated. As of June 30, 2019, unfunded commitments within the private capital category and the real estate and energy and natural resources category equal approximately 32.4% and 48.4% of the assets in those categories, respectively.

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

The tables below present the balances of assets measured at fair value on a recurring basis within the hierarchy at June 30.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
USMF	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,076,914</u>	<u>\$ 11,076,914</u>

The following is a reconciliation of the beginning and ending balances of assets and liabilities measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the year ended June 30, 2019:

Balance - July 1	\$ 9,998,876
Dividends (Net of Fees)	78,213
Realized Gains	354,075
Unrealized Gains	226,216
Net Purchased and Sales	419,534
Total	<u>\$ 11,076,914</u>

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 17 COMMITMENTS AND CONTINGENCIES

The College has outstanding commitments for ongoing capital projects and deferred maintenance of \$4,381,554 as of June 30, 2019.

The College is party to certain claims and litigation arising in the ordinary course of business. In the opinion of management, the resolution of such claims and litigation will not materially affect the College's net position.

In July 2012, the College entered into a 20-year solar power purchase agreement with Tecta Solar Harford, LLC (Tecta). Tecta will furnish, install, maintain, and own four roof mounted solar electric generating facilities at the College. The College has agreed to purchase all of the electricity produced by these solar facilities according to the terms as set forth in the agreement with Tecta. In the event of default by the College, Tecta is entitled to terminate the agreement and recover a prescribed termination payment for the applicable billing year. The termination payment that would be required in Year 5 would be \$1,511,507.

NOTE 18 RESTATEMENTS

During fiscal year ended June 30, 2019, the College adopted GASB Statement No. 84, *Fiduciary Activities*, which required presentation of its OPEB Trust Fund in the financial statements of the College. Additionally as a result of the implementation of GASB Statement No. 84, the College reported a restatement to recognize amounts previously considered Agency Funds that now require recognition within the primary government. The restatements resulted in an increase in cash of \$870,909, increase in other assets of \$3,173 and increase in net position of \$874,082.

In addition, to conform with accounting principles generally accepted in the United States of America, the College restated net position as of July 1, 2018 for a correction of the accounting for HEAT Center assets in previously issued financial statements. The change resulted in a decrease in capital assets of \$3,405,678, a decrease in accumulated depreciation of \$1,732,046 and a decrease in net position of \$1,732,632. In addition the College recognized revenue previously recorded as unearned for amounts related to the HEAT Center. This resulted in a decrease in unearned revenue of \$515,074 and an increase in net position of \$515,074. The impact on the change in net position for the prior year ended June 30, 2018 is an increase in the change in net position of \$80,320 for depreciation expense that should not have been incurred. There is no impact on the change in net position for the prior year ended June 30, 2018 related to recognition of unearned revenues due to recognition that should have occurred prior to July 1, 2017.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 18 RESTATEMENTS (CONTINUED)

The effect of restatements as of July 1, 2018 are as follows:

	Balances as Previously Stated as of July 1, 2018	Effect of Implementation of GASB 84	Effect of Correction of Error	Balances are Restated as of July 1, 2018
Cash	\$ 32,151,368	\$ 870,909	\$ -	\$ 33,022,277
Other Assets	430,597	3,173	-	433,770
Capital Assets Being Depreciated	154,007,450	-	(3,405,678)	150,601,772
Accumulated Depreciation	(53,061,962)	-	1,673,046	(51,388,916)
Unearned Revenue	8,141,083	-	(515,074)	7,626,009
Total Net Position	132,417,431	874,082	(1,217,558)	132,073,955

NOTE 19 RECENT GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS

The following GASB pronouncements expected to have an impact on the College have been issued but not yet implemented by the College:

In June 2017, GASB issued Statement No. 87, *Leases*. The primary objective of this Statement is to require recognition of certain lease assets and liabilities for leases that were previously classified as operating leases, and establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is in effect for fiscal years beginning after December 15, 2019.

The College has not yet completed the process of evaluating the impact of GASB Statements No. 87 on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

HARFORD COMMUNITY COLLEGE
SCHEDULE OF CHANGES IN THE COLLEGE'S NET OPEB LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2019
(UNAUDITED)

Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total OPEB Liability										
Service Cost	\$ 12,278	\$ 11,920								
Interest Cost	45,298	44,119								
Changes of Benefit Terms	-	-								
Differences Between Expected and Actual Experiences	-	-								
Changes of Assumptions	-	-								
Benefit Payments	(34,920)	(53,992)								
Net Change in Total OPEB Liability	22,656	2,047								
Total OPEB Liability - Beginning of Year	652,000	649,953								
Total OPEB Liability - End of Year	<u>\$ 674,656</u>	<u>\$ 652,000</u>								
Plan Fiduciary Net Position										
Contributions - Employer	\$ 34,920	\$ 705,992								
Contributions - Member	-	-								
Net Investment Income	37,719	-								
Benefit Payments	(34,920)	(53,992)								
Administrative Expense	(4,389)	-								
Other	59	-								
Net Change in Plan Fiduciary Net Position	33,389	652,000								
Plan Fiduciary Net Position - Beginning of Year	652,000	-								
Plan Fiduciary Net Position - End of Year	<u>\$ 685,389</u>	<u>\$ 652,000</u>								
Net OPEB Liability	<u>\$ (10,733)</u>	<u>\$ -</u>								
Net Position as a Percentage of OPEB Liability	101.59 %	100.00 %								
Covered-Employee Payroll	\$ 21,594,244	\$ 20,794,115								
Net OPEB Liability as a Percentage of Payroll	(0.05)%	- %								

Notes to Schedule

Benefit Changes - None

Changes in Assumptions - None

**HARFORD COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S OPEB CONTRIBUTIONS
YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially Determined Contribution Contributions in Relation to the Actuarially Determined Contribution	\$ 12,278	\$ 71,412	\$ 95,000	\$ 95,000	\$ 98,000	\$ 97,000	\$ 94,000	\$ 92,000	\$ 67,000	\$ 67,000
Contribution Deficiency (Excess)	\$ 34,920	\$ 705,992	\$ 74,955	\$ 74,955	\$ 70,952	\$ 71,974	\$ 81,028	\$ 86,000	\$ 36,013	\$ 35,987
	\$ (22,642)	\$ (634,580)	\$ 20,045	\$ 20,045	\$ 27,048	\$ 25,026	\$ 12,972	\$ 6,000	\$ 30,987	\$ 31,013
Covered Employee Payroll	\$ 21,594,244	\$ 20,794,115	\$ 20,105,519	\$ 19,565,937	\$ 19,854,064	\$ 18,904,636	\$ 18,521,868	\$ 17,873,621	\$ 17,275,525	\$ 17,253,090
Contributions as a % of Payroll	0.16%	3.40%	0.37%	0.38%	0.36%	0.38%	0.44%	0.48%	0.21%	0.21%

Notes to Schedule:

Valuation Date: Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay, closed
Amortization Period	30 years (20 years remaining)
Asset Valuation Method	Market value
Inflation	2.75%
Healthcare Cost Trend Rates	6.50% initially, grading down to 4.50% ultimately
Salary Increases	2.50%
Investment Rate of Return	7.00%, net of OPEB plan investment expense, including inflation
Retirement Age	Participants are assumed to retire at various likelihoods, depending upon retirement plan eligibilities, ranging from age 50 to age 75.
Mortality	RP 2014 Generational Mortality Table with Scale MP-2017

HARFORD COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Employees' Retirement and Pension System:</u>				
College's Proportionation of the Net Pension Liability	0.0060203%	0.0051352%	0.0056407%	0.0550000%
College's Proportionate Share of the Net Pension Liability	\$ 1,263,155	\$ 1,110,420	\$ 1,330,868	\$ 1,153,385
College's Covered Employee Payroll	\$ 1,334,702	\$ 1,375,456	\$ 1,213,529	\$ 1,271,818
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	94.64%	80.73%	109.67%	90.69%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%	66.71%	62.97%	66.26%
<u>Teacher's Retirement and Pension System:</u>				
College's Proportionation of the Net Pension Liability	0.0%	0.0%	0.0%	0.0%
College's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability of the College	21,502,879	22,563,447	24,662,847	20,566,562
Total	<u>\$ 21,502,879</u>	<u>\$ 22,563,447</u>	<u>\$ 24,662,847</u>	<u>\$ 20,566,562</u>
College's Covered Employee Payroll	\$ 12,924,395	\$ 12,830,684	\$ 12,399,645	\$ 12,235,432
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	0.00%	0.00%	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.35%	71.40%	67.95%	70.76%

**HARFORD COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S PENSION CONTRIBUTIONS
YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

	2019**	2018**	2017**	2016**	2015**	2014**
<u>Employees' Retirement and Pension System</u>						
Contractually Required Contribution	\$ 128,408	\$ 120,048	\$ 104,519	\$ 109,885	\$ 116,977	\$ 112,101
Contributions in Relation to the Contractually Required Contribution	(128,408)	(120,048)	(104,519)	(109,885)	(116,977)	(112,101)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's Covered-Employee Payroll	\$ 1,297,652	\$ 1,334,702	\$ 1,375,456	\$ 1,213,529	\$ 1,271,818	\$ 1,159,093
Contributions as a Percentage of Covered-Employee Payroll	9.90%	8.99%	7.60%	9.05%	9.20%	9.67%
	2019*	2018*	2017*	2016*	2015*	2014*
<u>Teachers' Retirement and Pension System</u>						
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's Covered-Employee Payroll	\$ 14,093,661	\$ 12,924,395	\$ 12,830,684	\$ 12,399,645	\$ 12,235,432	\$ 12,230,229
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

* The College is not contractually required to contribute to the Teachers' Retirement and Pension System.

** Information prior to fiscal year 2014 was not available and the College will accumulate each year until ten years of data becomes available.

**HARFORD COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

State of Maryland Retirement and Pension System

NOTE 1 CHANGES IN BENEFIT TERMS

There were no benefit changes during the year.

NOTE 2 CHANGES IN ASSUMPTIONS

Adjustments to the roll forward liabilities were made to reflect the following assumption change in the 2018 valuation:

- Inflation assumption changed from 2.65% to 2.60%
- Salary increase changed from 3.15%-9.15% to 3.10%-9.10%
- Investment return assumption changed from 7.50% to 7.45%



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

Board of Trustees
Harford Community College
Bel Air, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Harford Community College (the College), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 8, 2019.

The financial statements of The Harford Community College Foundation, Inc., the discretely presented component unit, were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Harford Community College Foundation, Inc.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Baltimore, Maryland
October 8, 2019



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Harford Community College
Bel Air, Maryland

Report on Compliance for Each Major Federal Program

We have audited Harford Community College's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2019. The College's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The College's basic financial statements include the operations of the Harford Community College Foundation, Inc., a discretely presented component unit. Federal awards received by the discretely presented component unit are not included in the College's schedule of expenditures of federal awards during the year ended June 30, 2019. Our audit, described below, did not include the operations of the discretely presented component unit because they did not receive federal awards.

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the College's major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

Our 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. We did not identify any deficiencies in internal control over compliance that we 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 our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
October 8, 2019

**HARFORD COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA* Number	Grant Number	Passed Through to Subrecipients	Grant Expenditures
U.S. DEPARTMENT OF EDUCATION				
Direct Awards:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grant	84.007	07A181752	\$ -	\$ 115,500
Federal Supplemental Educational Opportunity Grant	84.007	07A171752	-	4,928
Federal Work-Study Program	84.033	033A141752	-	6,338
Federal Work-Study Program	84.033	033A181752	-	87,219
Federal Pell Grant Program	84.063	63P162923	-	8,741
Federal Pell Grant Program	84.063	63P182923	-	5,413,660
Federal Direct Loan Program	84.268	P268K191554	-	4,196,228
Federal Direct Loan Program	84.268	P268K161554	-	39,105
Total Student Financial Assistance Cluster			-	9,871,719
First in World	84.116	P116F150201	-	34,210
Administered through the Maryland State Department of Education (MSDE):				
Voc. Ed. Act - Adult Education Title IIA:				
Title 1C Program Improvement	84.048	180594	-	22,657
Title 1C Program Improvement	84.048	190519	-	165,556
Total Voc. Ed. Act - Adult Education Title IIA			-	188,213
Child and Career and Professional Development	93.575	190666	-	68,906
Total Child Care and Development Cluster			-	68,906
Total Federal Programs Administered through the MSDE			-	257,119
Administered through the Maryland State Department of Labor, Licensing, and Regulation (MSDLLR):				
Adult Basic Education	84.002A	P00P9400235	-	147,642
Total Federal Programs Administered through the MSDLLR			-	147,642
Total U.S. Department of Education			-	10,310,690
U.S. SMALL BUSINESS ADMINISTRATION				
Administered through Maryland Small Business Development:				
Small Business Development Centers	59.037	Z9287004	-	144,189
Small Business Development Centers	59.037	Z9287004	-	77,858
Total U.S. Small Business Administration			-	222,047
U.S. DEPARTMENT OF LABOR				
Administered through Susquehanna Workforce:				
Susquehanna Workforce Network Youth Program	17.259	AA-28321-16-55-A-24	-	119,104
Susquehanna Workforce Network Certificate to Career Yr 2	17.259	AA-28321-17-55-A-24	-	920
Total Workforce Innovation and Opportunity Act Cluster			-	120,024
Administered through Montgomery College:				
TAACCCT Grant	17.282	TC-26466-14-60-A-24	-	34,723
Total U.S. Department of Labor			-	154,747
NATIONAL SCIENCE FOUNDATION				
Hire Harford First	47.076	1800959	-	69,102
High Intensity Student Engagement Model	47.076	1643498	-	89,278
Regional Additive Manufacturing Pathways (RAMP)	47.076	1700603	-	38,404
WBHR-L SAMP Grant	47.076	0008749-1000065725	-	6,363
Total National Science Foundation			-	203,147
Total Research & Development Cluster			-	203,147

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**HARFORD COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA* Number	Grant Number	Passed Through to Subrecipients	Grant Expenditures
National Security Agency				
HCC GenCyber Smart Camp	12.903	H98230-19-0237	\$ -	\$ 35
US Department of Justice				
Sexual Assault and Violence	16.525	2018-WA-AX-0021	-	40,019
National Endowment for the Humanities				
Civil Rights Movement in Harford County	45.162	AE-264000-19	-	11,591
Total Federal Awards Expended			<u>\$ -</u>	<u>\$ 10,942,276</u>

*CFDA - Catalog of Federal Domestic Assistance

See accompanying Notes to Schedule of Expenditures of Federal Awards.

HARFORD COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Harford Community College (the College) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the College.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**HARFORD COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? x yes _____ none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

CFDA Number(s)

84.063, 84.007
84.033, 84.268

Name of Federal Program or Cluster

Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

Type A - \$750,000; Type B - \$187,500

Auditee qualified as low-risk auditee?

 x yes _____ no

**HARFORD COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings

2019-001: Prior Period Adjustment

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition/Context: The College incorrectly recorded fixed assets that were determined not to be legally owned property of the College.

Criteria or Specific Requirement: Management is responsible for establishing and maintaining internal controls over financial reporting and for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with U.S. generally accepted accounting principles (GAAP).

Effect: This condition resulted in a restatement of prior year financial statements. The effect of the restatement was a decrease to net position by approximately \$1.2 million.

Cause: The assets were acquired, circa 1993, by a joint project between the College, the State and the County with the College's understanding at the time that the ownership transferred to the College upon completion of this project. During 2018 the College was notified to transfer operations to the County. Upon further research by the County and the College, the building was determined to be legal property of the County.

Repeat Finding: No

Recommendation: We recommend the College review its fixed asset records and identify whether any similar joint projects exist and confirm ownership lies with the College.

Views of Responsible Officials and Planned Corrective Actions: The College will conduct a thorough review of its fixed asset records to ensure that any assets held related to joint projects are legally owned by the College and therefore, properly reflected in the financial statements.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).