

HARFORD COMMUNITY COLLEGE
COMPONENT UNIT FINANCIAL STATEMENTS
AND
SINGLE AUDIT COMPLIANCE REPORTS
YEAR ENDED JUNE 30, 2015

**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 and the discretely presented component unit of Harford Community College (the College), a component unit of Harford County, Maryland, as of and for the year ended June 30, 2015, 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. The financial statements of The Harford Community College Foundation, Inc., the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 and the discretely presented component unit of the College as of June 30, 2015, 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 fiscal year ended June 30, 2015, the College adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. As a result of the implementation of GASB Statements No. 68 and 71, the College reported a restatement for the change in accounting principle (see Note 16). Our auditors’ opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis on pages 4-13 and the Schedule of Funding Progress on page 41 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Budgetary Comparison Schedule – General Operating Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Budgetary Comparison Schedule – General Operating Fund has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2015, 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 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

Plymouth Meeting, Pennsylvania
September 2, 2015

**HARFORD COMMUNITY COLLEGE
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015**

Overview of the Financial Statements and Financial Analysis

The discussion and analysis of Harford Community College's (the College) financial statements provides an overview of the College's financial activities for the year ended June 30, 2015. 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. 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 and total liabilities 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 non-financial 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, 2015, the College's current assets consist primarily of cash and short-term investments while noncurrent assets consist primarily of capital assets, including property, plant, and equipment maintained by the College. All of College's liabilities except compensated absences, net pension liability and other postemployment benefits are considered short-term in nature.

Net position is divided into four major categories:

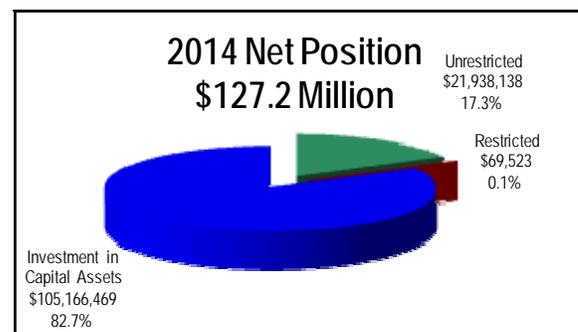
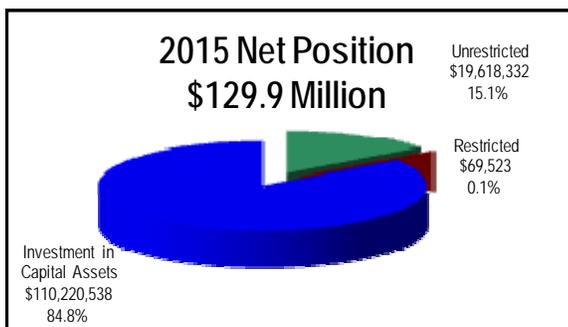
- Unrestricted - available to the College for any lawful purpose.
- Net investment in capital assets - the College's ownership equity in property, plant and equipment, net of related debt.
- Expendable restricted - available to be spent by the College after externally imposed stipulations have been fulfilled or after the passage of time.
- Nonexpendable restricted - result 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 DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015**

CONDENSED STATEMENT OF NET POSITION

	June 30, 2015	% of total	June 30, 2014	% of total
Assets				
Current Assets	\$ 29,002,660	20.0%	\$ 25,908,787	18.8%
Noncurrent Assets:				
Capital Assets	110,220,538	76.1%	106,627,020	77.3%
Other Assets	5,561,526	3.8%	5,399,278	3.9%
Total Noncurrent Assets	<u>115,782,064</u>	<u>80.0%</u>	<u>112,026,298</u>	<u>81.2%</u>
Total Assets	<u>144,784,724</u>	<u>100.0%</u>	<u>137,935,085</u>	<u>100.0%</u>
Deferred Outflows	129,326	100.0%	112,101	100.0%
Liabilities				
Current Liabilities	12,783,222	85.7%	8,707,438	80.1%
Noncurrent Liabilities	2,128,992	14.3%	2,165,618	19.9%
Total Liabilities	<u>14,912,214</u>	<u>100.0%</u>	<u>10,873,056</u>	<u>100.0%</u>
Deferred Inflows	93,443	100.0%	-	-
Net Position				
Net Investment in Capital Assets	110,220,538	84.8%	105,166,469	82.7%
Restricted	69,523	0.1%	69,523	0.1%
Unrestricted	19,618,332	15.1%	21,938,138	17.3%
Total Net Position	<u>\$ 129,908,393</u>	<u>100.0%</u>	<u>\$ 127,174,130</u>	<u>100.0%</u>

Fiscal Year 2015 compared to 2014. Net position increased \$2.7 million from \$127.2 million in fiscal year 2014 to \$129.9 million in 2015. Current assets increased by \$3.1 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 \$3.6 million primarily due to the College moving the payment due date to June 2015 for the upcoming Fall 2015 semester. Accounts receivable decreased \$0.5 million which was driven by a large reduction in receivables due from the state for capital projects. This decrease in capital receivables was partially offset by a significant increase in student receivables due to the change in payment due dates between fiscal years. The \$0.3 million increase in the deposit with trustee resulted from favorable healthcare experience in fiscal year 2015. Current liabilities increased by \$4.1 million. The key components of the College's current liabilities are accounts payable, retainage payable, accrued liabilities and unearned revenue. The primary driver of the increase in current liabilities is an increase of \$5.9 million in unearned revenue resulting from the timing of the payment due date for the Fall 2015 semester. This increase was partially offset by a \$0.9 million reduction in accounts payable to vendors and a \$0.5 million reduction in the retainage payable associated with construction contracts.



**HARFORD COMMUNITY COLLEGE
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015**

The unrestricted net position includes the fund balances transferred to plant fund budgets for existing programs that are anticipated or in progress along with auxiliary service fund balances generated through operations. Currently, designations of \$5.2 million are budgeted within the plant funds for various capital programs such as the Hickory addition (Plant Services Annex), parking improvements, roof replacements, and computer equipment and technology.

Restricted net position consists of Russell Hudson student loans. The decrease in unrestricted net position is a result of capital expenditures funded by the College in fiscal year 2015.

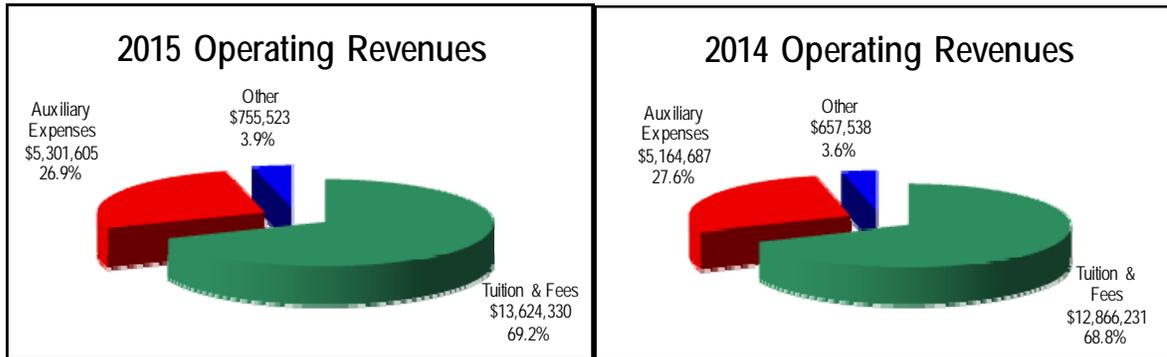
Statement of Revenues, Expenses and Changes in Net Position

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended June 30,		Percent
	2015	2014	Change
OPERATING REVENUE			
Tuition and Fees	\$ 13,624,330	\$ 12,866,231	5.9%
Auxiliary Enterprises	5,301,605	5,164,687	2.7%
Other	755,523	657,538	14.9%
Total Operating Revenue	<u>19,681,458</u>	18,688,456	5.3%
OPERATING EXPENSES	<u>61,443,497</u>	59,832,739	2.7%
Net Operating Loss	<u>(41,762,039)</u>	<u>(41,144,283)</u>	1.5%
NONOPERATING REVENUES (EXPENSES)			
Certain Fringe Benefits Paid Directly by the State of Maryland	2,550,875	2,277,578	12.0%
State Grants and Contracts	13,016,662	12,182,294	6.8%
Federal Grants and Contracts	7,366,107	7,242,785	1.7%
Local Grants and Contracts	15,713,315	15,667,598	0.3%
Contributions	746,496	750,591	-0.5%
Interest Income	10,492	12,863	-18.4%
Loss on Disposal of Assets	(105,343)	(247,665)	-57.5%
Total Nonoperating Revenues	<u>39,298,604</u>	<u>37,886,044</u>	3.7%
Loss Before Other Revenues	<u>(2,463,435)</u>	<u>(3,258,239)</u>	-24.4%
State Capital Grants	4,290,175	5,887,386	-27.1%
Harford County Capital Grants	<u>907,523</u>	<u>6,266,593</u>	-85.5%
INCREASE IN NET POSITION	2,734,263	8,895,740	-69.3%
NET POSITION, BEGINNING OF YEAR	<u>127,174,130</u>	<u>118,278,390</u>	7.5%
NET POSITION, END OF YEAR	<u>\$ 129,908,393</u>	<u>\$ 127,174,130</u>	2.2%

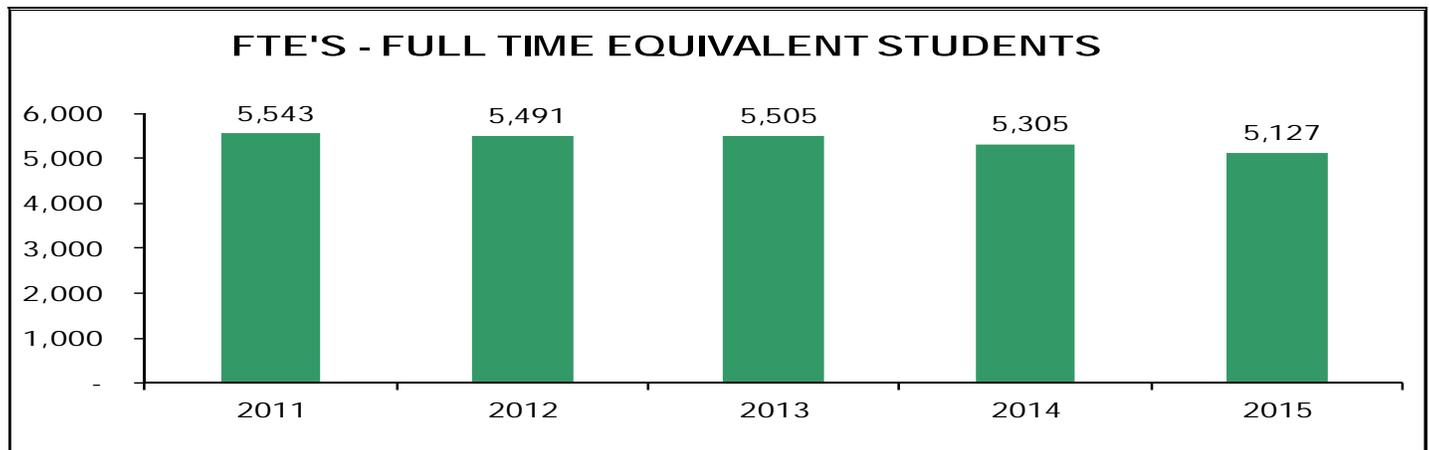
**HARFORD COMMUNITY COLLEGE
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015**



Generally speaking, operating revenues are received for providing goods and services to students and other various 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. Non-operating revenues are receipts for which goods and/or services are not provided. For example, state and local appropriations are considered non-operating because they are provided to the College by the appropriate governmental entity without it directly receiving commensurate goods and/or services.

Fiscal Year 2015 compared to 2014. Net position increased \$2.7 million or 2.2% for 2015. This increase can be primarily attributed to the state and county revenue for capital projects of \$4.3 and \$0.9 million, respectively. The College received a significant portion of this capital public funding for the construction of the new Nursing and Allied Health building. These state and county capital revenues were partially offset by the \$2.5 million loss before capital contributions. In fiscal year 2015, the College received a \$0.3 million increase in operating funding from the state and no incremental funding from the county. Auxiliary enterprise revenues and expenditures increased \$0.1 and \$0.3 million, respectively. The additional revenue was driven by the favorable performance of the College Store while the increase in expenditures can be attributed to the operations and maintenance of the Harford Sports Complex.

Net tuition and fees increased 8.4% primarily due to the \$12 increase in tuition per credit hour. Scholarship allowances in 2015 are \$6.6 million or 32.5% of gross tuition and fee revenue, which is an increase of 25.0% from 2014 scholarship allowances of \$5.2 million or 29.4% of gross tuition and fee revenue. The variance is largely attributed to the 11.5% increase in tuition, and this analysis continues to show that a significant portion of the College's students receive federal or some other form of financial assistance.



The full-time equivalent (FTE) student enrollment decreased by 178 or 3.4%. Credit FTE students decreased by 172 while non-credit FTE students decreased by 6.

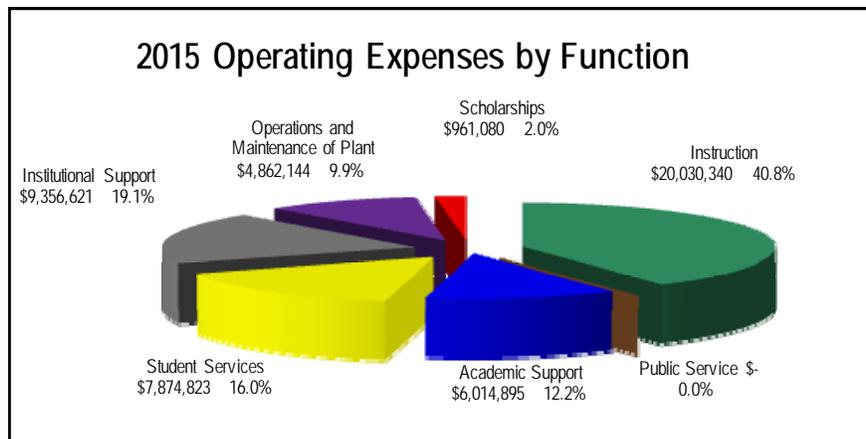
**HARFORD COMMUNITY COLLEGE
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015**

Analyzing operating and non-operating revenues together for 2015, tuition and fees net of scholarship allowances, comprise 23.1% of total revenues. State and county funding, including the state payment for retirement, provided an additional 47.3% of operating and non-operating revenues. Federal funding increased 1.7% from 2014 to account for 12.5% of total 2015 revenues. The revenue from auxiliary enterprises increased 2.7% from 2014 to account for 9.0% of total 2015 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
	2015	2014	
OPERATING EXPENSES			
Instruction	\$ 20,030,340	\$ 19,901,521	0.6%
Public Service	-	393	-100.0%
Academic Support	6,014,895	5,888,258	2.2%
Student Services	7,874,823	8,692,973	-9.4%
Institutional Support	9,356,621	9,028,955	3.6%
Operations and Maintenance of Plant	4,862,144	4,107,775	18.4%
Scholarships	961,080	884,779	8.6%
Sub-Total	<u>49,099,903</u>	<u>48,504,654</u>	<u>1.2%</u>
Auxiliary Enterprises	5,345,862	4,970,953	7.5%
Certain Fringe Benefits Paid Directly by the State of Maryland	2,550,875	2,277,578	12.0%
Depreciation	<u>4,446,857</u>	<u>4,079,554</u>	<u>9.0%</u>
TOTAL	<u><u>\$ 61,443,497</u></u>	<u><u>\$ 59,832,739</u></u>	<u><u>2.7%</u></u>



HARFORD COMMUNITY COLLEGE
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015

Instruction accounts for 32.6% of the total operating expense of the College. This figure does not include the state payment for retirement benefit associated with instruction. The instruction function increased 0.6% due to a 2.0% employee salary adjustment and a “one-time” 3.0% service recognition payment made to qualifying employees. This increase was partially offset by the decrease in adjunct salaries due to the enrollment decline in 2015.

The increase in academic support and institutional support expenditures is also driven by the salary adjustments and service recognition payments.

The decline in student services expenditures can be primarily attributed to the decrease in Pell grants that were refunded to students in fiscal year 2015. Although the actual Pell grant amount disbursed only decreased by approximately \$0.1 million, a larger portion of these awards were applied to tuition and fees due to the \$12 increase in tuition per credit hour. This 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.

Operations and maintenance of plant increased due to additional capital project related expenditures that were either non-capital in nature or below the College’s capitalization threshold. These expenditures were primarily incurred in conjunction with the construction of the new Nursing and Allied Health building.

Scholarships which consist mainly of tuition waivers increased as a result of the \$12 tuition increase in 2015.

The increase in auxiliary enterprise expenditures is primarily due to additional costs associated with the operations and maintenance of the Harford Sports Complex.

Other major components of operating expenses include: the \$2.6 million that represents the state’s contribution for college employees to the Maryland state retirement system and the recognition of \$4.4 million in depreciation on capital assets.

**HARFORD COMMUNITY COLLEGE
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015**

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 non-operating, non-investing and other non-capital 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, and interest received 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.

	CASH FLOWS		Percent Change
	Years Ended June 30, 2015	2014	
Cash Provided By (Used In):			
Operating Activities	\$ (33,510,796)	\$ (32,619,911)	2.7%
Noncapital Financing Activities	36,722,985	35,711,853	2.8%
Capital and Related Financing Activities	518,450	(5,918,495)	-108.8%
Investing Activities	10,492	12,863	-18.4%
Net Increase (Decrease) in Cash	3,741,131	(2,813,690)	-233.0%
CASH, BEGINNING OF YEAR	24,541,206	27,354,896	-10.3%
CASH, END OF YEAR	\$ 28,282,337	\$ 24,541,206	15.2%

The primary cash receipts from operating activities consist of \$16.2 million from tuition and fees and \$5.2 million from auxiliary enterprises. Major cash outlays in operating activities consist of salaries and benefits of \$35.1 million and payments to suppliers of \$20.6 million. The significant increase in payments to suppliers and employees is driving the increase in cash used in operating activities. This increase in cash outlays is partially offset by a \$3.2 million increase in cash receipts from tuition and fee payments.

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 non-operating 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 2.8%. Cash receipts from federal, state and local funding all increased slightly in 2015, accounting for this overall increase.

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/used in capital financing activities increased from (\$5.9) million in 2014 to \$0.5 million in 2015. In prior years, the College had a history of transferring funds from the general fund balance to be utilized for

**HARFORD COMMUNITY COLLEGE
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015**

capital project expenditures. However, no capital transfers were made in 2015. The College makes significant capital purchases with the understanding that reimbursement by the state and county will follow, sometimes in the subsequent fiscal year. These reimbursable capital expenditures incurred in the construction of the new Nursing and Allied Health building is responsible for the majority of the cash outlay in 2014. The reimbursement for these outlays was received by the College in 2015, resulting in the large swing in net cash provided by capital and related financing activities.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2015, the College had \$151.8 million invested in capital assets, including \$2.3 million in construction in progress, less accumulated depreciation of \$41.5 million. Depreciation charges for the current year totaled \$4.4 million.

	June 30,		Percent
	2015	2014	Change
CAPITAL ASSETS			
Land and Land Improvements	\$ 20,492,212	\$ 20,055,802	2.2%
Buildings	116,344,590	99,121,263	17.4%
Furniture and Equipment	6,185,626	4,941,954	25.2%
Computer Technology	4,017,026	3,765,893	6.7%
Vehicles	807,136	759,348	6.3%
Library Books	1,654,271	1,550,296	6.7%
Construction in Progress	2,256,824	13,849,994	-83.7%
Total	<u>151,757,685</u>	<u>144,044,550</u>	5.4%
Less: Accumulated Depreciation	<u>41,537,147</u>	<u>37,417,530</u>	11.0%
NET CAPITAL ASSETS	<u><u>\$ 110,220,538</u></u>	<u><u>\$ 106,627,020</u></u>	<u>3.4%</u>

The capitalization of the new Nursing and Allied Health building accounts for the large increase in the buildings and furniture and equipment of 17.4% and 25.2%, respectively. Construction in progress decreased significantly in 2015 due to the expenditures related to this Nursing and Allied Health building being transferred, placed in service and classified within the appropriate asset category (buildings, furniture and equipment or computer technology).

Debt

The College has no long-term debt as of June 30, 2015.

**HARFORD COMMUNITY COLLEGE
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015**

Economic Factors That Will Affect the Future

The College's operating funds come primarily from three revenue sources: tuition and fee payments from students, and funding appropriations from Harford County and the State of Maryland. Historically, tuition has covered approximately one-third of operating costs. In fiscal year 2009, budgeted tuition and fees revenue and unrestricted county and state appropriations accounted for 32% and 64%, respectively, of revenues within the College's General Fund. This strong financial support from both the county and the state enabled the College to provide higher education at a substantially lower tuition than many other colleges in the state.

Economic pressures at both the state and county level have resulted in public funding reductions beginning in fiscal year 2008. In fiscal year 2015, general fund revenue was comprised of 42.0% tuition and fees revenue and 56.5% county and state appropriations. Total county funding in fiscal year 2015 is approximately \$1 million below the funding received in 2009, despite significant increases in enrollment that occurred during the period. The schedule below illustrates the 2015 revenue and program spending within the general fund:

**FY 2015 BUDGETARY COMPARISON SCHEDULE
GENERAL OPERATING FUND**

	Original FY 2015 Budget	FY 2015 Actual	Variance - Favorable (Unfavorable)
REVENUES			
Tuition and Fees	\$ 18,983,994	\$ 19,065,301	\$ 81,307
State of Maryland	11,035,743	10,690,697	(345,046)
Harford County, MD	14,961,612	14,961,612	-
Other Revenue	680,764	654,392	(26,372)
Total Revenues	45,662,113	45,372,002	(290,111)
EXPENDITURES			
Instruction	18,633,628	17,859,240	774,388
Academic Support	6,514,966	6,012,934	502,032
Student Services	5,723,652	5,273,594	450,058
Institutional Support	9,729,749	8,827,031	902,718
Operations of Plant	4,978,703	4,697,323	281,380
Scholarships and Fellowships	1,044,082	963,820	80,262
Transfers	1,487,421	1,503,968	(16,547)
Total Expenditures	48,112,201	45,137,910	2,974,291
OPERATING SURPLUS (DEFICIT)	\$ (2,450,088)	\$ 234,092	\$ 2,684,180

As the College saw this significant decrease in public funding appropriations, the budgeted transfer-in from fund balance continued to increase each year in order to offset an operating deficit. In fiscal year 2014, the College had a \$1.4 million operating deficit prior to a transfer-in from fund balance.

**HARFORD COMMUNITY COLLEGE
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015**

As the College cannot influence the various economic variables which ultimately affect the public support it receives, HCC administration began taking appropriate action to develop a strategy to ensure the College receives additional tuition and fee revenue in future years. The College's Board of Trustees approved a \$12 tuition increase for fiscal years 2015 and 2016. As a result of this additional tuition and fee revenue coupled with austerity measures on the expenditure side, the College had a slight operating surplus of approximately \$0.2 million in 2015 prior to encumbrances. In addition, the College Board of Trustees recently approved a fiscal year 2016 balanced budget with no "transfer-in" from fund balance. This was one year ahead of the initial plan to eliminate the structural deficit by 2017. The College will continue to evaluate the need for future tuition increases and austerity measures through a strong budgeting tool developed in-house that produces plan data for 10 years.

Credit enrollment increased at very high rates during the period fiscal year 2009 through 2011. This enrollment increase aligned with the theory that during economic recessions, community college enrollments generally rise. The College experienced relatively flat enrollment numbers in both fiscal year 2012 and 2013. In 2014 and 2015, credit hours that were recognized in tuition and fee revenue decreased by approximately 3.5% and 3.0%, respectively. Early indications are that it will continue to be a challenge to maintain prior year enrollment levels in 2016. Therefore, the College budgeted a 2% decline in credit hours for the upcoming fiscal year. A strategic enrollment management committee that is comprised of various key College personnel was formed in 2015. The committee has adopted an initial plan designed to influence future enrollment numbers, and will continue to meet to discuss new challenges and opportunities.

Deferred maintenance will continue to be a very important issue in future years due to the age of buildings and other capital assets on campus. The College currently has certain unrestricted funds designated for improvements such as roof replacements and the resurfacing of parking lots. Further, the College began designating a portion of the unrestricted fund balance for general deferred maintenance costs. As we continue to plan for these forthcoming expenses, the College continues to evaluate and explore other revenue opportunities which would have the potential to provide additional funding resources.

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, 2015

	Harford Community College	Component Unit Harford Community College Foundation
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 22,720,811	\$ 773,839
Accounts Receivable, Net	4,989,098	-
Promises to Give, Net	-	632,407
Inventories	503,259	-
Prepaid Expenses and Other Assets	384,753	39,966
Due from Foundation	53,455	-
Deposit with Trustee	351,284	-
Total Current Assets	29,002,660	1,446,212
Noncurrent Assets:		
Cash and Cash Equivalents, Capital Projects	5,561,526	-
Investments	-	7,775,289
Land and Construction in Progress	5,998,584	-
Capital Assets being Depreciated	145,759,101	-
Less: Accumulated Depreciation	(41,537,147)	-
Total Noncurrent Assets	115,782,064	7,775,289
Total Assets	144,784,724	9,221,501
Deferred Outflows	129,326	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,941,967	-
Retainage Payable	162,059	-
Accrued Liabilities	1,473,339	-
Deposits Held for Students	44,392	-
Unearned Revenue	8,966,809	16,500
Compensated Absences, Current	98,312	-
Due to College	-	53,455
Other Liabilities	96,344	-
Total Current Liabilities	12,783,222	69,955
Noncurrent Liabilities:		
Other Post-Employment Benefits	185,221	-
Net Pension Liability	853,699	-
Compensated Absences, Net of Current Portion	1,090,072	-
Total Noncurrent Liabilities	2,128,992	-
Total Liabilities	14,912,214	69,955
Deferred Inflows	93,443	-
NET POSITION		
Unrestricted	19,618,332	401,494
Net Investment in Capital Assets	110,220,538	-
Restricted:		
Expendable	69,523	5,429,510
Nonexpendable	-	3,320,542
Total Net Position	\$ 129,908,393	\$ 9,151,546

See accompanying Notes to Financial Statements.

HARFORD COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2015

	Harford Community College	Component Unit Harford Community College Foundation
OPERATING REVENUES		
Student Tuition and Fees (Net of Scholarship Allowances of \$6,553,568)	\$ 13,624,330	\$ -
Gifts and Contributions	-	797,481
Auxiliary Enterprises	5,301,605	-
Other Operating Revenues	755,523	-
Total Operating Revenues	19,681,458	797,481
OPERATING EXPENSES		
Instruction	20,030,340	-
Academic Support	6,014,895	-
Student Services	7,874,823	-
Institutional Support	9,356,621	-
Operations and Maintenance of Plant	4,862,144	-
Scholarship Expense	961,080	-
Certain Fringe Benefits Paid Directly by the State of Maryland	2,550,875	-
Other Operating Expenses	-	233,416
Depreciation	4,446,857	-
Auxiliary Enterprises	5,345,862	-
Total Operating Expenses	61,443,497	233,416
OPERATING INCOME (LOSS)	(41,762,039)	564,065
NONOPERATING REVENUES (EXPENSES)		
Certain Fringe Benefits Paid Directly by the State of Maryland	2,550,875	-
Federal Grants and Contracts	7,366,107	-
State of MD Grants and Contracts	13,016,662	-
Harford County Grants and Contracts	15,713,315	-
Contributions from Individuals and Organizations	112,088	-
Contributions from HCC Foundation	634,408	(634,408)
Investment Income	10,492	208,329
Loss on disposal of assets	(105,343)	-
Net Nonoperating Revenues (Expenses)	39,298,604	(426,079)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND ADDITIONS TO ENDOWMENTS	(2,463,435)	137,986
State Capital Grants	4,290,175	-
Harford County Capital Grants	907,523	-
Contributions for Permanent Endowments	-	66,325
INCREASE IN NET POSITION	2,734,263	204,311
Net Position - Beginning of Year	127,174,130	8,947,235
NET POSITION - END OF YEAR	\$ 129,908,393	\$ 9,151,546

See accompanying Notes to Financial Statements.

**HARFORD COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015**

	Harford Community College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	\$ 16,242,607
Payments to Suppliers	(20,629,141)
Payments to Employees	(35,099,026)
Auxiliary Enterprise Charges	5,219,241
Other Receipts	755,523
Net Cash Used by Operating Activities	(33,510,796)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal Student Loan Programs Receipts	2,360,697
Federal Student Loan Programs Disbursements	(2,360,697)
Federal Grants and Appropriations	7,438,364
State Grants and Appropriations	12,729,894
County Grants and Appropriations	15,631,880
Private Grants and Contributions	922,847
Net Cash Provided by Noncapital Financing Activities	36,722,985
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants Received	8,664,168
Purchase of Capital Assets	(8,145,718)
Net Cash Provided by Capital and Related Financing Activities	518,450
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	10,492
Net Cash Provided by Investing Activities	10,492
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,741,131
Cash and Cash Equivalents - Beginning of Year	24,541,206
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 28,282,337
Cash and Cash Equivalents - Current	\$ 22,720,811
Cash and Cash Equivalents - Capital Projects	5,561,526
Total	\$ 28,282,337

See accompanying Notes to Financial Statements.

**HARFORD COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2015**

	Harford Community College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (41,762,039)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	4,446,857
Certain Fringe Benefits Paid Directly to the State of Maryland	2,550,875
Changes in Assets and Liabilities:	
Accounts Receivable	(3,619,168)
Inventories	96,428
Prepaid Expenses	151,916
Due from Foundation	87,228
Deferred Outflows	(17,225)
Accounts Payable	(930,430)
Retainage Payable	(469,386)
Accrued Salaries	61,676
Deposits Held for Students	(87,508)
Unearned Revenue	6,298,324
Accrued Compensated Absences	23,191
Other Accrued Liabilities	9,054
Net Pension Liability	(444,032)
Deferred Inflows	93,443
Net Cash Used by Operating Activities	\$ (33,510,796)

See accompanying Notes to Financial Statements.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 FINANCIAL REPORTING ENTITY AND 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.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 1 FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Financial Reporting Entity (Continued)

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 Analysis for State and Local Governments*, and 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. 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
- Statements 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, under 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 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.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 1 FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Basis of Presentation (Continued)

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.

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 non-operating components include transactions and other events that are defined as noncapital financial 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.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 1 FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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 \$747,020 at June 30, 2015.

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 \$6,553,568 for fiscal year 2015.

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 unrestricted, temporarily restricted (expendable), or permanently restricted (nonexpendable) support depending on the existence and/or nature of any donor restrictions.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 1 FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Promises to Give (Continued)

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, 2015, 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 revenue, 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.

The Foundation invests in a professionally managed portfolio of mutual funds and money market funds. 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.

Inventories

Inventories are stated at the lower of cost or market and consist primarily of items held for sale in the bookstore 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 \$2,500. 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 the 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.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 1 FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Capital Assets (Continued)

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

<u>Category</u>	<u>Years</u>
Buildings	45
Computer Technology	5
Library Books	10
Furniture and Equipment	5 – 20
Land Improvements	7 – 20
Vehicles	7

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. Encumbrances outstanding do not constitute expenses or liabilities and are not reflected in these component unit financial statements. Encumbrances at June 30, 2015 were \$1,799,096.

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.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 1 FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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.

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.

Other Postemployment Benefits

The College follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement requires governments to recognize an expense under the accrual basis for annual required other postemployment benefits contributions, regardless of amounts paid. The cumulative difference between amounts expensed and paid creates a liability (asset) similar to net pension obligations.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 1 FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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.

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.

NOTE 2 CASH AND CASH EQUIVALENTS

State statutes authorized 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, Baltimore, Maryland, 21201.

At June 30, 2015, the carrying amount of the College deposits, including petty cash of \$13,535, was \$8,950,812 and the bank balance was \$9,796,791.

At June 30, 2015, the College had \$19,331,525 invested in MLGIP.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

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. As of June 30, 2015, \$9,546,791 of the College's bank balances of \$9,796,791 was being held by the Bank of New York Mellon as collateral in the College's name.

Interest Rate Risk – Investments

The fair value of the investment in MLGIP may fluctuate 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, 2015, the MLGIP funds had a weighted average maturity of 51 days.

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, 2015, the College's investments in the MLGIP are not subjected to custodial credit risk.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Foreign Currency Risk – Investments

The College's investment policy does not allow for investments denominated in foreign currencies.

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, 2015:

	Fair Value	Cost
Cash Equivalents	\$ 162,309	\$ 162,309
Fixed Income Funds	983,065	985,743
Equity Funds	6,629,915	5,920,834
Total	<u>\$ 7,775,289</u>	<u>\$ 7,068,886</u>

Investment income consists of interest and dividends of \$177,748 net of fees and realized and unrealized gains of \$30,581 for the year ended June 30, 2015.

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

Promises to give consist of the following at June 30, 2015:

Promises to Give	\$ 757,009
Discount	(124,602)
Total	<u>\$ 632,407</u>
Amounts Due in:	
Less than One Year	\$ 84,603
One to Five Years	299,332
More than Five Years	373,074
Total	<u>\$ 757,009</u>

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 RECEIVABLES AND PAYABLES

Receivables and payables of the College consist of the following at June 30, 2015:

Accounts Receivable:	
Federal Government	\$ 579,712
State of Maryland	171,003
Harford County	132,362
Student Receivables and Other	<u>4,106,021</u>
Total	<u><u>\$ 4,989,098</u></u>
Accounts Payable:	
Vendors	\$ 1,825,392
Retainage	162,059
Due to Students	<u>116,575</u>
Total	<u><u>\$ 2,104,026</u></u>
Accrued Liabilities:	
Payroll and Payroll Taxes	<u><u>\$ 1,473,339</u></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, 2015:

	Balance June 30, 2014	Addition	Retirement	Transfer	Balance June 30, 2015
Capital Assets Not Being Depreciated:					
Land	\$ 3,564,162	\$ 177,598	\$ -	\$ -	\$ 3,741,760
Construction in Progress	<u>13,849,995</u>	<u>1,992,173</u>	-	<u>(13,585,344)</u>	<u>2,256,824</u>
Total Capital Assets Not Being Depreciated	17,414,157	2,169,771	-	(13,585,344)	5,998,584
Capital Assets Being Depreciated:					
Land Improvements	16,491,640	253,962	(16,249)	21,099	16,750,452
Buildings	99,121,261	3,866,342	(207,258)	13,564,245	116,344,590
Furniture and Equipment	4,941,954	1,394,493	(150,821)	-	6,185,626
Computer Technology	3,765,893	276,277	(25,144)	-	4,017,026
Vehicles	759,348	65,582	(17,794)	-	807,136
Library Books	<u>1,550,296</u>	<u>119,291</u>	<u>(15,316)</u>	-	<u>1,654,271</u>
Total Capital Assets Being Depreciated	126,630,392	5,975,947	(432,582)	13,585,344	145,759,101
Less Accumulated Depreciation:					
Land Improvements	4,772,240	517,348	(7,489)	-	5,282,099
Buildings	24,964,462	3,116,733	(133,742)	-	27,947,453
Furniture and Equipment	3,033,741	447,748	(136,516)	-	3,344,973
Computer Technology	3,084,464	227,536	(22,319)	-	3,289,681
Vehicles	449,423	69,415	(11,857)	-	506,981
Library Books	<u>1,113,199</u>	<u>68,077</u>	<u>(15,316)</u>	-	<u>1,165,960</u>
Total Accumulated Depreciation	<u>37,417,529</u>	<u>4,446,857</u>	<u>(327,239)</u>	-	<u>41,537,147</u>
Total Capital Assets, Net	<u><u>\$ 106,627,020</u></u>	<u><u>\$ 3,698,861</u></u>	<u><u>\$ (105,343)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 110,220,538</u></u>

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 COMPENSATED ABSENCES

Compensated absences activity for the year ended June 30, 2015 is as follows:

	Balance June 30, 2014	Addition	Retirement	Balance June 30, 2015	Balance Due Within Year
Compensated Absences	\$ 1,165,192	\$ 129,930	\$ (106,738)	\$ 1,188,384	\$ 98,312

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, 2015 are as follows:

Year Ending June 30, 2016	Amount
	\$ 165,183

Total rent expense for the year ended June 30, 2015 was \$274,490.

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

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 RETIREMENT PLANS (CONTINUED)

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 non-certified 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 non-certified 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.

Funding Policy

Both the "Retirement System" and the "Pension System" for teachers and non-certificated 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 \$101,323 and contributions by the State of Maryland to the Maryland Retirement Pension System on behalf of the College totaling \$2,085,909, or 15.47% of covered payroll for fiscal year 2015, were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 2014. Additional contributions were made by the State of Maryland to the Optional Retirement System on behalf of the College totaling \$464,966, or 7% of covered payroll for fiscal year 2015. Total annual pension costs contributed by the State of Maryland were \$2,550,875 for fiscal year 2015.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 RETIREMENT PLANS (CONTINUED)

Contributions (Continued)

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, 2015, the College reported a liability of \$853,699 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by 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, 2014, the College's proportionate share was 0.48%.

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:

Description	Amount
College's Proportionate Share of the Net Pension Liability	\$ 853,699
State's Proportionate Share of the Net Pension Liability Associated with the College	19,426,043

For the year ended June 30, 2015, the College recognized pension expense of \$12,244.

At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 12,349	\$ -
Net difference between projected and actual investment earnings	-	93,443
Contributions subsequent to the measurement date	116,977	-
	\$ 129,326	\$ 93,443

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions

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

- Actuarial cost method – Entry Age Normal
- Amortization method – Level Percentage of Payroll, Closed
- Inflation – 2.9% general, 3.4% wage
- Salary increases – 3.40% to 11.9%, including inflation
- Discount rate – 7.65%
- Investment rate of return – 7.65%
- Mortality – RP-2000 Combined Healthy Mortality Table projected to the year 2025

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	35%	4.70%
Fixed Income	10%	2.00%
Credit Opportunity	10%	3.00%
Real Return	14%	2.80%
Absolute Return	10%	5.00%
Private Equity	10%	6.30%
Real Estate	10%	4.50%
Cash	1%	1.40%
Total	<u>100%</u>	

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 RETIREMENT PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. This single discount rate was based on the expected rate of return on pension plan investments of 7.65%. 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.

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	6.65%	7.65%	8.65%
College's Proportionate Share of the Net Pension Liability	\$ 1,230,287	\$ 853,699	\$ 538,258

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, MD 21202 or by calling 410-625-5555.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

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 ten (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. A closed group of retirees receives an annual subsidy of \$4,800 or less as part of a retirement window benefit program. As of June 30, 2015, there were 7 eligible and participating retirees receiving an annual subsidy. The Plan does not issue a stand-alone financial report.

As of June 30, 2015, there were 41 participants out of 322 total participants receiving benefits.

Funding Policy

The College is funding plan benefits on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The College's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the College's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the College's net obligation.

Annual Required Contribution	\$	98,000
Interest on Net OPEB Obligation		5,000
Adjustment to Annual Required Contribution		(5,000)
Annual OPEB Cost (Expense)		98,000
Contributions Made		(71,000)
Increase in Net OPEB Obligation		27,000
Net OPEB Obligation - Beginning of Year		158,221
Net OPEB Obligation - End of Year	\$	185,221

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2015, 2014 and 2013 were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 98,000	72.4%	\$ 185,221
2014	97,000	74.2%	158,221
2013	94,000	86.2%	133,221

Funding Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the unfunded actuarial accrued liability (UAAL) was \$1,016,000. The covered payroll (annual payroll of active employees covered by the plan) was \$14,877,295, and the ratio of the UAAL to the covered payroll was 6.8%.

Funding Status and Funding Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011 actuarial valuation, the Projected Unit Credit method, with linear pro-rata to assumed benefit commencement, was used. The actuarial assumption includes a 4.0% investment rate of return based upon the continuation of funding on a pay-as-you-go basis and the general fund investments can earn 4.0% over the long term. The UAAL is being amortized over 30 years beginning July 1, 2007 using a 30-year amortization as a level dollar amount. The remaining amortization period at July 1, 2014 was 23 years.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015, the College had amounts on deposit with the trustee of the Consortium totaling \$351,284. 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. An accrual of \$331,665 for the self-insured portion is netted against the deposit in the statement of net position. 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	Withdrawal/Contribution	Change in Liability for 7% of Premiums Paid	Ending Balance (Net)
2015	\$ 50,495	\$ 4,691,166	\$ 4,419,920	\$ 191	\$ -	\$ (29,352)	\$ 351,284
2014	6,433	4,797,562	4,826,762	361	116,816	43,915	50,495

NOTE 12 RELATED PARTY TRANSACTIONS

During the year ended June 30, 2015, the Foundation distributed \$634,408 to the College for both restricted and unrestricted purposes. The Foundation paid the College \$42,118 for management fees for the fiscal year 2015. In addition, the College paid, on behalf of the Foundation, a percentage of various overhead-related expenditures totaling approximately \$13,423 for the year ended June 30, 2015.

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, 2015:

Loans	<u>\$ 69,523</u>
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**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 14 HARFORD COMMUNITY COLLEGE FOUNDATION, INC. – RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of June 30, 2015:

Endowment Investments and Earnings Restricted for:	
Scholarships	\$ 2,604,856
Other	132,495
Contributions Restricted for:	
Equipment and Programs	1,208,402
Scholarships	1,483,757
Total	<u>\$ 5,429,510</u>

Permanently restricted net assets at June 30, 2015 are restricted in perpetuity with income available to support the following purposes:

Scholarships	\$ 3,007,392
General Purpose	310,000
Specific Programs	3,150
Total	<u>\$ 3,320,542</u>

NOTE 15 COMMITMENTS AND CONTINGENCIES

The College has outstanding commitments for the following ongoing capital projects as of June 30, 2015:

"T" Lot Expansion	\$ 320,542
Parking Improvements	307,629
Plant Services Annex	129,808
Other Projects	260,245
Total	<u>\$ 1,018,224</u>

A portion of the "T" Lot Expansion project is being funded through a State grant. All of the other projects with outstanding commitments are being funded internally.

As of the audit date, the College was named in a legal action. This claim is being defended vigorously by counsel. The College believes the outcome of this claim will have no significant effect on the College's financial position or results of operations and therefore has not included any provision for loss within these financial statements.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 15 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 3 would be \$2,781,244.

NOTE 16 CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2015, the College adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pension* and related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This pronouncement requires the restatement of the June 30, 2014 net position of the College as shown as follows:

Net Position, June 30, 2014, As Previously Reported	\$ 128,003,236
Cumulative Affect of Application of GASB 68, Net Pension Liability	(941,207)
Cumulative Affect of Application of GASB 71, Deferred Outflow of Resources for College Contributions made to the Plan During Fiscal Year Ending June 30, 2014	112,101
Net Position, June 30, 2014, As Restated	\$ 127,174,130

NOTE 17 RECENT GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* (“GASB 72”). The objectives of this Statement are to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures around fair value measurements. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2015.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 17 RECENT GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS
(CONTINUED)**

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The provisions of this Statement are generally effective for fiscal years beginning after June 15, 2015.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement is effective for fiscal years beginning after June 15, 2017.

**HARFORD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 17 RECENT GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS
(CONTINUED)**

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

The College has not yet completed the process of evaluating the impact of GASB Statements Nos. 72, 73, 74, 75 and 76 on its financial statements.

**HARFORD COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2015
(UNAUDITED)**

Schedule of Funding Progress

Actuarial Valuation Date July 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
2007	\$ -	\$ 905,610	\$ 905,610	0%	\$ 15,076,279	6.0%
2011	-	1,016,000	1,016,000	0%	14,877,295	6.8%

**HARFORD COMMUNITY COLLEGE
BUDGETARY COMPARISON SCHEDULE
GENERAL OPERATING FUND
YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

	Original Budgeted Amounts	Actual	Variance with Budget Favorable (Unfavorable)
REVENUES			
Tuition and Fees	\$ 18,983,994	\$ 19,065,301	\$ 81,307
State of Maryland	11,035,743	10,690,697	(345,046)
Harford County, MD	14,961,612	14,961,612	-
Other Revenue	680,764	654,392	(26,372)
Total Revenues	<u>45,662,113</u>	<u>45,372,002</u>	<u>(290,111)</u>
EXPENDITURES			
Instruction	18,633,628	17,859,240	774,388
Academic Support	6,514,966	6,012,934	502,032
Student Services	5,723,652	5,273,594	450,058
Institutional Support	9,729,749	8,827,031	902,718
Operations of Plant	4,978,703	4,697,323	281,380
Scholarships and Fellowships	1,044,082	963,820	80,262
Transfers	1,487,421	1,503,968	(16,547)
Total Expenditures	<u>48,112,201</u>	<u>45,137,910</u>	<u>2,974,291</u>
OPERATING SURPLUS (DEFICIT)	<u>\$ (2,450,088)</u>	<u>\$ 234,092</u>	<u>\$ 2,684,180</u>

This General Operating Fund Budgetary Comparison Schedule does not include fiscal year 2015 encumbrances that represent commitments in the amount of \$674,177.

The College transfers amounts from the general operating fund balance to offset any deficit incurred for the year.

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, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated September 2, 2015. 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.

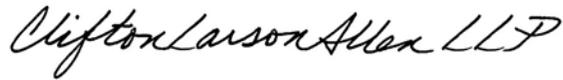
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
September 2, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2015. 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 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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002. Our opinion on each major federal program is not modified with respect to these matters.

Harford Community College's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Harford Community College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 OMB Circular A-133, 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 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, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002 that we consider to be significant deficiencies.

Board of Trustees
Harford Community College

Harford Community College's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Harford Community College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
September 2, 2015

**HARFORD COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA* Number	Grant Number	Total Grant Award	Grant Expenditures
U.S. DEPARTMENT OF EDUCATION				
Direct Awards:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grant	84.007	07A121752	97,333	\$ 63,911
Federal Supplemental Educational Opportunity Grant	84.007	07A131752	83,137	27,565
Federal Work-Study Program	84.033	033A121752	108,215	2,406
Federal Work-Study Program	84.033	033A131752	108,865	113,490
Federal Pell Grant Program	84.063	63P122923	6,726,769	6,351
Federal Pell Grant Program	84.063	63P132923	6,292,503	6,630,985
Federal Direct Loan Program	84.268	P268K111554	1,733	1,733
Federal Direct Loan Program	84.268	P268K112554	2,244,750	2,358,964
Total Student Financial Assistance Cluster				9,205,405
Administered through the Maryland State Department of Education (MSDE):				
Voc. Ed. Act - Adult Education Title IIA:				
Title 1C Program Improvement	84.048	144514	163,390	27,000
Title 1C Program Improvement	84.048	154676	180,587	178,634
Total Voc. Ed. Act - Adult Education Title IIA				205,634
Child and Career and Professional Development	93.575	144195	65,903	50,724
Total Federal Programs Administered through the MSDE				256,358
Administered through the Maryland State Department of Labor, Licensing and Regulation (MSDLLR):				
Adult Basic Education Act:				
Adult Basic Education	84.002A	P00P5400280	245,918	245,918
Total Federal Programs Administered through the MSDLLR				245,918
Total U.S. Department of Education				9,707,681
U.S. SMALL BUSINESS ADMINISTRATION				
Administered through Maryland Small Business Development:				
Small Business Development Centers	59.037	Q020504	116,990	65,828
Small Business Development Centers	59.037	Z9287004	126,766	72,448
Total U.S. Small Business Administration				138,276
U.S. DEPARTMENT OF LABOR				
Administered through Susquehanna Workforce:				
Susquehanna Workforce Network Youth Program	17.259	HY13-Z	86,156	85,077
Susquehanna Workforce Network Youth Program	17.259	P116Z080033	9,900	8,509
TAACCCT Grant	17.282	TC-26466-14-60-A-24	738,320	22,700
Total U.S. Department of Labor				116,286
NATIONAL SCIENCE FOUNDATION				
Cyber Security Education	47.076	1241748	74,000	7,037
Total National Science Foundation				7,037
U.S. ARMY RESEARCH OFFICE				
STEM Teaching Academy	12.63	W911NF-10-2-0076	53,339	653
Total U.S. Army Research Office				653
Total Federal Awards Expended				\$ 9,969,933

*CFDA - Catalog of Federal Domestic Assistance

**HARFORD COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

**HARFORD COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statement noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes _____ None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X Yes _____ No

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
Various	Student Financial Aid Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

**HARFORD COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

NONE

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

CURRENT YEAR

2015-001: NSLDS Reporting

Federal Agency: U.S. Department of Education

Federal Program: Student Financial Assistance Cluster

Type of Finding: Significant Deficiency in Internal Control, Noncompliance

Condition:

During student financial aid testing, we noted that the National Student Loan Data Systems (NSLDS) rosters returned yielded error reports that were not corrected and resubmitted within the required 10 days.

This issue occurred at many colleges and universities in the United States during Fall 2014, attributable to a processing error on the NSLDS website. However, it is possible for colleges to create an Enrollment Reporting Summary Report after reporting student status changes on NSLDS, which would have detected these types of errors.

Criteria:

Federal regulation requires enrollment status for each student be reported accurately to NSLDS. In addition, regulations require that an institution make necessary corrections and return the records within 10 days for any roster files that do not pass the NSLDS enrollment reporting edits.

Questioned Costs:

None.

Cause:

Records were not returned within 10 days for roster files that did not pass the NSLDS enrollment reporting edits.

Effect:

The College did not update student enrollment statuses correctly or timely to NSLDS.

Auditor's Recommendation:

We recommend that the College put a process in place to ensure determination of all students who withdrew, graduate, or have a change in status are accurately and timely reported to NSLDS.

**HARFORD COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT (CONTINUED)

2015-001: NSLDS Reporting (Continued)

Management Response and Corrective Action Plan:

The Office of Registration and Records has implemented a procedure to review, edit, and correct the response file from the NSLDS. The College will register the Registrar with NSLDS so that she can request the Enrollment Reporting Summary Report to identify discrepancies and correct them. This will be done 48 hours after the report is submitted to the National Student Clearinghouse (NSC) to allow time for processing and will become a standard part of the procedure.

2015-002: NSLDS Reporting

Federal Agency: U.S. Department of Education

Federal Program: Student Financial Assistance Cluster

Type of Finding: Significant Deficiency in Internal Control, Noncompliance

Condition:

During student financial aid testing, we noted 7 out of 37 students selected for enrollment reporting to the National Student Loan Data Systems (NSLDS) were not reported in a timely manner.

Criteria:

U.S. Department of Education (ED) guidelines state that enrollment statuses of all students receiving federal loan funds must be kept current with NSLDS. Student enrollment information is extremely important because it is used to determine if the student is still considered in school, must be moved into repayment, or is eligible for an in-school deferment. For students moving into repayment, the out-of-school status effective date determines when the grace period begins and how soon a student must begin repaying loan funds. At scheduled times during the year, the NSLDS sends a roster file electronically to the school or its designated servicer. The information on the roster file must be certified and returned to the NSLDS within 30 days of receiving it. Changes in enrollment to less than half-time, graduated, or withdrawn must be reported within 30 days, unless a roster file is expected within 60 days (34 CFR 682.610).

Questioned Costs:

The costs in question consist of all interest on subsidized Direct Loans that would have begun accruing six months after the students' actual withdrawal dates. Due to the significant number of variables impacting these questioned costs, we are currently unable to place an estimated dollar value on the costs in question.

Cause:

The College's process for reporting enrollment status changes to the NSLDS did not capture the seven students whose statuses changed to 'Graduated'.

Effect:

The College did not update student enrollment statuses correctly or timely to NSLDS.

**HARFORD COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT (CONTINUED)

2015-002: NSLDS Reporting (Continued)

Auditor's Recommendation:

The College should review its policies and procedures on reporting of enrollment status changes to NSLDS to ensure that all status changes are being reported timely and accurately to be in compliance with ED regulations.

Management Response and Corrective Action Plan:

NSC, a third party service provider, provides the enrollment data to NSLDS via the SSCR reports. The College is now reporting to NSC 8 times in a 15 week semester, and 3 times during the summer session. This is a total of 19 reports per year, plus the new adhoc graduation reports to be implemented effective with the Fall 2015 graduates.

The College also implemented a new attendance policy (effective January 1, 2015), which requires faculty to take and report attendance of students. Faculty are required to report students who never attended or stopped attending their classes. Any student who has an unexcused absence equal to or greater than 13% of the class meeting time is reported under this policy. Students who are reported administratively withdrawn from class and using a "WF" code in the Banner system.

We believe that these measures will correct the errors in reporting. However, to further ensure compliance, the College is seeking the advice of a consultant from Banner to move the reporting directly to NSLDS and bypass the NSC reporting entirely, as all colleges are reporting errors in the NSC reporting system. Such a move will require the support of the CTS for programming/formatting the file to be sent. We plan to make this reporting change effective with the winter term in 2016.

Additionally, the College is also seeking the advice from a Banner consultant to understand how to update the expected graduation date after each semester to reflect the student's rate of enrollment based on attendance. Again, such a change will require the support of CTS as programming is required. It is hoped that this will provide a more accurate expected graduation date that is reported to NSLDS. Also, students who have applied for graduation for a specific semester are coded as PENDING Graduation. As soon as the final semester courses are verified, the student's graduation status is then changed to GRAD. The Registrar will implement a final report for each semester to include all the graduation status changes rather than waiting to the next scheduled reporting period.

PRIOR YEAR

NONE