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**HOWARD COMMUNITY COLLEGE**  
**(A Component Unit of Howard County, Maryland)**

**Financial Statements and**  
**Report of Independent Public Accountants**

**For the Year Ended June 30, 2017**

# HOWARD COMMUNITY COLLEGE

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

To the Board of Trustees  
Howard Community College Columbia, Maryland

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Howard Community College (the College), a component unit of Howard County, Maryland, and its discretely presented component unit, the Howard Community College Educational Foundation, Inc., as of and for the year ended June 30, 2017, 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.

### ***Auditor's Responsibility***

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

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



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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2017, and the respective changes in their financial position and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedule of Howard Community College Proportionate Share of the Net Pension Liability - Maryland State Retirement and Pension Systems and the Schedule of Howard Community College's Contributions - Maryland State Retirement and Pension Systems 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and 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 the 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.

Hunt Valley, Maryland  
September 19, 2017

*SB & Company, LLC*

# HOWARD COMMUNITY COLLEGE

## Management's Discussion and Analysis June 30, 2017

### Overview and Basis of Presentation

The following discussion and analysis provides an overview of Howard Community College's (referred to throughout as the "college" or "HCC") planning, enrollment, and financial activities. The intent of this section of the annual financial report is to provide an objective analysis of the college's financial activities based on currently known facts, decisions, or conditions that impacted the operations of the college during fiscal year (FY) 2017. In addition, this section should assist in assessing the financial position of the college and provide information about significant changes that have occurred. Finally, it presents an outlook on known conditions that may affect the college's financial position or operations in the coming years.

The college has presented the statements in compliance with the Governmental Accounting Standards Board (GASB) statement no. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and statement no. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*.

In compliance with GASB statement no. 39, *Determining Whether Certain Organizations are Component Units*, the financial statements of the Howard Community College Educational Foundation, Inc. (referred to throughout as the "foundation" or "HCCEF") are presented discretely in the college's financial statements.

Comparative financial data are not presented in the financial statements; however, the college's comparative data are presented and discussed within this management discussion and analysis.

### College Planning and Strategic Goals

The financial statements for the year ended June 30, 2017, reflect the financial results of the activities of the college, which are guided by the college's strategic planning and budget process. The strategic plan and the college's core work set the stage for the operational and financial goals the college expects to achieve. Long- and short-term goals guide the staff throughout the year and into the future. The college's mission, vision, and values follow.

**Mission:** Providing pathways to success

**Vision:** A place to discover greatness in yourself and others

**Values:** INSPIRES



## **HOWARD COMMUNITY COLLEGE**

### **Management's Discussion and Analysis June 30, 2017**

#### **College Planning and Strategic Goals (continued)**

The strategic goals implemented for a five-year period, 2016-2020, with 2016 being the base year, are listed on the next set of pages. Each year during the budget process, funds are allocated to achieve these initiatives. The report includes the action plans in place for FY17 and the fiscal year accomplishments related to these action plans that impacted the college's financial operations.

# HOWARD COMMUNITY COLLEGE

## Management's Discussion and Analysis June 30, 2017

### Howard Community College Strategic Plan Fiscal Years 2016-2020 Fiscal Year 2017 Report

Strategic Goal #1. Student Success, Completion and Lifelong Learning			
1.1	Increase number of students graduating annually.		
	For FY17 – 1,255 graduates Year over year trend: ↑		
	Lead	Action Plans	Results as of June 30, 2017
1.1A	VPAA VPSS	Develop, evaluate and revise program offerings (transfer and career) to meet the needs of students and the community, provide career opportunities (such as clinical placements, internships (see also strategic goal 3) for students and promote degree completion and transfer.	<p><b>Accomplished and Ongoing</b></p> <p>Graduated the largest number of students to date.</p> <p>Completed 22 program reviews.</p> <p>Included a Career Coach overview in first academic advising appointment.</p> <p>Facilitated 161 internships in FY17, an 8.8% increase over FY16.</p>
1.1B	VPAA VPSS	Increase student participation in high impact (e.g., service learning) academic and specialized student engagement experiences that promote student success and completion.	<p><b>Accomplished and Ongoing</b></p> <p>Increased <b>Rouse</b> class size to 48 students in fall 2016, up from 33 students in fall 2015.</p> <p>Increased new <b>STEM</b> honors class to 16 students in the fall 2016, up from 14 students in fall 2015.</p> <p>Supported honors students participating in the <b>scholars programs (Rouse, STEM, Schoenbrodt)</b> who were retained at a significantly high level of 87.3% fall-to-spring. Cumulative GPA for each honors cohort at the end of fall 2016 term compared favorably to institutional averages. The <b>Rouse Scholars</b> cohorts demonstrate a 64.9% two-year graduation/transfer rate and a 73% at the three year mark.</p> <p>Increased student participation (233) in <b>Step UP</b> by 22% from fall 2015 to fall 2016, and increased it by 20% from spring to spring. Step Up students exceeded institutional averages in term-completion, next term re-enrollment, and had a higher ratio of earned to credits attempted than matched control groups of non-participants.</p>



# HOWARD COMMUNITY COLLEGE

## Management's Discussion and Analysis June 30, 2017

1.1B	VPAA VPSS	<p>(Continued)</p> <p>Increase student participation in high impact (e.g., service learning) academic and specialized student engagement experiences that promote student success and completion.</p>	<p>Engaged 625 students in <b>service learning</b> experiences as part of 52 courses throughout the academic curriculum, and developed service partnerships with six new community organizations. The average course success rate for courses with significant service learning components in fall 2016 and spring 2017 was 92.5%, exceeding the benchmark of 90%.</p> <p>Assisted <b>Silas Craft Collegians</b>, resulting in retention rates at two and three years after entry significantly exceeding the one-year institutional averages for developmental education students with 63% of the Silas Craft Collegians retained. The collegians exceeded the transfer and graduation benchmark rate of 35% with a 43% rate of completion in three years.</p> <p>Students participating in <b>study abroad</b> (SABR) courses exhibited course success rates significantly above institutional averages. Success rates were 98.5% in FY15 compared to HCC overall of 85.8%. In FY16, success rates were 100% compared to HCC overall of 85.2%.</p> <p>Offered four professional development sessions to faculty and staff to explore the needs of/resources available to active military/veterans on campus, and had a campaign focused on military during Military Appreciation Month.</p> <p>Served 105 credit <b>Career Links</b> students in fall 2016 (compared to 100 in fall 2015); 104 credit students in spring 2017 (spring 2016 - 102). There were eight noncredit students this year (compared to 10 in FY16). The fall-to-spring retention rate increased 2.5% to 77.5% (compared to 75% last year). The cumulative GPA over 2.0 for fall 2016 is 79.4% as compared to fall 2015 of 68.6%.</p> <p>Incorporated new student orientation into <b>Freshman Focus</b> during the "focus sessions;" 468 students attended.</p> <p>Engaged a total of 1,150 through orientation sessions offered by student life and cohorts. This represents a 2.5% increase from FY16 when a total of 1,127 students participated in orientation sessions.</p>
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# HOWARD COMMUNITY COLLEGE

## Management's Discussion and Analysis June 30, 2017

1.1C	VPSS	Support a percentage increase in annual graduates by providing support services to include intrusive advising of students with 45 or more credits, promoting reverse transfer, and awarding scholarships.	<b>Accomplished and Ongoing</b>
			<p>Graduated largest number of students to date.</p> <p>Increased the number of students graduating through <b>reverse transfer</b> to 75 (as of May 2017) up from 57 students in FY16.</p> <p>Increased the number of students graduating after <b>intrusive advising</b> to 288 (as of May 2017) up from 225 in FY16.</p>

<b>1.2 Increase % of developmental completers, 4 years after entry to HCC, from 35.8% (fall 2003 cohort) to 45% (fall 2011 cohort). (MHEC Indicator)</b>			
<b>As of the fall 2011 cohort - 39.8% . Year over year trend: ↑</b>			
	<b>Lead</b>	<b>Action Plans</b>	<b>Results as of June 30, 2017</b>
1.2A	VPAA	Evaluate and revise as indicated the requirement for developmental mathematics students to also enroll in First Year Experience course.	<b>Accomplished and Ongoing</b> <p>Continued FYEX-100, <b>First Year Experience</b> continues as a co-requisite for MATH-067, Elementary Algebra Applications students. Success increased for students in elementary algebra using the ALEKS software/on demand. Eighty-four students (seven percent) were able to complete two courses in one semester. Expanded data will now include retention rates and if possible, early completion numbers.</p> <p>Supported <b>developmental mathematics</b> students resulting in a decrease in the percentage of withdrawals by nearly three percent marking an important step toward completion. Success rates increased in developmental mathematics completers making progress towards the current benchmark.</p> <p>Offered ENGL-121ALP, College Composition <b>Accelerated Learning Program</b> sections in all areas of writing, reading, and ESL so that students who are near-college ready in either reading or writing and ready in one of these areas may enroll in designated sections of ENGL-121. In fall 2016, the overall success rate for all 121 sections (ALP included) was 71.73% and for ESL 121, 95% success rate. For ALP the success rate was 65.84% and for ESL ALP, 85%. This discrepancy may be due to curricular changes, including the adoption of a new book. Data will be examined carefully in order to discern areas of improvement.</p>
		Evaluate and expand English 121 Accelerated Learning Program.	
		Implement and evaluate course redesign linked to revision of the Code of Maryland Regulations (COMAR) definition of college-level mathematics.	
		Allow certain developmental students to concurrently enroll in same-subject credit-bearing course (see 1.2B).	

# HOWARD COMMUNITY COLLEGE

## Management's Discussion and Analysis June 30, 2017

1.2B	VPAA VPSS VPIT	Evaluate College and Career Readiness and College Completion Act (CCRCCA) requirement to include credit-bearing mathematics and English within the first 24 credit hours for first-time degree seeking students; allow certain developmental students to concurrently enroll in same-subject, credit-bearing course; require students completing the developmental course sequence to immediately enroll in same-subject, credit-bearing course the following semester.	<p style="text-align: center;"><b>Partially Accomplished and Ongoing</b></p> <p>Offered an <b>accelerated mathematics program</b>. Success rates in both programs (MATH-070, Intermediate Algebra/MATH-141, College Algebra and MATH-070/MATH-143, Precalculus I) over the last three semesters show that students are usually more successful than the general population at passing intermediate algebra.</p> <p>Collaborated with Howard County Public School System on its revision of the <b>12<sup>th</sup> grade college readiness mathematics course</b>. Students who earn a C or higher on the midterm exam can place directly into Intermediate Algebra (MATH-070). Students that earn a C or higher on both the midterm and final exams can place directly into a college-level mathematics course.</p> <p>Offered a <b>statistics pathway</b>. Fall 2016 ABC rate for MATH-037, Mathematical Foundations (62.8%) exceeded the ABC rate for MATH-070 over the past five years (ranges from 50-61%).</p> <p>Continued to implement the <b>intervention plan</b> to meet the developmental and college-level English and mathematics requirements of the CCRCCA. ENGL-121, College Composition has been planned in the first semester in all credit program curriculum tracks. College-level mathematics courses are planned in the first semester when a mathematics course is identified in the curriculum. With student planning, all advisors are mapping the developmental sequence to the college-level mathematics and English courses.</p> <p>Launched <b>student planning</b> web tools to allow students to see their progress toward chosen major completion.</p> <p>Created <b>web intelligence reports</b> with stakeholders to support tracking compliance the CCRCCA requirements.</p>
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## HOWARD COMMUNITY COLLEGE

### Management's Discussion and Analysis June 30, 2017

1.2C	VPAA VPSS	Expand the HCC Early Alert Program to attain positive outcomes in courses with low retention and success rates; establish a work group of faculty and staff to improve program processes and implement strategies to increase course completion and program effectiveness.	<p><b>Partially Accomplished and Ongoing</b></p> <p>Established work groups with faculty to improve program processes and implement strategies to increase course completion and program effectiveness.</p> <p>Worked with accounting faculty to establish an open accounting lab for students to get walk-in help from instructors.</p> <p>Expanded the Early Alert Program to include MATH-037 and the cybersecurity students.</p> <p>Increased student/faculty engagement via faculty training and classroom visits; in FY16, 79% of faculty reported that they initiated follow-ups with their students after alerts were sent. 64% of faculty reported that students initiated follow-ups with them after alerts were sent.</p> <p>Increased number of sections in the program by 26% (194 in FY16 to 244 in FY17).</p>
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# HOWARD COMMUNITY COLLEGE

## Management's Discussion and Analysis June 30, 2017

1.3	<b><i>Increase student successful-persistence rate after 4 years for all students from 73.2% (fall 2003 cohort) to 80% (fall 2011 cohort). Close performance gaps as needed for Black/African American, Asian and Latino-Hispanic students. (MHEC Indicator)</i></b>		
	<b>As of the fall 2011 cohort - 75.9%; target for all students overall.</b> <b>Year over year trend: ↑</b> <b>Black/African American: 70.6%-↑ Asian 80.2%-↓ Latino-Hispanics 67.0%-↑</b>		
	<b>Lead</b>	<b>Action Plans</b>	<b>Results as of June 30, 2017</b>
1.3A	VPSS VPAA	Continue the Ambiciones (a Latino-Hispanic student success) program. Establish metrics to track, establish baseline, and identify benchmarks to evaluate the impact of the pilot's success in eliminating the achievement gap.	<b>Partially Accomplished and Ongoing</b>  Exceeded the goal of increasing the number of Ambiciones participants by 100% (23 in FY16 to 50 in FY17).  Assigned a bilingual financial aid counselor to support Ambiciones students.  Established, with planning, research, and organizational development, a baseline and benchmarks to analyze program success in the areas of good academic standing, retention, and eventually, transfer and graduation over a four-year period. Participants entering in fall 2016 persisted to spring 2017 at a rate of 81% as opposed to 68% of the general Latino-Hispanic student population. The fall-to-fall retention rate from 2015 to 2016 was 64% as compared to 50% of the general Latino-Hispanic student population. In fall 2016, 88% of Ambiciones participants maintained a GPA above 2.00 as opposed to 60% of the general Latino-Hispanic student population. As of spring 2017, 55% of the fall 2015 cohort were still attending as compared to 40% of the general Latino-Hispanic student population.  Retention rates for Latino-Hispanic and Black/African American SET students (60% fall-to-fall) exceeded the college retention rate.



## HOWARD COMMUNITY COLLEGE

### Management's Discussion and Analysis June 30, 2017

1.3B	VPSS VPAA	Increase Howard P.R.I.D.E. participation by 30% over 4 years via upscaling the existing services. Continue to increase retention, academic standing, and transfer and graduation rates with a goal of matching the rates of all students.	<p><b>Partially Accomplished and Ongoing</b></p> <p>Assigned a financial aid counselor to support Howard P.R.I.D.E. students.</p> <p>Managed a Howard P.R.I.D.E. cohort in FY17 of 134 students, up 12% from 120 in FY16.</p> <p>During fall 2016, Howard P.R.I.D.E. retained 66% of its student participants from spring 2016 (as compared to 49% for all Black/African American males) and recruited an additional 47 students. Students are progressing through their developmental sequence in developmental mathematics, with over a 70% success rate in fall 2016, exceeding the benchmark of 60%.</p> <p>After three years, 30.8% of Howard P.R.I.D.E. students completed their degree as compared to 7.5% of all Black /African-American men. During fall 2016, eight Howard P.R.I.D.E. students completed requirements for graduation and transfer to four-year institutions and 13 students graduated this May. Additionally, 60% of spring 2017 students had a GPA of 2.0 or higher (compared to 58.3% for all Black/African Americans).</p>
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# HOWARD COMMUNITY COLLEGE

## Management's Discussion and Analysis June 30, 2017

1.4	<b><i>Increase student graduation and transfer rate after 4 years for all students from 51.9% (fall 2003 cohort) to 60% (fall 2011 cohort). Close performance gaps as needed for Black/African American, Asian, and Latino-Hispanic students. (MHEC Indicator)</i></b>		
	<b>All students: 52.3% Year over year trend: ↑</b> <b>Black/African American: 46.4% - ↑ Asian: 51.6% - ↓ Latino-Hispanic: 40.2% - ↑</b>		
	<b>Lead</b>	<b>Action Plans</b>	<b>Results as of June 30, 2017</b>
1.4A	VPSS VPAA	Attract a critical mass of students to targeted programs (Howard P.R.I.D.E., Silas Craft Collegians, Latino-Hispanic Student Success, Student Support Services, and Career Links) to provide supportive services to increase the graduation and transfer rates and close performance gaps of Black/African American, Asian, and Latino-Hispanic students.	<b>Partially Accomplished and Ongoing</b>  Increased number of Howard P.R.I.D.E. participants In FY17 12% and Ambiciones by 117%, exceeding their goals of 10% and 100%.  Graduated 19 Career Links (CL) students during FY17 (compared to 16 in FY16).  Arranged several trips throughout the year for Student Support Services (SSS) students. SSS coordinated an overnight campus tour of four-year colleges and universities to expose students to campus life and opportunities to meet with admissions staff. 75% (175/233 ) of the students had "good" academic standing in FY17 (as compared to 74.4% for FY16). Thirty-two students graduated in FY17 (compared to 30 in FY16).  Offered seven programs and a support group to engage women of color.
1.4B	VPAA	Continue the systematic evaluation plan for all academic programs.	<b>Partially Accomplished and Ongoing</b>  Assessed general education goals of information literacy, science and quantitative reasoning, critical thinking, oral and expressive communication, and written communication. Twenty-two program reviews were completed.
1.4C	VPAA	Continue and evaluate the undergraduate research program for STEM students.	<b>Accomplished and Ongoing</b>  Mentored 20 students completing six research projects. 85% of the students were retained from the first cohort. A new external advisory committee was established. This program is being funded, in part, by an NSF S-STEM Scholarship grant.

# HOWARD COMMUNITY COLLEGE

## Management's Discussion and Analysis June 30, 2017

1.4D	VPAA VPSS	Actively promote diversity in restricted enrollment and honors programs.	<b>Partially Accomplished and Ongoing</b>
			Reviewed all web and print materials to insure that program diversity was well represented.
			Made incremental gains in admission of racial minority students into college (54.7% minority FY17; 53.3% FY16).
			Reached out to the high schools to promote diversity enrollment in restricted and selective programs.
			Significantly increased diversity in honors programs. STEM Honors: 41.2% in fall 2015 to 48.5% in fall 2016. Increased the percentage of Black/African American, Native American and Latino-Hispanic students in the Rouse Scholars program to 17% of the class starting in fall 2016. Up from 15% in the incoming fall 2015 class.
			Increased the number of Black/African American applications to the Rouse Scholars program by 45% and the Latino-Hispanic Rouse applications by more than 100%.
			Informed Howard P.R.I.D.E. and Ambiciones students of restricted and selective enrollment programs and encouraged application.

Strategic Goal #2. Organizational Excellence			
2.1	<b><i>Increase % of minority employees to reflect county demographics from fall 2007 rates of 22.1% faculty and 20.9% staff (administrators and professional/technical) to 24% for both by fall 2015. (MHEC Indicator – target will be adjusted when new MHEC indicators and targets are confirmed)</i></b>		
	Faculty: <b>23.2%</b> Year over year trend: <b>↑</b> Staff: <b>27.7%</b> Year over year trend: <b>↓</b>		
	<b>Lead</b>	<b>Action Plans</b>	<b>Results as of June 30, 2017</b>
2.1A	ALL	Improve faculty and staff recruitment efforts outcomes and retention.	<b>Partially Accomplished and Ongoing</b> Began one-on-one interviews with minority employees to obtain suggestions for improved retention.  Continued to advertise on sites and attend job fairs that are minority-specific and to evaluate the success of those efforts.



# HOWARD COMMUNITY COLLEGE

## Management's Discussion and Analysis June 30, 2017

2.2	<i>Increase stakeholder satisfaction for students from spring 2008 rates of: 37.5% for credit students; to spring 2014, rate of 43% and for employees, from fall 2007 rate of 4.29 to fall 2012 rate of 4.35. Continuing education students will report 95% satisfaction.</i>		
	<b>Spring 2016 for credit students (38.7%)</b> Year over year trend: <b>↑</b> <b>FY17 noncredit students (98.6%)↑, fall 2016 employees (4.13 out of 5) ↑</b>		
	<b>Lead</b>	<b>Action Plans</b>	<b>Results as of June 30, 2017</b>
2.2A	ALL	<p>Use systems thinking approach to improve (Plan-Do-Check-Act) a process or processes selected by the president's team to create cost efficiencies while ensuring quality service to students and one another.</p>	<p><b>Partially Accomplished and Ongoing</b></p> <p><b>Academic Affairs</b> – Expanded the HCC honors council to include representatives from all academic divisions, as well as from student services and public relations and Marketing in order to provide greater strategic, institution-wide planning and governance to HCC honors programs. This expanded body approved and began work on an FY17-FY18 “roadmap” of curricular and programmatic enhancements to honors. Researched, devised, and approved a major revision of the honors curriculum to be implemented in spring 2018. Reduced by 25% the amount of paper used and the copying expenses for the developmental mathematics program. Revised the application and selection process for international grant funding to faculty and staff, in order to enhance access and transparency and improve monitoring of projects’ alignment with strategic College goals. As a result of these revisions, the number of foundation-funded international grants awarded in FY17 (four) was double that of the previous two fiscal years combined.</p> <p><b>Administration and Finance</b> – Implemented a contract management system that provides a centralized searchable database for procurement contracts. Finished recruiting for positions vacated through the voluntary retirement incentive, resulting in salary savings of \$335,293.</p> <p><b>Information Technology</b> – Completed implementation of a unified help desk call management system to enhance support for students and staff;</p> <p><b>Student Services</b> – As a result of the PDCA process followed during the implementation of Ellucian Student Planning, the college piloted a waitlist functionality in fall 2016 and successfully rolled out waitlists for credit classes in spring 2017.</p> <p><b>President’s Area</b> – Reinvigorated content and layout of key academic and informational web pages on HCC website, in an effort to be responsive to web analytics and audience needs.</p>

# HOWARD COMMUNITY COLLEGE

## Management's Discussion and Analysis June 30, 2017

<b>2.3</b>	<b><i>Make progress toward achieving a 50/50 FT/PT faculty ratio and adequate staffing to meet organizational needs.</i></b>		
	<b>FY17 FT/PT ratio was 42:58. Year over year trend: ↑</b>		
	<b>Lead</b>	<b>Action Plans</b>	<b>Results as of June 30, 2017</b>
2.3A	VPAA	Create scheduling efficiencies.	<p><b>Partially Accomplished and Ongoing</b></p> <p>Met credit course scheduling benchmark of 70%-90% seat/room fill ratio, and to ensure an array of offerings to accommodate diverse student schedules, achieved an average benchmark of maximum prime-time course offerings at 40%-50%.</p> <p>Replaced recitation format of 70 minutes per week in the elementary algebra program with an 'on-demand' format that provides more flexibility for students and reduces classroom utilization from three rooms to one.</p> <p>Transferred responsibility from the faculty to the office staff for entering next course clearances for students completing a developmental mathematics acceleration option. Data is entered more quickly and accurately allowing students to register for the next course in the sequence before the end of finals week.</p> <p>Assisted in the revision of the course substitution form used college-wide.</p>
2.3B	All	Analyze vacancies and determine recruitment action.	<p><b>Partially Accomplished and Ongoing</b></p> <p>Reorganized the leadership in the finance department to enhance oversight of areas.</p>

<b>2.4</b>	<b><i>Increase development/training expenditure per FTE employee to stay in top quartile. 100% of budgeted employees will complete the campus-wide online training required in each annual professional development term.</i></b>		
	<b>As of FY16 NCCBP comparative data (FY 15 data) – 68th percentile</b>		
	<b>Year over year trend: ↑</b>		
	<b>Lead</b>	<b>Action Plans</b>	<b>Results as of June 30, 2017</b>
2.4A	VPAF	Continue to effectively and efficiently expend funds on professional development, including using an optimal mix of internal and external facilitators. Explore methods to capture the value of internal facilitators.	<p><b>Partially Accomplished and Ongoing</b></p> <p>Implemented Atomic Learning online training (at no cost) to give employees more convenient opportunities to improve skills and meet training requirements.</p> <p>Continued to use an effective and efficient mix of internal and external trainers to save money and provide excellent instruction.</p>

## HOWARD COMMUNITY COLLEGE

### Management's Discussion and Analysis June 30, 2017

2.5	<i>Reduce HCC's carbon footprint 1% each year to achieve an 80% reduction in greenhouse gas emissions over 2009 levels by 2050.</i>		
	<b>Latest reading: 20.21 kg/SF</b> Year over year trend: <b>↓ Down is good.</b>		
	<b>Lead</b>	<b>Action Plans</b>	<b>Results as of June 30, 2017</b>
2.5A	VPAF	Investigate best practices; examine and refine existing metrics; incorporate new comparator for calculation of average gross emissions per square foot of built space (per 1,000 SF) aligned with the college's Facilities Master Plan (FMP) and the American College & University Presidents Climate Commitment (ACUPCC) signatories' gross emissions by Carnegie class.	<p><b>Partially Accomplished and Ongoing</b></p> <p>Incorporated new comparator for calculation of average gross emissions per square foot of built space (per 1,000 SF).</p> <p>Aligned goals with college's FMP and with ACUPCC (now AASHE) signatories for gross emissions per Carnegie class.</p> <p>Launched Green Professor Teaching Pilot to promote sustainability across the curriculum and reward faculty members who are green teachers while giving green courses a familiar face on syllabi and Canvas sites for students. Continue to revise goals to meet and exceed national standards including new goal to incorporate climate neutrality by 2050.</p>

<b>Strategic Goal #3. Building and Sustaining Partnerships</b>			
3.1	<i>Increase resources to provide scholarships and facilities to students.</i>		
	<b>See data below.</b>		
	<b>Lead</b>	<b>Action Plans</b>	<b>Results as of June 30, 2017</b>
3.1A	President	Raise \$1,300,000 for scholarships and endowments.	<p><b>Accomplished</b></p> <p>Raised \$1,574,503 (includes gifts and pledges, based on gross event revenues).</p>
3.1B	President	Obtain \$2.4 million in competitive grants.	<p><b>Partially Accomplished and Ongoing</b></p> <p>Obtained \$2,371,264 in competitive grant funding.</p>
3.1C	VPAA VPAF	Continue construction of the new SET Building. Continue the renovation design of N and ST buildings.	<p><b>Partially Accomplished and Ongoing</b></p> <p>Completed construction, furnishing, and equipping of SET building, relocated faculty and staff to new facility for start of summer classes.</p> <p>Completed design and began the first phase of construction for the NST renovation project.</p>

## HOWARD COMMUNITY COLLEGE

### Management's Discussion and Analysis June 30, 2017

<b>3.2</b>	<b><i>Increase opportunities to serve the regional needs.</i></b>		
	<b>See data below.</b>		
	<b>Lead</b>	<b>Action Plans</b>	<b>Results as of June 30, 2017</b>
3.2A	VPSS	Increase the draw rate of HCPSS recent high school graduates to 26% by continuing to promote the honors/scholars brand and by increasing dual enrollment and the Early College initiatives.	<b>Partially Accomplished and Ongoing</b>  Increased the draw rate for the fall 2016 class to 24.2%, up from 23.2% in fall 2015.
3.2B	VPSS	Increase enrollment, transfer, and college completion of adult students by implementing the adult learner initiative recommendations.	<b>Partially Accomplished and Ongoing</b>  Implemented Virtual Advising to serve the military and adult student populations  Implemented the following suggestions of the adult learner committee: <ul style="list-style-type: none"><li>• Health Care Professionals Resource Fair and panel (fall 2016)</li><li>• Business and Computer division college resource panel (fall 2016)</li><li>• Health Care Professions Adult Learner College Resource Fair (spring 2017)</li><li>• Military and Veterans College Resource Fair (spring 2017)</li></ul>

## HOWARD COMMUNITY COLLEGE

### Management's Discussion and Analysis June 30, 2017

3.2C	VPAA VPSS	Develop credit and noncredit courses that meet regional employment needs and expand internships and job opportunities.	<p><b>Partially Accomplished and Ongoing</b></p> <p>Successfully launched the Healthcare Interpreter Certificate Program (Continuing Education and Workforce Development) with the first cohort of 12 graduating students in March 2017; second cohort is established and underway.</p> <p>Developed a new certificate program in Additive Manufacturing to train students in this new technology and to prepare them for employment in a variety of technical sectors. (SET)</p> <p>Received the first and exclusively hybrid Certified Nursing Assistant (CNA) approval from the Maryland Board of Nursing for the CNA hybrid program (Con Ed).</p> <p>Collaboration between credit and noncredit nursing programs solidified pathways from CNA (noncredit) to RN (credit).</p> <p>Explored areas of regional employment needs: solar energy and cyber security.</p> <p>Submitted to Maryland Higher Education Commission for approval:</p> <ul style="list-style-type: none"><li>• Cyber Forensics Technology Certificate</li><li>• Entertainment Technology Certificate</li><li>• Healthcare Documentation Specialist Certificate</li><li>• Diagnostics Medical Vascular Certificate</li></ul>
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## HOWARD COMMUNITY COLLEGE

### Management's Discussion and Analysis June 30, 2017

#### College Planning and Strategic Goals (continued)

The following are some core work accomplishments that occurred during the fiscal year that impacted FY17 revenue and spending:

- Advocated successfully for the college's legislative agenda with federal, state, and local governments;
- Provided \$1,592,804 in overall support for scholarships and programs from the foundation to the college (\$1,106,506 for scholarships and \$486,298 for programs);
- Collaborated with web services, the Laurel College Center (LCC) and Prince George's Community College in the development and launch of a new mobile-friendly, prospective student-oriented LCC website;
- Launched first-ever digital advertising campaign for the LCC, as a result of the new LCC website;
- Leveraged the college's new SET building to create a public relations and marketing communications campaign around science, technology, engineering, and mathematics (STEM) education at HCC, which included a digital marketing campaign, new web microsite to showcase the academics in the building, and a Pathways magazine focused exclusively on STEM;
- Won a \$2 million contract from NSA (National Security Agency) to deliver in continuing education and workforce development contract training courses;
- Established a dual enrollment partnership with the Howard County Chinese School (HCCS) and are working on creating more partnerships with private organizations and schools to extend dual enrollment capacity to organizations and schools outside the Howard County Public School System;
- Received a three-year, \$215,158 grant from National Science Foundation (NSF) grant to develop an entertainment technology program and certificate;
- Developed a new certificate program in additive manufacturing to train students in this new technology and to prepare them for employment in a variety of technical sectors;
- Served community wellness/health initiatives by serving over 250 patients with their dental hygiene and cancer screening. 100 percent of the HS division participated. Hosted and participated in the annual MANS (Maryland Association of Nursing Students) State Convention (over 200 students and professionals from 25 other colleges and medical organizations);
- Launched an integrated reading and writing pre-college Developmental English Course with redesign/alignment of developmental and college English curriculum as well as restructured English and World Language adjunct faculty and lab instructor training/feedback; and,
- Completed construction of the East Garage expansion;
- Completed construction of the new SET building and moved into the building in May 2017.
- Redesigned the credit schedule to eliminate course conflicts and to expand course offerings by 12 percent;
- Completed compensation study and issued salary letters to all employees;

## HOWARD COMMUNITY COLLEGE

### Management's Discussion and Analysis June 30, 2017

#### College Planning and Strategic Goals (continued)

- Completed first full year of bookstore management by Barnes & Noble and experienced an estimate of \$440,000 in cost savings to students for the year in rental, digital, and used title formats;
- Reduced the Sodexo subsidy for a total annual savings of \$52,397 over FY16;
- Developed and updated internal policies and procedures to address legislation for Title IX, Clery Act and registered sex offenders, Stop the Bleed campaign, and Heroin and Opioid Addiction and Prevention;
- Implemented MVIEW and utilized grant opportunity for Maryland and National Capital Region Interoperable CCTV video streaming capability for enhanced campus safety in coordination with Maryland State Police, Howard County Police, and Department of Homeland Security; and,
- Ranked third nationally by Center for Digital Education for the college's use of information technology to deliver services to students, faculty, and staff;
- In collaboration with student services, completed the implementation of financial aid self-services for students' online access to financial aid awards and information;
- Installed computer security technology and applications and completed security audits in a continuous effort to improve college's technology infrastructure protection from malicious attacks and data loss;
- Completed network and infrastructure upgrades including upgrades to the campus wireless network, additional firewall, email encryption solution and upgraded 1,200 staff and student computers;
- Continued Structured Query Language (SQL) database migration project for the college's administrative computer system, which impacts all business process and services on campus;
- Implemented Virtual Advising;
- Launched a waitlist for the majority of credit courses at HCC;
- Revised financial aid packaging criteria for a more targeted approach for tuition, fees, and books for in-county students with high and moderate financial need;
- Welcomed the first Early College Cohort students (Cybersecurity) to HCC as full-time students while completing their senior year of high school;
- Created a structure to provide financial aid support to Howard Pride, Ambiciones, and Career Links students;
- Served 404 HCC students through the HCC Food Pantry;
- Completed the Maryland State Department of Education's validation process for early childhood programs and was accredited for three years;
- Hosted the National Junior College Athletic Association (NJCAA) Outdoor Division III Track National Championships;
- The Safe Zone Committee collaborated with Dragon Digital Media to create, *It Gets Better at Howard Community College*, a video that features students, faculty, and staff supporting and encouraging the Lesbian, Gay, Bi-Sexual, and Transgender community. The video won an International Accolade award;
- The Career Center connected with 343 employers, an 88.5 percent increase, compared to FY16 (182);

## **HOWARD COMMUNITY COLLEGE**

### **Management's Discussion and Analysis June 30, 2017**

#### **College Planning and Strategic Goals (continued)**

- Enrolled the highest percentage of students with disabilities in credit courses in the state according to the Maryland Association of Community Colleges databook;
- Counseling services improved its national comparison of pre-post change, using data from the Counseling Center Assessment of Psychological Symptoms (CCAPS), personal counseling clients with moderate and/or elevated distress on the Academic Distress Scale of the CCAPS, achieving an improvement that was greater than 97 percent of other counseling centers.



# HOWARD COMMUNITY COLLEGE

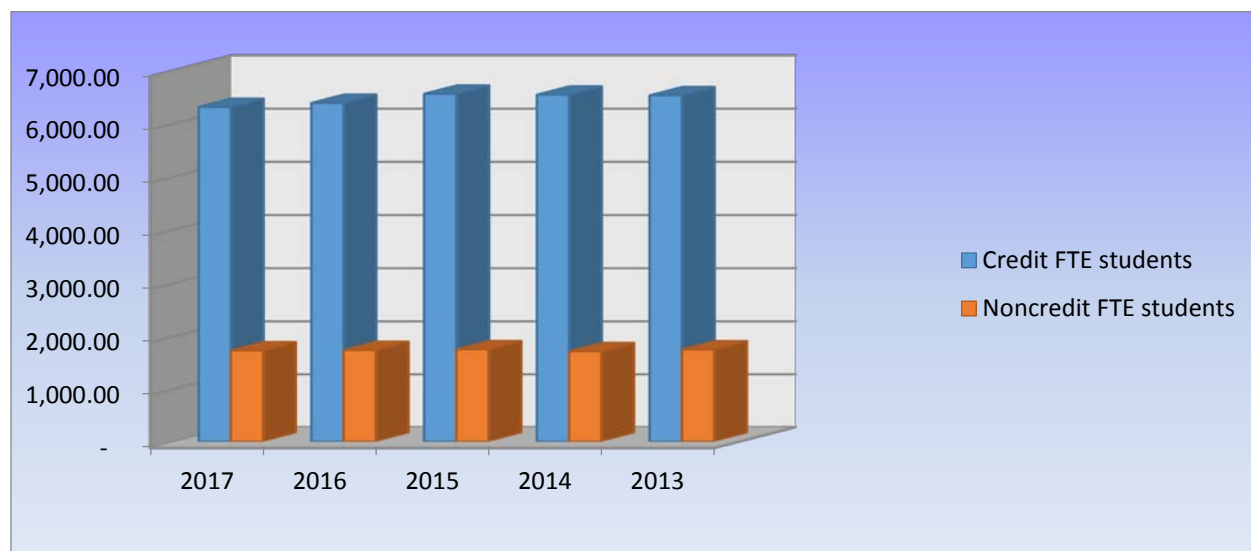
## Management's Discussion and Analysis June 30, 2017

### Enrollment Statistics and Analysis

For the year ended June 30, 2017, the college served approximately 14,220 credit and 15,674 noncredit students. Student enrollment data is defined and reported annually to the Maryland Higher Education Commission in terms of full-time equivalent (FTE) students; FTE represents 30 hours of instruction. FTE is an important statistic of the college as it is the basis for comparison among the various state colleges and is, in part, what determines the college's state funding.

During FY17, the state approved credit and noncredit enrollments of 6,071.21 and 1,353.33 FTE. As compared to the prior year, this is a decrease of 118.56 credit FTE, however, it is an increase of 27.83 in noncredit FTE. State-funded FTE do not include out-of-state students, employees who took classes, and other ineligible students determined by the state. Overall, credit FTE of 6,308.27 decreased 77.46 FTE, or 1.2 percent. Noncredit FTE of 1,729.86 decreased 6.52, or .4 percent. Together this number created a total decrease in FTE of 83.98, or one percent. The college had anticipated enrollment to be flat in FY17. Nationwide, community colleges are experiencing declining enrollment as the improving economy attracts more people into the workforce and birthrates drop.

The chart below shows total FTE as opposed to state-funded FTE for fiscal years 2013 through 2017.



	2017	2016	2015	2014	2013
Credit	6,308.27	6,385.73	6,557.53	6,540.96	6,528.33
Noncredit	1,729.86	1,736.38	1,751.30	1,714.62	1,746.89
<b>Total FTE</b>	<b>8,038.13</b>	<b>8,122.11</b>	<b>8,308.83</b>	<b>8,255.58</b>	<b>8,275.22</b>

As seen in the data above, the FTE decline was 2.9 percent for this five-year period. No growth in credit or noncredit enrollment is anticipated in the FY18 budget.

## **HOWARD COMMUNITY COLLEGE**

### **Management's Discussion and Analysis June 30, 2017**

#### **Economic Impact**

The college's economic stability comes primarily from three revenue sources: tuition and fees from students, and funding appropriations from Howard County Government and the State of Maryland. The original intent was that one-third of the college's operating funds would come from each of these sources; however, in FY17, the actual unrestricted revenue was 42 percent from students, 35 percent from the county, and 19 percent from the state, with the final four percent coming from auxiliary and miscellaneous revenue.

Although the college's per credit hour tuition rate increased by two dollars per credit hour, the student share of actual unrestricted revenue declined by one percent. This is the result of the one percent enrollment decline in FY17.

State funds are distributed through the Cade funding formula, with the community colleges receiving a percentage of what the four-year institutions receive in funding from the state. Due to the improving state economy, the state was able to increase the college's operating appropriation by eleven percent, or \$1,688,521 over the FY16 budget. This increase subsequently improved the state's share of actual unrestricted revenue by two percent over the prior year.

The college received a four percent, or \$1,240,011 increase in FY17 operating funding from the county. This increase, therefore, increased the county's actual unrestricted share of revenue by one percent over the prior year.

The auxiliary and miscellaneous revenue declined by two percent. This reduction is primarily due to outsourcing the college's bookstore operations, which decreased gross revenue. The commissions from the bookstore's outsourcing contract have improved the auxiliary operations bottom line.

#### **Financial Statement Highlights and Analyses**

The financial statements, as prepared in accordance with GASB Statement nos. 34 and 35, are designed to present the college as a whole unit, consolidating the various funds (operating, continuing education, special, auxiliary, and facilities) and emulating corporate financial statements. The purpose of the statement of net position is to identify the college's financial and capital resources in one consolidated statement. The statement of revenue, expenses, and changes in net position identifies the college's operating revenue and expenses for its various programs, and also shows the support the college receives from Howard County Government, the State of Maryland, and various federal, state, and local grant programs. This statement also highlights spending in the various functional areas. Finally, the statement of cash flows identifies sources and uses of cash, and the change in the cash balance from the previous fiscal year.

The college's financial position remains positive. The net position of the college increased eleven percent over the prior year. The college's infrastructure continues to grow with the expansion of the east parking garage and the addition of the science, engineering, and

## **HOWARD COMMUNITY COLLEGE**

### **Management's Discussion and Analysis June 30, 2017**

#### **Financial Statement Highlights and Analyses (continued)**

technology (SET) building. Both structures opened for use during FY17. These additions increased the college's fixed assets by 14 percent in both FY17 and FY16. The parking garage expansion reduced cash held by the college for that project, reduced some of the college's short-term debt owed to the county, and increased the college's long-term bond debt. The winding down of these capital projects reduced the outstanding receivable from the state and corresponding payable to the county. The county pays for state-funded project costs upfront. The state share is reimbursement only after the county has paid its share of the project costs.

The primary decline in both operating revenue and expenses was in the auxiliary's bookstore operations. FY16 includes bookstore gross revenue and expenses from the summer and fall terms, when the college operated the bookstore. Since then the operation has been outsourced, causing a decline in gross revenue and expenses. Outsourcing resulted in a decrease in the auxiliary operating loss and reduced the college's operating loss. It should also be noted that the discontinued operations of the Mount Airy College Center for Health Care Education (MACCHCE) in FY17 and the one-time FY16 write off of its associated assets, positively impacted the operating loss comparison between the current and prior year.

Efforts continue to be made college-wide to determine cost savings within departments and divisions. The college also works to create new opportunities for cost savings by partnering with other colleges and organizations on shared goals and objectives.

During FY16, the college completed a voluntary retirement incentive program that reduced FY17 part-time salary costs. Efforts to reduce the food services subsidy have been successful. Careful consideration of class offerings throughout the year have maximized the use of space and reduced staffing costs. Discontinuing operations of the MACCHCE in FY17 and the Mediation and Conflict Resolution Center in the FY18 budget were done because the cost to operate these operations outweighed the benefit to HCC students.

A major financial challenge facing the college today is funding, and its impact on affordability. With state support at only 19 percent of unrestricted revenue, the burden of education falls heavily on the Howard County Government and HCC students. With the Maryland economy doing well, more students are opting to work rather than go to school and bear the burden of student loan debt. With declining enrollment trending throughout our nation, the college will continue to look for ways to reduce operating costs.

# HOWARD COMMUNITY COLLEGE

## Management's Discussion and Analysis June 30, 2017

### Financial Statement Highlights and Analyses (continued)

#### STATEMENTS OF NET POSITION

	June 30, 2017	June 30, 2016, restated	Dollar Variance	Percentage Variance
<b>ASSETS</b>				
Current assets	\$ 45,445,958	\$ 61,901,895	\$ (16,455,937)	-27%
Non-current assets, net	256,296,131	224,155,497	32,140,634	14%
<b>Total Assets</b>	<b>301,742,089</b>	<b>286,057,392</b>	<b>15,684,697</b>	<b>5%</b>
<b>Deferred outflows of financial resources – pension related</b>	<b>770,416</b>	<b>604,392</b>	<b>166,024</b>	<b>27%</b>
<b>LIABILITIES</b>				
Current liabilities	25,513,223	38,343,463	(12,830,240)	-33%
Non-current liabilities	10,538,161	9,166,614	1,371,547	15%
<b>Total Liabilities</b>	<b>36,051,384</b>	<b>47,510,077</b>	<b>(11,458,693)</b>	<b>-24%</b>
<b>Deferred inflows of financial resources – pension related</b>	<b>172,617</b>	<b>207,010</b>	<b>(34,393)</b>	<b>-17%</b>
<b>NET POSITION</b>				
Net investment in capital assets	242,584,705	210,189,308	32,395,397	15%
Restricted funds, expendable	363,121	376,712	(13,591)	-4%
Unrestricted	23,340,678	28,378,677	(5,037,999)	-18%
<b>Total Net Position</b>	<b>\$ 266,288,504</b>	<b>\$ 238,944,697</b>	<b>\$ 27,343,807</b>	<b>11%</b>

#### Designations of unrestricted net position:

	June 30, 2017	June 30, 2016, restated	Variance
Continuing education	\$ 3,851,017	\$ 3,464,285	\$ 386,732
Auxiliary enterprises	4,219,417	4,019,613	199,804
Special funds	9,886,526	10,428,393	(541,867)
Facility funds	7,403,831	12,811,639	(5,407,808)
Other	1,989,882	1,504,862	485,020
Unfunded pension related items	(2,159,242)	(2,182,493)	23,251
Unfunded vacation liability	(1,850,753)	(1,667,622)	(183,131)
<b>Total unrestricted net position</b>	<b>\$ 23,340,678</b>	<b>\$ 28,378,677</b>	<b>(\$5,037,999)</b>

- *Total assets* increased \$15,684,697, or five percent over the prior year. The primary decrease in *current assets* was in the state receivable and cash. During the year, the state paid \$14.5 million dollars on capital construction receivables. In addition, the college reduced its cash position when it reduced a portion of its current liability to the county for payments made for the east parking garage expansion project. *Non-current assets* increased due to the capitalization of the parking garage and the science, engineering, and technology building. The increase is net of depreciation on capital assets. Capital assets include land, buildings, renovation costs, furniture, equipment,

## HOWARD COMMUNITY COLLEGE

### Management's Discussion and Analysis June 30, 2017

#### Financial Statement Highlights and Analyses (continued)

software, library books, leaseholds, land improvements, and construction in progress (CIP). CIP, valued as of June 30, 2017, of \$3,273,401 includes costs to date of the nursing/science and technology buildings renovation project. The breakdown by asset category can be found in Note 7 of the financial statements.

- *Total liabilities* decreased \$11,458,693, or 24 percent from the prior year. The primary decrease in *current liabilities* was in the payable to Howard County for construction. The construction payables decreased due to the payment received from state, net of the increase in that liability from the college for the parking garage. The payable due to the county for construction projects that the county pays up front on behalf of the state decreased as the receivable due from the state for construction decreased (see the offsetting receivable from the state mentioned in assets above). The county has been paying for the parking garage construction and some of this current liability will be converted to long-term bond debt in FY18 as the project is closed out. *Non-current liabilities* include the college's portion of the state pension liability for certain employees and bond debt. The bonds are held by the county on behalf of the college and provided funding for capital assets. Both the pension liability and the bond debt increased. New debt for the parking garage expansion increased the liability, net of repayments, and refunding of the debt done by the county. The debt repayment schedule is detailed in Note 8 of the financial statements.
- Deferred outflows increased 27 percent and deferred inflows decreased 17 percent. These items are related to the college's pension liability for certain employees and are discussed in note 10 of the financial statements.
- These changes resulted in an increase in the college's *net position* of \$27,343,807, or 11 percent. *Restricted funds*, which decreased four percent, satisfied grant obligations during FY17. The balance remaining will satisfy obligations in FY18.
- The college's *unrestricted net position* is internally designated as outlined in the previous chart. The decrease in facilities funds was caused by spending on capital projects, and the repayment of some of the short-term debt owed to the county for the parking garage project. Special funds decreased due to the use of one-time funds allocated in the prior year for startup costs for the new science, engineering, and technology building. In addition, other increased because the FY18 operating budget required more carry-over funding to balance the budget.

# HOWARD COMMUNITY COLLEGE

## Management's Discussion and Analysis June 30, 2017

### Financial Statement Highlights and Analyses (continued)

#### STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Dollar Variance</u>	<u>Percentage Variance</u>
<b>Total Operating Revenue</b>	<u>\$ 32,909,576</u>	<u>\$ 34,215,690</u>	<u>\$ (1,306,114)</u>	<u>-4%</u>
<b>Operating Expenses</b>				
Instruction	45,397,339	45,207,135	190,204	0%
Public service	886,067	972,948	(86,881)	-9%
Academic support	5,591,369	5,028,648	562,721	11%
Student services	10,026,559	9,745,058	281,501	3%
Operation and maintenance of facilities	9,518,548	9,811,128	(292,580)	-3%
Institutional support	15,286,328	14,924,255	362,073	2%
Scholarships and related expenses	2,733,628	2,177,427	556,201	26%
Auxiliary enterprises	2,428,730	4,020,685	(1,591,955)	-40%
Certain fringe benefits paid directly by the state	4,613,344	4,371,044	242,300	6%
Unallocated depreciation	9,921,691	12,325,867	(2,404,176)	-20%
Total operating expenses	<u>106,403,603</u>	<u>108,584,195</u>	<u>(2,180,592)</u>	<u>-2%</u>
<b>Operating loss</b>	<u>(73,494,027)</u>	<u>(74,368,505)</u>	<u>874,478</u>	<u>-1%</u>
<b>Non-operating Revenue (Expenses)</b>				
Government appropriations	49,792,654	46,864,122	2,928,532	6%
Grants and contracts	15,098,662	15,150,887	(52,225)	0%
Certain fringe benefits paid directly by government	5,085,462	4,640,117	445,345	10%
Investment income	208,765	83,624	125,141	150%
Interest on debt to Howard County	(314,463)	(310,225)	(4,238)	1%
<b>Net Non-operating Revenue</b>	<u>69,871,080</u>	<u>66,428,525</u>	<u>3,442,555</u>	<u>5%</u>
Loss before capital appropriations	(3,622,947)	(7,939,980)	4,317,033	-54%
Capital appropriations	<u>30,966,754</u>	<u>33,303,354</u>	<u>(2,336,600)</u>	<u>-7%</u>
Increase in net position	27,343,807	25,363,374	1,980,433	8%
Net position, beginning of year	238,944,697	213,581,323	25,363,374	12%
<b>Net Position, End of Year</b>	<u>\$ 266,288,504</u>	<u>\$ 238,944,697</u>	<u>\$ 27,343,807</u>	<u>11%</u>

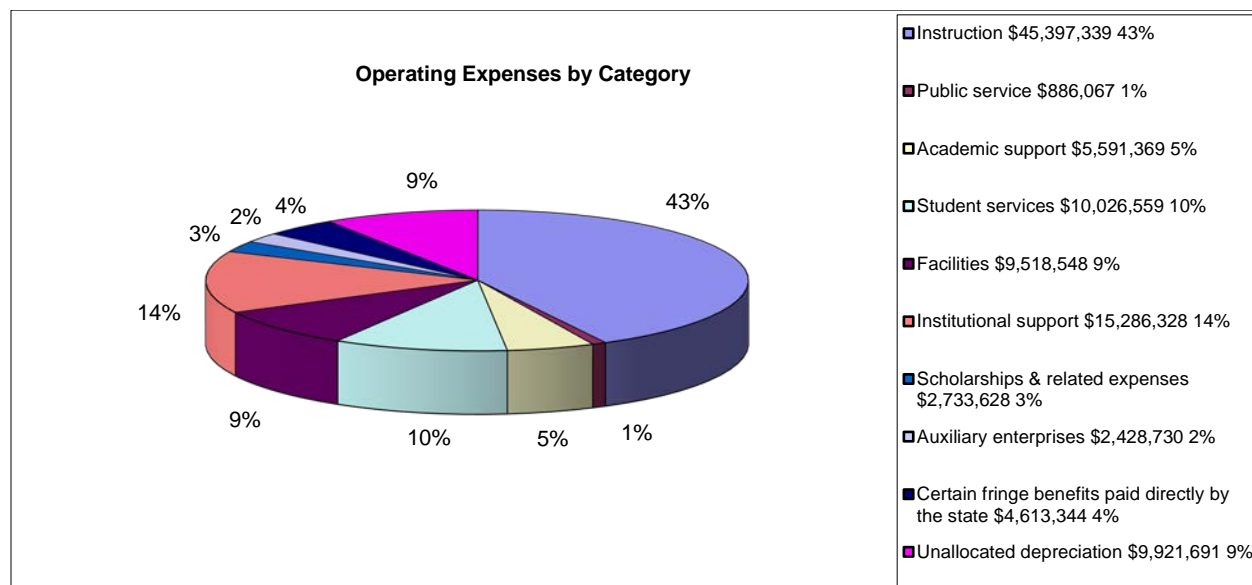
- *Operating revenue* had a four percent decline from the prior year. Lower auxiliary revenue from outsourcing the bookstore is the primary cause for the decrease. This is because the bookstore revenues are now on the outsourced vendor's books and the college books only reflect the commissions received on those revenues. However, outsourcing has reduced the net loss of the combined auxiliary operations. Auxiliary services include the bookstore, food service, the Children's Learning Center, and athletics. Both the food service and the Children's Learning Center operate at an intended deficit in order to provide affordable meals and child care to HCC students. These programs are supported by the operating fund.

# HOWARD COMMUNITY COLLEGE

## Management's Discussion and Analysis June 30, 2017

### Financial Statement Highlights and Analyses (continued)

- *Non-operating revenue* had a five percent increase over the prior year. The county appropriation increased four percent and the state appropriation increased eleven percent in FY17. Increased investment income due to rising interest rates caused a 150 percent increase in investment income. Retirement benefits paid on behalf of the college by the State of Maryland and Howard County Government increased 10 percent.



- Total *operating expenses* decreased \$2,180,592, or two percent from the prior year. *Instruction and academic support* together represent 48 percent of expenditures. Expenditures in the *academic support* function increased eleven percent due to higher expenditures on technology. The instructional expenditures were only slightly higher than the prior year. This is due to the discontinued operations of the Mount Airy College Center for Health Care Education and lower enrollment in FY17.
- The *public service* function decreased nine percent, or \$86,881 from the prior year. Grant funding to support the Mediation and Conflict Resolution Center was not renewed in FY17, and caused the decline in spending. As a result, the college made the difficult decision not to include the center in the college's FY18 budget.
- The *facilities* function decreased three percent, or \$292,580 from the prior year. This decline in expenses is primarily due to the decrease in the pension expense. Offsetting this savings were operating costs of the new science, engineering, and technology building.

# HOWARD COMMUNITY COLLEGE

## Management's Discussion and Analysis June 30, 2017

### Financial Statement Highlights and Analyses (continued)

- The *scholarships and related expenses* increased 26 percent or \$556,201 over the prior year. This expense represents financial assistance paid directly to students for expenses other than their college charges of tuition and fees. With the outsourcing of the college's bookstore, students are using financial assistance to pay a third party and not the college. Therefore, book costs for the entire year of FY17, as opposed to only a partial year of FY16, are included in scholarships in FY17.
- Expenses in *auxiliary enterprises* declined 40 percent, or \$1,591,955 due to the outsourcing of the bookstore. FY16 contains a partial year of internal bookstore operating costs, however, FY17 contains none.
- The county portion of *benefits paid by government* is now included in functional expenses. Those costs were \$472,118 in FY17, and \$269,073 in FY16. The state portion of expense increased six percent, or \$242,300.
- Due to the June 2016 closing of the Mount Airy College Center for Health Care Education, the capitalized costs to renovate the center and some of the purchased equipment were retired at the end of FY16. This contributed to the large variance in *unallocated depreciation* of 20 percent, or the \$2,404,176, decline from the prior year.
- *Capital appropriations* from the county and state government decreased \$2,336,600, or seven percent from the prior year. Funding for the new science, engineering, and technology building, and the expansion of the east parking garage, declined from the prior year as these projects were winding down by year-end.

STATEMENTS OF CASH FLOWS				
	June 30, 2017	June 30, 2016	Dollar Variance	Percentage Variance
<b>Cash Flows From Operating Activities</b>				
Net cash used in operating activities	\$ (57,519,571)	\$ (57,436,767)	\$ (82,804)	0%
<b>Cash Flows From Non-Capital Financing Activities</b>				
Net cash provided by non-capital financing Activities	64,802,019	62,181,418	2,620,601	4%
<b>Cash Flows From Capital Financing Activities</b>				
Net cash used by capital financing activities	(9,133,585)	(2,397,626)	(6,735,959)	281%
<b>Cash Flows From Investing Activities</b>				
Net cash provided by Investing Activities	208,765	83,624	125,141	150%
Net (Dec.)/Inc. in cash and cash equivalents	(1,642,372)	2,430,649	(4,073,021)	-168%
Cash, beginning of the year	36,448,997	34,018,348	2,430,649	7%
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 34,806,625</u>	<u>\$ 36,448,997</u>	<u>\$ (1,642,372)</u>	-5%



## HOWARD COMMUNITY COLLEGE

### Management's Discussion and Analysis June 30, 2017

#### Financial Statement Highlights and Analyses (continued)

- Cash and cash equivalents decreased \$1,642,372, or five percent from the prior year.
- The primary inflow of cash from operations continues to come from student tuition and fees. This inflow increased six percent due to larger deposits, and payments made on next year's summer and fall term, both held in deferred revenue. The primary outflows of cash from operations are supplier payments, employee compensation, and employee benefits costs. Payments to suppliers declined three percent, and auxiliary enterprises declined 39 percent. This was primarily due to computer and other equipment purchases made at year-end that were due but not paid, and the complete elimination of bookstore purchases in FY17. Employee compensation increased two percent, while employee benefits decreased three percent. The decrease in benefits was primarily due to reduction of pension expense in FY17. This netted to an overall zero percent change in cash used *in operations*.
- State and local appropriations are the primary cash inflows from *non-capital financing activities*. Other funds come from grants and contracts. Both the county and state increased funding four and eleven percent, respectively. Grants decreased one percent, and agency receipts declined. Student loan receipts and disbursements increased four percent as student borrowing increased. The net increase in cash provided by *non-capital financing activities* was four percent over to the prior year.
- *Capital financing activities* include resources received from Howard County Government and the State of Maryland for the college's capital projects, purchase of capital assets, and the issuance and repayment of debt. The large increase of 332 percent in this area was the issuance of new debt by the county for the east parking garage project. Payments made on that debt increased 27 percent. In addition, the college's capital appropriations declined 16 percent as construction slowed toward the end of the east parking garage and SET projects. Overall, the college had a 281 percent increase in net cash used by *capital financing activities*.
- The college's *investing activity* cash flows come from investment income. Interest rates steadily rose during FY17, resulting in a 150 percent increase in net cash provided by *investing activities*.

The college believes that its liquidity position as of June 30, 2017, is adequate. The college's current assets are deemed to be sufficient to pay its current liabilities as of June 30, 2017.

As the college collects the majority of its tuition revenue at the beginning of each term and receives its grants and appropriations regularly, liquidity should not be an issue for the next fiscal year.

## **HOWARD COMMUNITY COLLEGE**

### **Management's Discussion and Analysis June 30, 2017**

#### **Economic Factors that Will Affect the Future**

Howard County and the State of Maryland provide significant resources to the college for both its operating and capital budgets. Restricted funding from federal, state, and local governments cover significant expenses for college programs and provide support to students with financial need. This support, exclusive of capital appropriations, is reflected on the financial statements as non-operating revenue. In FY17, these funds covered 66 percent of operating expenses, therefore, the economic condition of the country, state, and county are critical to the college's future financial health.

The economy of the county is continuing to grow. The unemployment rate was 3.3 percent versus 3.5 percent a year ago and is the lowest in the state. Revenue growth of the Howard County Government is projected to increase 3.9 percent in FY18, with property taxes expected to increase 2.5 percent and income tax growth projected to increase 3.5 percent.

Concern over lower county revenue results from the county's aging population and the increased multi-use housing because of lower anticipated incomes from those groups. In addition, the county is heavily dependent on federal government spending. Reductions in federal spending could negatively impact future county revenue.

Long term, the county is limited in land available for development both in quantity and configuration. However, development in growth corridors and the re-development of Downtown Columbia will contribute to the county's long-term economic progress. In FY17, the college received a four percent increase from the county, and is approved to receive a 5.3 percent increase in FY18.

The economic conditions in Maryland have continued to strengthen in recent months. The unemployment rate dropped to 4.1 percent from 4.3 percent the year before. The Maryland labor markets have generally expanded while housing market conditions have also shown signs of improvement. The state was able to give the community colleges an increase of 5.2 percent for FY17. HCC received an eleven percent increase from the state in FY17, and was approved for a 3.18 increase in FY18.

The college experienced a 1.92 decline in state-funded credit enrollment in FY17 and is anticipating no enrollment growth in FY18. Based on Howard County Public School System enrollment reports, the system is not anticipating an increase in the graduating class until FY20. Based on this and the improved economy, the college is anticipating little increase in enrollment for the next few years. As enrollment slows, tuition and fees that supported 42 percent of the unrestricted budget in FY17 will decline, unless tuition rates continue to rise. Tuition rates increased by two dollars per credit hour in FY17 and will again in FY18 in order to balance the budget.

## **HOWARD COMMUNITY COLLEGE**

### **Management's Discussion and Analysis June 30, 2017**

#### **Economic Factors that Will Affect the Future (continued)**

In FY17, the college opened a new building and expanded the east parking garage. The east parking garage expansion increased the college's bond debt, which will be repaid with student fees in future years. HCC continues to renovate existing buildings during the next two years, with a capital project that is funded by the county and the state. With limited capital funds at the state level, the college does not anticipate being awarded additional state capital funds for campus growth until 2020.

#### **Requests for Information**

The management's discussion and analysis financial report is intended to provide a general overview of the college's finances. Questions concerning information within this report or requests for additional information should be addressed to the office of administration and finance, Howard Community College, 10901 Little Patuxent Parkway, Columbia, Maryland 21044. Email questions can be sent to [FinanceOffice@howardcc.edu](mailto:FinanceOffice@howardcc.edu).

Electronic versions of this audit report are provided for information only and for the convenience of the reader. While reasonable efforts have been made to ensure the integrity of electronic statements, they should not be relied on. A copy of the printed financial statements will be provided upon written request made to: Howard Community College, 10901 Little Patuxent Parkway, Columbia, Maryland 21044; Attention: The Office of the Vice President of Administration and Finance. Email requests should be sent to [FinanceOffice@howardcc.edu](mailto:FinanceOffice@howardcc.edu).

## **FINANCIAL STATEMENTS**

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# HOWARD COMMUNITY COLLEGE

## Statements of Net Position June 30, 2017

	Howard Community College	Howard Community College Educational Foundation, Inc.
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 34,806,625	\$ 622,890
Investments	-	4,417,429
Tuition and other receivables, net of allowance of \$2,804,048	324,026	-
Federal, state, local, and other receivables, net	9,789,340	-
Prince George's Community College - partnership receivable	39,805	-
Contributions receivable, net	-	354,042
Prepaid expenses and other assets	486,162	30,449
Total current assets	45,445,958	5,424,810
<b>Non-current Assets</b>		
Investments and interest in irrevocable trust	-	7,133,524
Contributions receivable, net	-	177,021
Capital assets, net	256,296,131	-
Total non-current assets	256,296,131	7,310,545
<b>Total Assets</b>	301,742,089	12,735,355
<b>Deferred outflows of financial resources – pension related</b>	770,416	-
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued wages	5,464,669	70,688
Accrued compensated absences	2,451,142	-
Payable to Howard County for construction	11,360,147	-
Other payables	553,568	-
Bonds payable, Howard County, current portion	720,072	-
Deposits	143,287	-
Agency funds	1,568,420	-
Unearned revenue	3,251,918	201,350
Total current liabilities	25,513,223	272,038

The accompanying notes are an integral part of these financial statements.

# HOWARD COMMUNITY COLLEGE

## Statements of Net Position – (continued) June 30, 2017

	Howard Community College	Howard Community College Educational Foundation, Inc.
<b>Non-current Liabilities</b>		
Pension Liability	\$ 2,757,041	\$ -
Bonds payable, Howard County, net of current portion	7,781,120	-
Total non-current liabilities	10,538,161	-
<b>Total Liabilities</b>	36,051,384	272,038
<b>Deferred inflows of financial resources - pension related</b>	172,617	-
Net investment in capital assets	242,584,705	-
Restricted for:		
Nonexpendable:		
Scholarships	-	7,133,524
Expendable:		
Scholarships	-	3,338,807
Program uses	363,121	306,013
Unrestricted	23,340,678	1,684,973
<b>Total Net Position</b>	<b>\$ 266,288,504</b>	<b>\$ 12,463,317</b>

The accompanying notes are an integral part of these financial statements.

# HOWARD COMMUNITY COLLEGE

## Statements of Revenue, Expenses and Changes in Net Position For the Year Ended June 30, 2017

	Howard Community College	Howard Community College Educational Foundation, Inc.
<b>Revenue</b>		
Operating Revenue		
Student tuition and fees (net of discounts, allowances, and financial aid of \$11,080,434)	\$ 30,052,210	\$ -
Cultural, community, and other programs (net of financial aid of \$39,095)	903,728	-
Auxiliary enterprises revenue (net of financial aid of \$121,969)	1,447,637	-
Other operating revenue	506,001	-
Contributions, including in-kind	-	2,021,275
Special events	-	263,578
<b>Total Operating Revenue</b>	<b>32,909,576</b>	<b>2,284,853</b>
<b>Operating Expenses</b>		
Instruction	45,397,339	-
Public service	886,067	-
Academic support	5,591,369	-
Student services	10,026,559	-
Facilities	9,518,548	-
Institutional support	15,286,328	413,559
Scholarships and related expenses	2,733,628	-
Program expenses	-	1,592,804
Cost of direct benefits to donors	-	47,552
Fundraising	-	357,143
Auxiliary enterprises	2,428,730	-
Certain fringe benefits paid directly by the State of Maryland	4,613,344	-
Unallocated depreciation	9,921,691	-
<b>Total Operating Expenses</b>	<b>106,403,603</b>	<b>2,411,058</b>
<b>Operating (Loss)</b>	<b>(73,494,027)</b>	<b>(126,205)</b>
<b>Non-Operating Revenue (Expenses)</b>		
Howard County government appropriations	32,240,298	-
State of Maryland appropriations	17,552,356	-
Federal, state, local, and other grants and contracts	15,098,662	38,549
Certain fringe benefits paid directly by the State of Maryland and Howard County Government	5,085,462	-
Investment income	208,765	157,198
Net realized and unrealized gain on investments	-	1,163,443
Interest expense	(314,463)	-
<b>Net Non-Operating Revenue</b>	<b>69,871,080</b>	<b>1,359,190</b>
<b>(Loss) Income before Capital Appropriations</b>	<b>(3,622,947)</b>	<b>1,232,985</b>

The accompanying notes are an integral part of these financial statements.

## HOWARD COMMUNITY COLLEGE

### Statements of Revenue, Expenses and Changes in Net Position (continued) For the Year Ended June 30, 2017

	Howard Community College	Howard Community College Educational Foundation, Inc.
Capital appropriations, State of Maryland	\$15,423,058	\$ -
Capital appropriations, Howard County	15,543,696	-
<b>Total Capital Appropriations</b>	<b>30,966,754</b>	<b>-</b>
Changes in net position	27,343,807	1,232,985
Net position, beginning of year	238,944,697	11,230,332
<b>Net Position, End of Year</b>	<b>\$ 266,288,504</b>	<b>\$ 12,463,317</b>

The accompanying notes are an integral part of these financial statements.



# HOWARD COMMUNITY COLLEGE

## Statement of Cash Flows For the Year Ended June 30, 2017

	Howard Community College
<b>Cash Flows From Operating Activities</b>	
Student tuition and fees	\$ 30,943,378
Payments to suppliers	(22,444,600)
Payments to employees	(56,622,903)
Payments for employee benefits	(12,252,812)
Auxiliary enterprises	1,447,637
Other receipts	1,409,729
<b>Net Cash From Operating Activities</b>	<b>(57,519,571)</b>
<b>Cash Flows From Non-Capital Financing Activities</b>	
Local appropriations	32,240,298
State appropriations	17,552,356
Grant and contracts	14,949,415
Student loan receipts	7,405,680
Student loan disbursements	(7,405,680)
Agency fund receipts	547,007
Agency funds disbursements	(487,057)
<b>Net Cash From Non-Capital Financing Activities</b>	<b>64,802,019</b>
<b>Cash Flows From Capital Financing Activities</b>	
Capital appropriations	31,802,588
Purchase of capital assets	(41,918,588)
Interest expense payments	(314,463)
New bond issue	2,020,010
Principal payments on bonds	(723,132)
<b>Net Cash From Capital Financing Activities</b>	<b>(9,133,585)</b>
<b>Cash Flows From Investing Activities</b>	
Investment interest	208,765
<b>Net Cash From Investing Activities</b>	<b>208,765</b>
Net decrease in cash and cash equivalents	(1,642,372)
Cash and cash equivalents, beginning of year	36,448,997
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 34,806,625</b>

The accompanying notes are an integral part of these financial statements.

## HOWARD COMMUNITY COLLEGE

### Statement of Cash Flows (continued) For the Year Ended June 30, 2017

	<b>Howard Community College</b>
<b>Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities:</b>	
Operating loss	\$ (73,494,027)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	9,921,691
In-kind contributions	5,510
Amounts paid directly by the state and county	5,085,462
Effects of changes in non-cash operating assets and liabilities:	
Receivables, net	306,741
Prepaid expenses and other assets	(154,014)
Accounts and other payables	(15,844)
Pension liability	142,773
Unearned revenue	499,006
Compensated absences	183,131
<b>Net Cash From Operating Activities</b>	<b>\$ (57,519,571)</b>
<b>Howard Community College Educational Foundation, Inc.</b>	
<b>Cash Flows From Operating Activities</b>	
Change in net position	\$ 1,232,985
Adjustments to reconcile change in net position to net cash used in operating activities:	
Net realized and unrealized gain on investments	(1,252,915)
Amortization of discount on contributions receivable	(10,078)
Effects of changes in non-cash operating assets and liabilities:	
Contributions receivable, net	208,718
Prepaid expenses and other assets	(6,663)
Accounts payable and accrued wages	(771)
Due to Howard Community College	30,113
Unearned revenue	102,475
<b>Net Cash From Operating Activities</b>	<b>303,864</b>
<b>Cash Flows From Investing Activities</b>	
Proceeds from sale of investments	775,331
Purchase of investments	(981,640)
<b>Net Cash From Investing Activities</b>	<b>(206,309)</b>
Net increase in cash and cash equivalents	97,555
Cash and cash equivalents, beginning of year	525,335
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 622,890</b>

The accompanying notes are an integral part of these financial statements.

# **HOWARD COMMUNITY COLLEGE**

## **Notes to the Financial Statements June 30, 2017**

### **1. ORGANIZATION AND BACKGROUND**

Howard Community College (the “college”), founded by the Board of Education of Howard County (the “county”), was formally authorized by the County Commissioners to provide a full range of educational services to the county’s citizens; however, citizens of other counties and states are also eligible to attend. In FY17, 74.8 percent of the college’s credit student populations were county residents. The college is fully accredited by the Middle States Commission on Higher Education and by the Maryland Higher Education Commission to offer programs of learning and to award associate degrees and certificates of proficiency.

A seven-member board of trustees, appointed by the Governor of Maryland, governs the college. The college president is a non-voting member and serves as the secretary-treasurer.

The college has been defined as a component unit of Howard County, Maryland government, and the college’s financial statements are included in the comprehensive annual report of the county in accordance with generally accepted accounting principles.

The Howard Community College Educational Foundation, Inc. (the “foundation”) is a separate legal entity with a separate board of directors. The foundation is a nonprofit organization established in 1978 to provide charitable benefits to the college and financial aid to qualified students attending the college. The college’s president holds the position of secretary and the college’s director of development holds the position of executive director. The foundation operates independently of the college.

Since the foundation was established for the purpose of obtaining resources and to provide charitable benefits to the college, it is considered a component unit of the college, and is discretely presented in the college’s financial statements.

Complete financial statements of the foundation can be obtained by contacting the foundation’s administrative office located at Howard Community College, 10901 Little Patuxent Parkway, Columbia, MD 21044-3197. Email requests can be sent to [Foundation@howardcc.edu](mailto:Foundation@howardcc.edu).

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Presentation**

The accompanying financial statements are prepared using accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board (GASB).

# **HOWARD COMMUNITY COLLEGE**

## **Notes to the Financial Statements June 30, 2017**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Basis of Presentation (Continued)**

Given the importance of tuition, fees, and other exchange-type transactions in financing higher education, the college adopted the financial reporting model required by GASB for business-type activities (BTA). Colleges reporting as BTAs follow GASB standards applicable to proprietary (enterprise) funds. Accordingly, the accompanying college financial statements have been prepared on the accrual basis of accounting in accordance with governmental accounting standards generally accepted in the United States of America.

The foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB), including FASB Accounting Standards Codification Topic no. 958. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the foundation's financial information in the college's financial reporting entity for these differences.

#### **Use of Estimates**

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

#### **Cash and Cash Equivalents**

The college and the foundation consider all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value. Funds invested through the Maryland Local Government Investment Pool are also considered cash equivalents.

#### **Investments and Interest in Irrevocable Trust**

Investments of the foundation that are comprised of mutual funds and fixed income securities are reported at fair value, based upon the net asset value per share as determined by quoted market prices.

The foundation's investments in an external investment pool have no readily determined market value and are valued at fair value as estimated by the University System of Maryland Foundation (USMF) custodian based on values as reported by the record keeper. USMF's management estimates fair value of the underlying market values of the investments. Because of the inherent uncertainty of the valuation, it is reasonably possible that such estimated values may differ from the values that would have been used had a ready market for the securities existed.

# **HOWARD COMMUNITY COLLEGE**

## **Notes to the Financial Statements June 30, 2017**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Investments and Interest in Irrevocable Trust (Continued)**

Changes in fair value are recognized in the statement of revenue, expenses, and changes in net position in the period in which the change occurs and are included in net realized and unrealized gains on investments.

Interest in irrevocable trust represents the foundation's interest in an irrevocable trust donated to the foundation during the year ended June 30, 2009. The foundation's interest is reported as the present value of the estimated fair value based on the foundation's share of the trust, the fair value of the assets in the trust, and the expected life of the donor.

#### **Tuition and Other Receivables**

The college's tuition receivable represents obligations of students resulting from course registrations. The receivable is due before the end of the semester for which it was incurred. Amounts that remain uncollected three weeks after the end of the semester are considered delinquent and are referred to a collection agency. The college has established a valuation allowance for the tuition receivable it estimates as uncollectible. As of June 30, 2017, the net tuition receivable was \$210,764. Included in other receivables are amounts collectible from non-governmental grants and miscellaneous receivables.

#### **Contributions Receivable**

The foundation's contributions receivable represents unconditional promises to give from various contributors including individuals, foundations, local businesses, and governments. There was a \$4,500 allowance for uncollectible accounts recorded as of June 30, 2017.

Contributions receivable are recorded at the donated amount or net present value for those contributions expected to be collected in excess of one year. A discount rate of two percent was used as of June 30, 2017. The unamortized discount will be accreted into contribution revenue in the future.

#### **Capital Assets**

Capital assets of the college are long-lived tangible assets that will benefit future periods. These assets have been capitalized and are depreciated over their estimated useful lives. Capital assets are defined as land, land improvements, buildings, building renovations, leasehold improvements, furniture and equipment (including software), and library books that have initial useful lives extending beyond a single reporting period.

# HOWARD COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Capital Assets (Continued)

The college has established a threshold of \$5,000 for furniture and equipment for items to be capitalized. Library books are capitalized as one component unit for the purchases within the fiscal year.

Capital assets constructed or purchased are capitalized at cost, while assets acquired by gift are capitalized at their fair market value at the time of donation. The college depreciates all capital assets, except for land. Depreciation expense is not allocated functionally on the financial statements. Cost incurred for construction in progress is capitalized as incurred and not depreciated until the assets are ready to be placed in service.

Depreciation is computed on a straight-line basis over estimated useful lives (as listed below), beginning the year after acquisition, except for buildings, which are depreciated in the first year of their use.

<u>Class of Assets</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Land improvements	25 years
Renovations and leasehold improvements	15 years (or lease term, if shorter)
Library books	8 years
Furniture, equipment and software	3 - 10 years

#### Accrued Compensated Absences

The college accrues for unused compensated absences at year-end. Accrued compensated absences as of June 30, 2017, were \$2,451,142.

Changes in the college's accrued compensated absences for the year ended June 30, 2017, were as follows:

	<u>June 30, 2016</u>	<u>Net change</u>	<u>June 30, 2017</u>
Payable	<u>\$ 2,268,011</u>	<u>\$ 183,131</u>	<u>\$ 2,451,142</u>

#### Agency Funds

Funds held by the college as custodian or fiscal agent for others, such as student organizations used to support various student activities not directly related to instructional activities, are accounted for as agency funds. The funds held for others are recorded as a liability on the statement of net position and agency transactions are not included in the revenue and expenses of the college.

# **HOWARD COMMUNITY COLLEGE**

## **Notes to the Financial Statements June 30, 2017**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Unearned Revenue**

Unearned revenue for the college is primarily comprised of tuition received for semesters beginning after June 30, 2017, and grant revenue received during the year that has restrictions on spending related to time or purpose, which has been deferred until those restrictions are met. The foundation collects advance receipts for fundraising events. Funds received for foundation fundraising events are recognized as special events revenue upon the occurrence of the event.

#### **Deferred Financing Inflows and Outflows**

Deferred financing outflows include changes in actuarial assumptions that are being amortized over a five-year period. The original amount was \$821,271, and the amount amortized during the year ended June 30, 2017, was \$164,254. Deferred financing inflows are made up of differences in the projected and actual investment earnings. The original amount was \$360,763 and the amount amortized during the year ended June 30, 2017, was \$73,153.

#### **Net Position**

Net position of the college is classified as restricted, unrestricted, or net investment in capital assets. Restricted net position is reported as either expendable or nonexpendable. Nonexpendable net position is to be maintained in perpetuity. Expendable net position, for which there are externally imposed constraints, are obligated or expensed within those condition(s).

The restricted net position of \$363,121 represents grants given to the college for a specific use, designated by the grantor. The unrestricted balance of \$23,340,678 represents auxiliary enterprise funds of \$4,219,417, continuing education funds of \$3,851,017, cultural, community, theatre and other funds of \$11,876,408, and \$7,403,831 designated for construction and debt repayment, net of \$1,850,753 of unfunded vacation liability, and \$2,159,242 of unfunded pension liability.

The net investment in capital assets of \$242,584,705 is net of related debt that includes the short-term and long-term debt to Howard County of \$12,162,585, and outstanding payables related to construction projects as of June 30, 2017, of \$1,548,841.

The foundation's net position is expanded into three separate categories, unrestricted, restricted for expendable, and nonexpendable net position. Unrestricted net position are contributions not subject to donor-imposed stipulations, or those whose restrictions have been satisfied.

# **HOWARD COMMUNITY COLLEGE**

## **Notes to the Financial Statements June 30, 2017**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Net Position (Continued)**

Restricted for expendable net position are contributions subject to donor-imposed stipulations that will be met by the foundation through the passage of time, conduct of service, or incurrence of expenditures. Promises to pay for the endowments are recorded as restricted for expendable net position until the cash is received. Once the cash is received, those amounts are transferred to nonexpendable net position. As the restrictions on expendable net position are met, they are transferred from expendable net position to unrestricted net position through the assets released from restriction due to satisfaction of donor restrictions in the accompanying statement of revenue, expenses, and changes in net position.

Restricted for nonexpendable net position are contributions subject to donor-imposed stipulations that must be maintained in perpetuity by the foundation. Generally, the donors of these assets permit the foundation to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes.

#### **Revenue Recognition**

The financial statements of the college have been prepared on the accrual basis of accounting, whereby all revenue is recorded when earned and all expenses are recorded when they have been incurred. These financial 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. Internal activity between programs has been eliminated.

The college's tuition and fee revenue is shown net of scholarship allowances. A scholarship allowance is defined as the difference between the stated charge for tuition, fees, 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 the college receives as tuition from outside sources, such as the Title IV Federal Grant Program, the foundation, other restricted grants, and the college's own scholarship program. Funds received on behalf of students from outside sources, such as third-party payers, are reported in the appropriate revenue classification.

Certain aid, such as loans and third-party payments, are credited to the student's account as if the student made the payment. For the year ended June 30, 2017, the college netted expenses in the amount of \$11,241,498, reducing tuition revenue by \$11,080,434, auxiliary enterprise revenue by \$121,969, and cultural revenue by \$39,095, for these payments.

#### **Auxiliary Enterprises, Continuing Education, and Cultural, Community, and Other Programs**

Auxiliary enterprises operated by the college include the Children's Learning Center, art galleries, and student athletic programs. The bookstore was operated by the college through



## **HOWARD COMMUNITY COLLEGE**

### **Notes to the Financial Statements June 30, 2017**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Auxiliary Enterprises, Continuing Education, and Cultural, Community, and Other Programs (Continued)**

October 2015, but is now outsourced. The food service and vending operations are also outsourced. Continuing education and workforce development programs primarily represent noncredit courses offered by the college for a fee.

Cultural, community, and other programs are primarily events of Rep Stage, the Laurel College Center (LCC), summer instructional and sports camps, the youth music program, the international programs, various student services programs, and athletic activities sponsored by the college for the community. Net position for these programs are part of the unrestricted net position balance.

The contributions received by the foundation are recorded as unrestricted, expendable, or nonexpendable restricted support, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted support is reported as an increase in expendable or nonexpendable net position, depending on the nature of the restriction.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

##### **Defined Benefit Plan**

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 Maryland State Retirement and Pension Systems (MSRPS) and additions to/deductions from MSRPS fiduciary net position have been determined on the same basis as they are reported by MSRPS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

##### **Operating and Non-operating Components**

The college has elected to report its operating expenses by functional classification, with the exception of certain fringe benefits paid directly by the state and depreciation expense, which are presented as distinct expenses. The statement of cash flows is presented as required using the direct method that depicts cash flows from operating activities and a reconciliation of operating loss and operating cash flows.

Financial statement operating components include all transactions and other events that are not defined as capital and related financing, non-capital financing, or investing activities. The college's principal ongoing operations determine operating activities. Ongoing operations of the college include, but are not limited to, providing intellectual, cultural, and social services through associate degree and certificate programs, along with continuing education and workforce

# **HOWARD COMMUNITY COLLEGE**

## **Notes to the Financial Statements June 30, 2017**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Operating and Non-operating Components (Continued)**

development programs. Operating revenue of the college consists of tuition and fees; cultural, community, and other programs; auxiliary enterprise revenue; and other operating revenue.

Non-operating components include transactions and other events that are defined as non-capital financing activities, capital financing activities, and investing activities.

Non-capital financing activities include borrowing money for purposes other than to acquire, construct, or improve capital assets and repaying those amounts borrowed, including interest.

Non-operating activities include certain intergovernmental receipts and payments, such as state and local appropriations, grants, payments paid on behalf of the college, investment earnings, and interest on debt. The college has also identified student financial aid assistance, including Pell Grants and Supplemental Educational Opportunity Grants, as non-operating revenue as the college does not consider them to be exchange transactions.

Capital financing activities include acquiring and disposing of capital assets used in providing services or producing goods; borrowing money for acquiring, constructing, or improving capital assets, and repaying the amounts borrowed, including interest; and paying for capital assets obtained from vendors on credit. Investing activities include acquiring and disposing of debt or equity instruments and the related investment earnings.

#### **In-Kind Contributions**

The foundation is the designated recipient for all college gifts. The foundation receives and records all in-kind gifts intended for the college, such as artwork, books, equipment, etc. This property is transferred to the college immediately upon receipt. Annually, the college records all in-kind gifts in the restricted fund. The college recorded \$149,247 of in-kind gifts in FY17.

The foundation receives contributions of various services from non-related sources. These contributions and their related expenses are reported at fair value in the period the services are performed. The estimated fair value of these contributions for the year ended June 30, 2017, was \$168,993. Additionally, the foundation receives in-kind support from the college consisting of personnel, legal, consulting, and office costs. The estimated value of these services for the year ended June 30, 2017, was \$748,321.

#### **Fundraising and Management and General Expenses**

Fundraising expenses of the foundation consist of donor support expenses and fundraising event-related insurance policies. Management and general expenses consist of office expenses and accounting and legal fees.

# HOWARD COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Federal and State 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 has been granted an exemption by the Internal Revenue Service (IRS) from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC).

The IRS has also determined that the foundation is not a private foundation. The foundation is required to report unrelated business income to the IRS. The foundation did not have any unrelated business income for the year ending June 30, 2017. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. The foundation has analyzed tax positions taken for filing with the IRS and in Maryland where it operates. The foundation believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the foundation's financial position or results of activities. Accordingly, the foundation has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions as of June 30, 2017. The foundation is still open to examination by taxing authorities from FY14 forward.

#### New Accounting Pronouncements

During the year ended June 30, 2017, GASB issued statement no. 83, *Certain Asset Retirement Obligations*; statement no. 84, *Fiduciary Activities*; statement no. 85, *Omnibus 2017*; statement no. 86, *Certain Debt Extinguishment Issues*; and statement no. 87, *Leases*. The college is analyzing the effects of these pronouncements and plans to implement them by their effective dates, FY18 through FY21.

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-15, *Presentation of Financial Statements – Going Concern* (ASU 2014-15). This standard provides guidance about management's responsibility to evaluate whether there is a substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The standard is effective for annual periods ending after December 15, 2016. The foundation adopted this guidance effective for the year ended June 30, 2017, and no disclosures were required.

In August 2016, the FASB issued Accounting Standards Update 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). These amendments change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes; investment return; expenses; liquidity and availability of resources; and presentation of operating cash flows. The amendments in this ASU are effective for not-for-profit organizations for annual financial statements issued for fiscal years beginning after

# HOWARD COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### New Accounting Pronouncements (Continued)

December 15, 2017. The ASU 2016-14 will impact the presentation of the financial statements and related disclosures when it is adopted.

In August 2016, the FASB issued Accounting Standards Update 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments* (ASU 2016-15). This ASU addresses diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The standard provides clarity on the treatment of eight specifically defined types of cash inflows and outflows. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, with an option for early adoption. The foundation does not expect the adoption of ASU 2016-15 to have a significant effect on its financial statements.

### 3. CASH AND CASH EQUIVALENTS

#### A. Deposits

As of year-end, the carrying amount of the college's deposits was \$2,353,418 and the bank balance was \$2,790,308. The deposits of the college, as of June 30, 2017, were not exposed to custodial credit risk. The operating account is federally insured up to \$250,000 by the Federal Deposit Insurance Corporation and any amounts in excess of \$250,000 were collateralized by mortgage back securities with a market value of \$10,000,000, as of June 30, 2017. The collateral is held by the bank's agent in the college's name.

#### B. Investments

The college's allowable investments are determined by Article 95, Section 22 of the Annotated Code of the Public General Laws of Maryland and the college's investment policy. The college may invest in certificates of deposit with commercial banks in the State of Maryland, direct U.S. obligations, U.S. government agency obligations, repurchase agreements, banker's acceptances from approved banks with acceptable credit ratings, commercial paper from entities with an acceptable credit rating, money market funds, and the Maryland Local Government Investment Pool (MLGIP).

As of June 30, 2017, the college's investment balance consisted of \$32,449,907 in the MLGIP. The investment is considered a cash equivalent for financial statement purposes.

<b>Types</b>	<b>Amounts</b>
Cash on hand	\$ 3,300
Carrying amount of deposit	2,353,418
Carrying amount of MLGIP	32,449,907
<b>Total cash and cash equivalents</b>	<b>\$ 34,806,625</b>

## **HOWARD COMMUNITY COLLEGE**

### **Notes to the Financial Statements June 30, 2017**

#### **3. CASH AND CASH EQUIVALENTS (CONTINUED)**

##### **Interest rate risk**

Fair value fluctuates with interest rates and increasing interest rates could cause fair value to decline below original cost. To limit the college's exposure to fair value losses arising from increasing interest rates, the college's investment policy limits the term of investment maturities. As of June 30, 2017, the college's investments were limited to the MLGIP with maturity of less than one year. 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. The investments, as of June 30, 2017, met the college's investment policy as of that date.

Investment income included interest and dividends in the amount of \$208,765 for the year ended June 30, 2017.

##### **Credit Risk**

The college invests in MLGIP, which is under the administration of the state treasurer. The MLGIP is rated AAAM by Standards & Poor's, its highest rating for money market mutual funds. The MLGIP seeks to maintain a constant value of one dollar per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, market-to-market, is calculated and maintained on a weekly basis to ensure a one dollar per unit constant value.

##### **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. The college's investments were all invested in the MLGIP and are not exposed to custodial credit risk.

##### **Foreign Currency Risk**

The college's investment policy does not allow for investments denominated in foreign currencies. The college did not have any investments denominated in any foreign currency as of June 30, 2017.

## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2017

#### 4. INVESTMENTS AND INTEREST IN IRREVOCABLE TRUST

The foundation's investments and interest in irrevocable trust as of June 30, 2017, were summarized as follows:

	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Fair Value</b>
Fixed income - corporate bonds	\$ 599,971	\$ 8,089	\$ 608,060
Mutual funds - equities	1,648,838	415,066	2,063,904
Interest in external investment pool	7,133,524	1,623,344	8,756,868
Interest in irrevocable trust	87,262	34,859	122,121
<b>Total</b>	<b>\$ 9,469,595</b>	<b>\$2,081,358</b>	<b>\$ 11,550,953</b>

On January 29, 2009, the foundation received an irrevocable bequest expectancy in which the college would receive 20 percent of a charitable remainder trust. The value of the trust was \$2,394,711 as of June 30, 2017. As of June 30, 2017, the interest in irrevocable trust was recorded at \$122,121, net of the related discount of \$356,822. The foundation used the IRS guideline suggested discount rate of 6.8 percent as of June 30, 2017.

#### 5. FAIR VALUE MEASUREMENTS

Fair value is defined under Accounting Standards Codification (ASC) topic no. 820, *Fair Value Measurements and Disclosures*, as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participations on the measurement date. Valuation techniques used to measure fair value under ASC topic no. 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value and are as follows:

##### *Basis of Fair Value Measurement*

**Level 1 Inputs:** Valuation based on quoted prices in active markets for identical unrestricted assets or liabilities that a reporting entity has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

**Level 2 Inputs:** Valuation based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions, prices are not current, or prices vary substantially over time.

**Level 3 Inputs:** Valuation based on inputs that are unobservable for an asset or liability and shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. This input therefore reflects the foundation's assumptions

## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2017

#### 5. FAIR VALUE MEASUREMENTS (CONTINUED)

##### *Basis of Fair Value Measurement (Continued)*

about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The following section describes the valuation methodologies used by the foundation to measure its financial assets at fair value:

- **Mutual funds and fixed income** - The foundation's investments in mutual funds and fixed income is valued at the closing price reported on the active and open market on which the fund is traded.
- **Interest in external investment pool** - The foundation's investments in the investment pool are held in the USMF investment pool, which is valued based on Level 3 inputs within the fair value hierarchy. The investments of USMF related to the foundation's pool holds the majority of its investment assets in money market, global equities, hedge global and U.S. equity and absolute return funds. USMF carries its investments at market value to the extent that market quotations are readily available and reliable. To the extent that market quotations are not available or are considered to be unreliable, fair value is estimated by the investment manager under the general oversight of the board of trustees of USMF after consideration of factors thought to be relevant, including but not limited to, the type of investment, position size, marketability (or absence thereof), cost, restrictions on transfer, and available quotations of similar instruments. Due to the uncertainty inherent in the valuation process, such estimates of fair value may differ significantly from the values that would have been obtained had a ready market for the investments existed, and the differences could be material. Additionally, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned. There is no single standard for determining fair value in good faith, as fair value depends upon circumstances of each individual case. In general, fair value is the amount that USMF might reasonably expect to receive upon the current sale of the investment in an arms-length transaction in the investment's principal market. The financial statements of the USMF are audited annually by a nationally recognized firm of independent auditors.

The foundation does not directly invest in the underlying securities of the USMF, but instead holds units in the overall United Investment Fund. The amounts ultimately realized upon liquidation could differ from reported values that are based on current conditions.

- **Interest in irrevocable trust** - The foundation's interest in an irrevocable trust is valued at the estimated fair value of the underlying market value of investments.

There have been no changes in the valuation methodologies used as of June 30, 2017.

## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2017

#### 5. FAIR VALUE MEASUREMENTS (CONTINUED)

##### *Basis of Fair Value Measurement (Continued)*

The following tables set forth, by level within the fair value hierarchy, the foundation's investment assets at fair value as of June 30, 2017. As required by ASC topic no. 820, assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	As of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Fixed Income	\$ 608,060	\$ -	\$ -	\$ 608,060
Mutual funds	2,063,904	-	-	2,063,904
Interest in external investment pool	-	-	8,756,868	8,756,868
Interest in irrevocable trust	-	122,121	-	122,121
Total	\$ 2,671,964	\$ 122,121	\$ 8,756,868	\$ 11,550,953

The following table presents the foundation's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in ASC topic no. 820-10 for the year ended June 30, 2017:

<i>June 30, 2017</i>	
Balance, beginning of year	\$ 7,485,587
Realized gains	769,365
Unrealized gains	250,659
Investment fees	(77,366)
Sales/redemptions	(305,397)
Purchases	634,020
Balance, end of year	\$ 8,756,868

Unrealized gains in fair value are recorded in the statement of revenues, expenses, and changes in net position.



## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2017

#### 5. FAIR VALUE MEASUREMENTS (CONTINUED)

##### *Basis of Fair Value Measurement (Continued)*

Quantitative information as of June 30, 2017, with respect to assets and liabilities measured and carried at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) was as follows:

Description	Fair Value	Principal Valuation Techniques	Unobservable input	Weighted Average
Interest in external investment pool	\$ 8,756,868	Net Asset Value	Values assigned to underlying fund investments, including capital activity (capital calls and distributions) and performance estimates as received from the fund manager	N/A

##### *Level 3 Valuation Process*

The USMF custodian determines the fair value of the overall investment pool and provides that information to the record keeper. A unitized accounting methodology is used for the valuation process. This methodology takes into account the beginning units along with the withdrawal units. The earnings are then allocated and any additions and transfers are added at the current month value. USMF personnel also have regular calls with management of the funds and meet periodically with the foundation's investment committee and report the performance of the funds.

##### *Level 3 Sensitivity of Fair Value Measurements and Changes in Significant Unobservable Inputs*

The significant unobservable inputs used in the fair value measurement of the foundation's interest in the external investment pool are subject to market risks resulting from changes in the market value of its investments and other events that may occur over the life of the investments and may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned.

# HOWARD COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2017

### 6. CONTRIBUTIONS RECEIVABLE

Contributions receivable of the foundation as of June 30, 2017, were recorded as follows:

<b>Due in:</b>	<b>Amounts</b>
Less than one year	\$ 365,922
One to five years	183,035
	<u>548,957</u>
Less: discount for net present value of two percent	13,394
Less: allowance for uncollectible accounts	<u>4,500</u>
<b>Contributions Receivable, Net</b>	<u><u>\$ 531,063</u></u>

### 7. CAPITAL ASSETS

The following table presents the changes in the capital asset categories of the college, less depreciation expense for the year ended June 30, 2017:

	<b>June 30, 2016</b>	<b>Additions/ Transfers</b>	<b>Retirements</b>	<b>June 30, 2017</b>
Land	\$ 378,578	\$ -	\$ -	\$ 378,578
Land improvements	1,987,708	-	-	1,987,708
Buildings	168,899,674	89,388,665	-	258,288,339
Building renovations	60,968,224	585,094	(715,185)	60,838,133
Furniture and equipment	19,070,741	2,367,840	(196,090)	21,242,491
Library books	392,379	9,992	(40,631)	361,740
Leasehold improvements	<u>332,648</u>	<u>-</u>	<u>-</u>	<u>332,648</u>
Total	252,029,952	92,351,591	(951,906)	343,429,637
Less: accumulated depreciation	<u>81,437,122</u>	<u>9,921,691</u>	<u>(951,906)</u>	<u>90,406,907</u>
Assets, net of depreciation	170,592,830	82,429,900	-	253,022,730
Construction in progress	<u>53,562,667</u>	<u>(50,289,266)</u>	<u>-</u>	<u>3,273,401</u>
<b>Total</b>	<u><u>\$ 224,155,497</u></u>	<u><u>\$32,140,634</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 256,296,131</u></u>

### 8. BONDS PAYABLE, HOWARD COUNTY

The college is indebted to the county for bond issues in the amount of \$8,501,192, as of June 30, 2017, for construction costs of a parking garage, the college's portion of the Horowitz Visual and Performing Arts Center, and the Campus Roadway Project that includes the east parking garage expansion. New bond debt of \$2,020,010 was incurred during FY17 for the Campus Roadway Project. During FY17, the county refinanced the bonds and that resulted in additional county revenue of \$105,556. Payments began in 2008 and are due through 2037 at interest rates ranging from three percent to five percent.

# HOWARD COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2017

### 8. BONDS PAYABLE, HOWARD COUNTY (CONTINUED)

The debt and interest payments in the future are as follows:

<u>For The Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 720,072	\$ 341,362
2019	608,455	333,389
2020	647,722	302,602
2021	662,378	271,145
2022	535,266	242,461
2023-2027*	3,546,527	776,433
2028-2032*	988,573	253,177
2033-2036*	792,199	86,939
<b>Total</b>	<b>\$ 8,501,192</b>	<b>\$ 2,607,508</b>

\*Debt associated with older capital projects is paid off during these five-year periods. The amount is smaller over time as older projects are paid off.

Changes in the college's long-term liabilities for the year ended June 30, 2017, are as follows:

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>	<u>Amounts Due in One Year</u>
Bonds payable	<u>\$ 7,309,870</u>	<u>\$2,020,010</u>	<u>\$ 828,688</u>	<u>\$ 8,501,192</u>	<u>\$ 720,072</u>

### 9. RESTRICTED NET POSITION

Restricted for expendable net position of the college of \$363,121, as of June 30, 2017, consists of funds for grant programs. Restricted for expendable net position of the foundation of \$3,644,820 as of June 30, 2017, consists of funds restricted for scholarship purposes and other specified programs. Net position released from restrictions were funds restricted for scholarship purposes and other specified programs whose restrictions were satisfied. Nonexpendable net position of the foundation of \$7,133,524, as of June 30, 2017, are restricted in perpetuity, the income from which is expendable to support the general obligations of the foundation and to provide scholarships.

#### Endowment

The board of directors of the foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the foundation classifies as nonexpendable net position (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

# HOWARD COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2017

### 9. RESTRICTED NET POSITION (CONTINUED)

#### Endowment (Continued)

The remaining portion of the donor-restricted endowment fund that is not classified in nonexpendable net position is classified as expendable net position until those amounts are appropriated for expenditure by the foundation in a manner consistent with the standard of prudence prescribed by SPMIFA.

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

- the duration and preservation of the fund;
- the purposes of the foundation and the donor-restricted endowment fund;
- general economic conditions;
- the possible effect of inflation and deflation;
- the expected total return from income and the appreciation of investments;
- other resources of the foundation; and
- the investment policies of the foundation.

#### *Return Objectives and Risk Parameters*

The foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the foundation must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds.

#### *Spending Policy and How the Investment Objectives Relate to Spending Policy*

The foundation has a policy of appropriating four percent of the average year-end balance for the prior three years of the endowment at the end of each fiscal year. The foundation board may spend more or less than the four percent because balances may not be sufficient due to deposits, withdrawals, and investment returns.

#### *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2017

#### 9. RESTRICTED NET POSITION (CONTINUED)

##### *Funds with Deficiencies*

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, there were no deficiencies of this nature reported in expendable net position, as of June 30, 2017.

##### **Composition of the Endowment by Net Position**

As of June 30, 2017, the composition of the endowments was as follows:

As of June 30, 2017				
	Unrestricted	Expendable	Nonexpendable	Total
Board designated and donor-restricted endowment Funds	\$ 544,008	\$ 1,459,534	\$ 7,133,524	\$ 9,137,066

##### **Change in Endowment Net Position**

The changes in endowment net position were as follows:

June 30, 2017				
	Unrestricted	Expendable	Nonexpendable	Total
Endowment net position, June 30, 2016	\$ 544,088	\$ 936,623	\$ 6,603,562	\$ 8,084,193
Investment return:				
Investment income	-	105,561	-	105,561
Net depreciation	-	837,097	10,102	847,199
Total investment return	-	942,658	10,102	952,760
Contributions	-	54,250	232,195	286,445
Appropriated for expenditures	-	(272,321)	-	(272,321)
Transfers	-	(201,676)	287,665	85,989
Endowment net position, June 30, 2017	\$ 544,008	\$1,459,534	\$ 7,133,524	\$ 9,137,066

During the year ended June 30, 2017, transfers were made among unrestricted net assets, expendable net position, and nonexpendable net position. The transfers were based on a more accurate understanding of the donors' intentions for contributions received by the foundation.

## **HOWARD COMMUNITY COLLEGE**

### **Notes to the Financial Statements June 30, 2017**

#### **10. RETIREMENT BENEFITS**

All budgeted full-time and budgeted part-time college employees participate in either the Maryland State Retirement and Pension Systems (MSRPS) or an Optional Retirement Program (ORP), primarily the Teachers Insurance and Annuity Association (TIAA). The college's total current-year payroll for all employees was \$56,612,941. The payroll of employees covered by either the MSRPS or an ORP was \$41,961,287.

MSRPS is a cost-sharing multiple employer Public Employees Retirement System (PERS) established and administered in accordance with State Personnel and Pension Article of the Annotated Code of Maryland. Annually, the State Retirement Agency publishes a publicly-available financial report that includes financial statements and required supplementary information for the PERS. That report may be obtained by writing to MSRPS at the State Retirement Agency, 301 West Preston Street, Baltimore, Maryland, 21201-2363.

#### **MSRPS Benefits Provided**

Benefit provisions of the defined benefit pension plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The system also provides disability and survivor benefits to DB plan members.

Employee benefits and contributions differ based on the employees' participation in either the retirement system (Teachers' Retirement System or Employees' Retirement System) or the pension system (Teachers' Pension System or Employees' Pension System). All new budgeted employees must join the pension system or an ORP. Employees who were members of the retirement system on December 31, 1979, can continue membership unless they elect to join the pension system or an ORP.

All employees have vested benefits after 10 years of creditable service. Retirement benefits under both the retirement and pension systems are based on years of service. Under the pension system, benefits are integrated with Social Security benefits and cost-of-living adjustments vary depending on the plan. The retirement system has no integration level.

The pension system requires individuals to contribute seven percent of their annual salary. Employees, who are members of the retirement system can, if elected by July 1984, contribute seven percent of their annual compensation and receive an unlimited cost-of-living adjustment.

## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2017

#### 10. RETIREMENT BENEFITS (CONTINUED)

##### **Employer Contributions**

Employer contributions to the system are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

The State of Maryland pays, on behalf of the college, the employer's share of retirement costs for teachers and related positions. During the fiscal year ended June 30, 2017, the state paid \$4,613,344 in retirement costs, equal to approximately 11 percent of the covered payroll costs. The college's share of retirement costs for other employees was calculated based on the accrued benefit cost method.

##### **Optional Retirement**

TIAA is a Fortune 100 financial services organization that is a leading retirement provider for people who work in the academic, research, medical and cultural fields. Much of TIAA operates on a non-for-profit basis, with surplus returned to participants. The TIAA program is a money purchase plan under which the benefit is determined by the retirement income purchased by state and employee contributions. Fidelity is also an available employee options to establish an ORP. The state contribution rate is determined by state law and is currently 7.25 percent of salary. No employee contribution is required. Participants in an optional retirement plan may begin to receive their annuity income at any time after leaving the college; however, there is a penalty for those under retirement age.

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

###### *Pension Liabilities*

As of June 30, 2017, the college reported a liability of \$2,757,041, for its proportionate share of the MSRS plans liability. The net pension liability was measured as of June 30, 2016, 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 a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. As of June 30, 2017, the college's proportion was .0117 percent.

# HOWARD COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2017

### 10. RETIREMENT BENEFITS (CONTINUED)

#### *Pension Liabilities (Continued)*

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ 13,582	\$ (69,835)
Net difference between projected and actual earnings on pension plan investments	443,902	(102,782)
Changes in assumption	96,857	-
Reporting unit contributions subsequent to the measurement date	216,075	-
<b>Total</b>	<b>\$ 770,416</b>	<b>\$ (172,617)</b>

#### *Deferred Outflows of Resources and Deferred Inflows of Resources*

For the year ended June 30, 2017, the college recognized pension benefit of \$23,251. As of June 30, 2017, the college reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Amount of \$770,416 reported as deferred outflows of resources related to pensions resulting from college employer contributions and change in assumptions and change in assumptions subsequent to the measurement date, was recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

<u>For The Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 308,177
2019	92,102
2020	136,702
2021	60,818

#### **Actuarial Assumptions**

**Investment rate of return** – 7.55 percent a year, compounded annually net of investment and administrative expenses.

**Salary increases** - The rate of pay increase used for individual members is 3.3 percent to 9.2 percent, including inflation.

**Inflation** - 2.70 percent general, 3.2 percent wage

**Mortality assumptions** - The healthy life post-retirement mortality table used in this valuation of the system was the RP-2014 Combined Healthy Mortality Table.



## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2017

#### 10. RETIREMENT BENEFITS (CONTINUED)

##### The long-term expected rate of return on pension plan investments

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 weighing the expected future real rates of return adopted by the Maryland State Pension Plan Board after considering input from the system's investment consultant(s) and actuary(s). For each major asset class that is included in the system's target asset allocation, these best estimates are summarized in the following tables:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	37%	6.6%
Private Equity	10%	7.4%
Rate Sensitive	20%	1.3%
Credit Opportunity	9%	4.2%
Real Assets	15%	4.7%
Absolute Return	<u>9%</u>	3.7%
Total	<u>100%</u>	

The above was the Maryland State Pension Plan Board adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2016.

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 1.1 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

##### Discount Rate

A single discount rate of 7.55 percent was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.55 percent. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these 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.

## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2017

#### 10. RETIREMENT BENEFITS (CONTINUED)

##### Sensitivity of the net pension liability to changes in the discount rate

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.55 percent, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher.

	<b>1% Lower (6.55%)</b>	<b>Discount Rate (7.55%)</b>	<b>1% Higher (8.55%)</b>
Howard Community College proportionate share of the net pension liability	\$3,791,788	\$2,757,041	\$1,902,316

##### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Maryland State Retirement and Pension System Comprehensive Annual Financial Report.

#### 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, injuries to employees, and natural disasters. Other than automobile coverage, the college is insured by the Howard County self-insurance programs, which provide coverage up to a maximum of \$1,000,000 for each general liability claim, \$100,000 for each property claim, and \$500,000 on each workers' compensation claim. The college has a separate policy with the Local Government Insurance Trust (LGIT), a public entity risk pool that consists of various local counties and municipalities, for automobile coverage up to a maximum of \$1,000,000 for each automobile claim.

Under the umbrella of Howard County, the college has additional coverage from LGIT for liability and property claims in excess of the coverages described above. The county pays annual premiums to LGIT for liability coverages. LGIT was created to provide broader insurance than that available from commercial insurers, coverage that otherwise would be unavailable, and loss control and risk management services for local governments. The college is covered for workers' compensation claims in excess of the \$500,000 per claim as previously described under an additional policy purchased by the county. Settled claims have not exceeded coverage in any of the past five years.

The college makes payments to the county based on the premiums established by the county dependent on a combination of actuarial estimates and historical cost information. The college has no liability for covered claims other than paying the premium established by the county. The amount paid to the county and LGIT and expensed during the year ended June 30, 2017, was \$432,045.

## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2017

#### 11. RISK MANAGEMENT (CONTINUED)

The college has also entered into an agreement with Howard County to provide health care coverage for its employees under the county's self-insured plan. The college has the option to terminate the agreement at the end of each fiscal year. The college has no liability for covered claims other than paying the premiums established by the county, which were \$7,459,256 for the year ended June 30, 2017.

#### 12. RELATED PARTY TRANSACTIONS

As discussed, the foundation has been determined to be a component unit of the college, after analyzing the requirements of GASB statement no. 39, *Determining Whether Certain Organizations are Component Units*, and its financial activity is presented discretely in the college's financial statements.

For the year ended June 30, 2017, the college provided \$748,321 of in-kind administrative and overhead support to the foundation. During the same period, the foundation provided \$1,106,506 in scholarships awarded to students and \$486,298 in non-scholarship benefits to the college in support of college programs and other services. This figure includes in-kind contributions.

#### 13. JOINT VENTURES

##### ***Laurel College Center (LCC)***

In FY01, the college entered into a joint-venture agreement with Prince George's Community College (PGCC) to form the LCC. The LCC offers both credit and noncredit courses. The college and PGCC split revenue of \$3,554,763 and expenses of \$3,287,038 associated with the LCC equally. For the year ended June 30, 2017, the college recorded 50 percent of revenue and 50 percent of expenses of the center in the statement of revenue, expenditures, and changes in net position, as per the agreement with PGCC. As of June 30, 2017, the amount of \$39,805 is due to HCC from PGCC.

As part of the joint venture agreement, the college and PGCC entered into a non-cancelable operating lease agreement, which contains a non-appropriation clause. This lease had an initial term of five years with the option to renew the lease for an additional five years in one-year increments. The lease payments have an escalation clause of three percent per year and the college has recognized its proportionate share of the rent expense in accordance with the terms of the lease agreement. HCC's proportionate share of the rent expense for the year ended June 30, 2017, was \$584,127.

In FY13, the colleges entered into a five-year lease, with two additional five-year renewal options. The lease contains a non-appropriation clause. In this lease agreement, if after 10 years the LCC continued to lease the space, the LCC would receive a rent abatement of \$1,005,651 in year 10. The lease contains an escalation clause of three percent per year. The lease increased the lease space by 4,514 square feet on another floor of the building.

## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2017

#### 13. JOINT VENTURES (CONTINUED)

##### *Laurel College Center (LCC) (continued)*

During FY14, the colleges agreed to increase the lease space by another 7,694 square feet on the fifth floor of the building and renewed the existing leased space agreement for five years. There is now one renewal option left on the lease. The rent abatement increased from \$450,000 to \$1,455,651, and was spread evenly between September 1, 2014, and August 31, 2021.

The college's proportionate share of the future minimum lease payments under the terms of the leases as of June 30, 2017, were as follows:

<u>For the Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 520,291
2019	539,019
2020	558,309
2021	578,178
2022	96,918
<b>TOTAL</b>	<u><u>\$ 2,292,715</u></u>

#### 14. COMMITMENTS AND CONTINGENCIES

##### *Contingencies*

In the normal course of business, the college becomes involved in legal actions. There are no legal actions pending at the current time.

As of June 30, 2017, the college has commitments of approximately \$40,227,700, to complete outstanding capital construction projects.

##### *Grants*

Most grants and cost-reimbursable contracts of the college and foundation specify the types of expenses for which the grant or contract funds may be used. The expenses made by the college under some of these grants and contracts are subject to audit. To date, the college has not been notified of any significant unallowable costs relating to its grants or contracts. In the opinion of management, adjustments for unallowable costs, if any, resulting from such audits will not have a material effect on the accompanying financial statements.

## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2017

#### 15. POST RETIREMENT BENEFITS

The college contributes to the Howard County Other Postemployment Benefits Trust, a cost-sharing multiple-employer defined benefit health care plan (the plan). The county established an irrevocable trust for administering the plan assets and paying health care costs on behalf of the participants. Howard County provides post-employment health insurance benefits to all eligible employees who retire from the county or its component units who wish to participate. In order to be eligible, the retiree must have a minimum of 10 years of service, and immediately preceding retirement, been enrolled in a medical, vision, or prescription drug insurance plan offered to active employees of the county or its components. The county will pay a percentage of the retiree's health insurance premium based upon these criteria. This percentage varies with the number of years of service attained by the employee. Other retirees who do not meet the eligibility criteria must have five years of service to participate in the retirees' health insurance program by paying the full premium at the group rate. For the year-ended June 30, 2017, the county paid claims in excess of premiums on behalf of the college of \$71,607.

The plan's funding policy provides for the county and its component units to contribute to the trust the actuarially determined annual required contribution (ARC). The college is a cost sharing agent participant to the plan and thus is only responsible for its required annual contribution established by the county. When a contribution is made, the county will make the college's ARC contribution. The county contributed \$400,511 toward the plan in FY17. In accordance with GASB statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of June 30, 2017, the college had no liability for this benefit.

#### 16. SUBSEQUENT EVENTS

The college's management evaluated the accompanying financial statements for subsequent events and transactions through September 19, 2017, the date these financial statements were available for issue and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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## HOWARD COMMUNITY COLLEGE

### Schedule of Howard Community College's Proportionate Share of the Net Pension Liability - Maryland State Retirement and Pension Systems

	June 30, 2017*	June 30, 2016*	June 30, 2015*
College's proportion of net pension liability	0.0117%	0.0124%	0.011%
College's proportionate share of net pension liability	\$2,757,041	\$2,579,875	\$1,878,075
College's covered-employee payroll	\$3,031,305	\$3,021,313	\$2,983,599
College's proportionate share of net pension liability as a percentage of its covered-employee payroll	90.95%	85.39%	62.95%
Plan fiduciary net position as a percentage of total pension liability	65.79%	68.78%	71.87%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 years trend is compiled, the college presents information for those years for which information is available.*

\*The amounts presented above were determined as of June 30, 2016, 2015, and 2014, respectively.

## HOWARD COMMUNITY COLLEGE

### Schedule of Howard Community College's Contributions - Maryland State Retirement and Pension Systems

	June 30, 2017*	June 30, 2016*	June 30, 2015*
Statutorily required contributions	\$216,075	\$227,640	\$261,657
Contributions in relation to statutorily required contributions	\$216,075	\$227,640	\$261,657
Contribution deficiency (excess)	-	-	-
College's covered-employee payroll	\$3,031,305	\$3,021,313	\$2,983,599
Contributions as a percentage of covered-employee payroll	7.1%	7.5%	8.8%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 years trend is compiled, the college presents information for those years for which information is available.*

\* The amounts presented above were determined as of June 30, 2016, 2015, and 2014, respectively.



## HOWARD COMMUNITY COLLEGE

### Notes to Required Supplementary Information Year Ended June 30, 2017

**Changes of benefit terms:** There were no changes of benefit terms.

**Changes of assumptions:** Adjustments to the roll-forward liabilities were made to reflect the following assumptions change in the 2016 valuation: Inflation assumption changed from 2.9 percent to 2.7 percent.