Audited Financial Statements

June 30, 2014

HACC

Founded in 1964

CENTRAL PENNSYLVANIA'S COMMUNITY COLLEGE

CONTENTS

1 Report -	Federal Audit Clearing House Bureau of Census 1201 East 10th Street Jeffersonville, Indiana 47132 **(submitted electronically)**
1 Report -	Bureau of Audits Special Audit Services Division Forum Place – 8th Floor 555 Walnut Street Harrisburg, Pennsylvania 17101 **(submitted electronically)**
1 Report -	State Public School Building Authority P. O. Box 990 Camp Hill, PA 17001

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Harrisburg Area Community College
Harrisburg, Pennsylvania

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Harrisburg Area Community College (the College), as of and for the years ended June 30, 2014 and 2013, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Harrisburg Area Community College Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Harrisburg Area Community College as of June 30, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 14 and the other post-employment benefit schedule of funding progress on page 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Harrisburg Area Community College's basic financial statements. The schedule of expenses by functional classification is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2014 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
October 16, 2014

INTRODUCTION

Management's Discussion and Analysis (MD&A) of Harrisburg Area Community College's (HACC) financial statements provides an overview of the College's financial performance during the fiscal year ended June 30, 2014, with selected comparative information for the years ended June 30, 2013 and 2012. The purpose of the MD&A is to assist readers with understanding the accompanying financial statements by providing objective and understandable analysis of HACC's financial activities based on current known facts, decisions, and conditions. HACC management has prepared this analysis and is responsible for the completeness and fairness of the information contained within. This MD&A should be read in conjunction with the financial statements and notes.

The College has prepared its financial statements in accordance with Government Accounting Standards Board (GASB) principles which establish standards for external financial reporting for public colleges and universities and require that the financial statements be presented to focus on the College as a whole. Three financial statements are presented: the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows. This MD&A includes comments on each statement and focuses on the activities of the College (Primary Institution) only.

Additionally, the College has implemented Government Accounting Standards Board Statement No. 39. Pursuant to the criteria set forth in GASB 4, it was determined that the HACC Foundation is a component unit, whose sole purpose is to serve the institution by providing resources for scholarships and other college projects. The Foundation's financial statements for June 30, 2014 and 2013 are displayed in the financial statements section of the report and are not included in the MD&A discussions. Separately issued financial statements are available for the HACC Foundation by contacting Mr. John M. Eberly, Vice President of Finance, Harrisburg Area Community College, One HACC Drive, Harrisburg, PA 17110-2999.

FINANCIAL HIGHLIGHTS

HACC's financial position continues to remain strong as of June 30, 2014. At June 30, 2014, HACC's assets and deferred outflows of resources of $284.2 million exceeded its liabilities of $159.9 million by $124.3 million, an increase over the prior year of $6.1 million. At June 30, 2013, assets and deferred outflows of resources of $286.7 million exceeded liabilities of $168.5 million by $118.2 million, an increase over the prior year of $6.0 million.

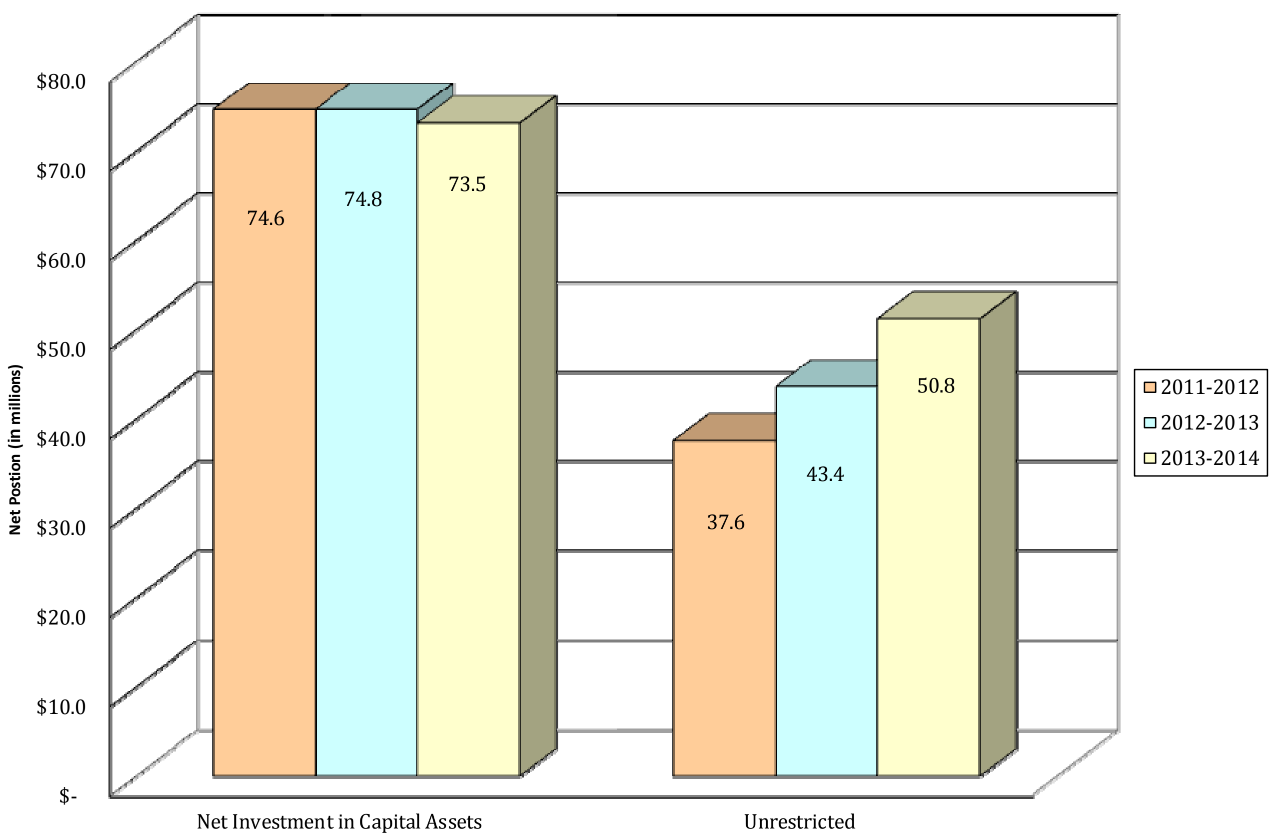
The "Net Position", which represents the difference between total assets plus deferred outflows of resources and total liabilities, are divided into two major categories. The first category, net invested in capital assets, shows the College's equity in property, plant, and equipment that it owns. The second category, unrestricted net position, is available to use for any lawful purpose of the College. The following table and graph summarizes the College's statement of net position by category for the fiscal years ended June 30, 2014, 2013, and 2012.

FINANCIAL HIGHLIGHTS (CONTINUED)

Net Position
As of June 30
(In millions)

	2014	2013	Increase (Decrease) 2014-2013	2012	Increase (Decrease) 2013-2012
Net Investment in Capital Assets	$ 73.5	$ 74.8	$ (1.3)	$ 74.6	$ 0.2
Unrestricted	50.8	43.4	7.4	37.6	(5.8)
Total Net Position	$ 124.3	$ 118.2	$ 6.1	$ 112.2	$ 6.0

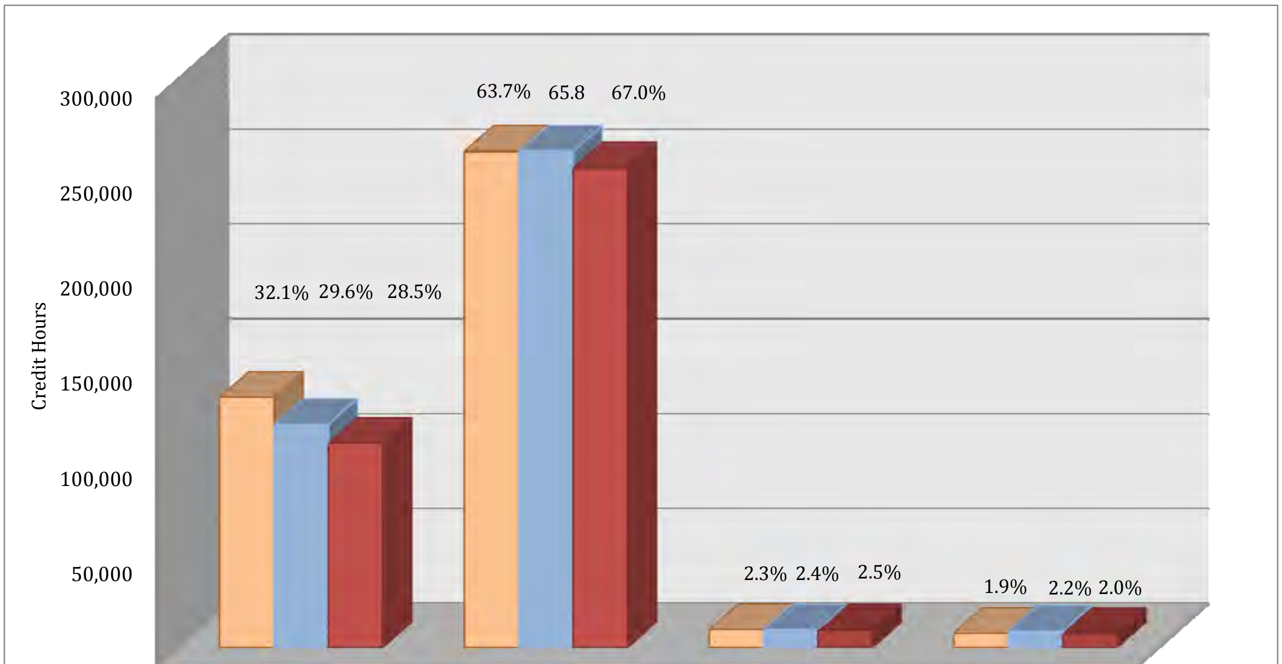
Comparison of Net Position Fiscal Years 2012, 2013, 2014



CREDIT HOUR PRODUCTION

The College experienced a decrease in enrollments of 4.9% (19,650 credit hours) in 2014 and 3.2% (13,317 credit hours) in 2013 due to the continuing effects of the economy. Total credit hours have gone from 410,882 in 2012 to 397,565 for 2013 and to 377,915 for 2014. In 2014, the College experienced the percentage of non-sponsored student credit hours increase to 67.0% of total enrollments up from 65.8% in 2013 and 63.7% in 2012 as compared to a decrease in the percentage of sponsoring student credit hours to 28.5% of total enrollments in 2014, down from 29.6% in 2013, and 32.1% in 2012. Each non-sponsored student paid tuition of $201.00 per credit hour in 2014, while a sponsored student paid $142.50 per credit hour and received local sponsoring school district support.

Credit Hour Production by Student Type

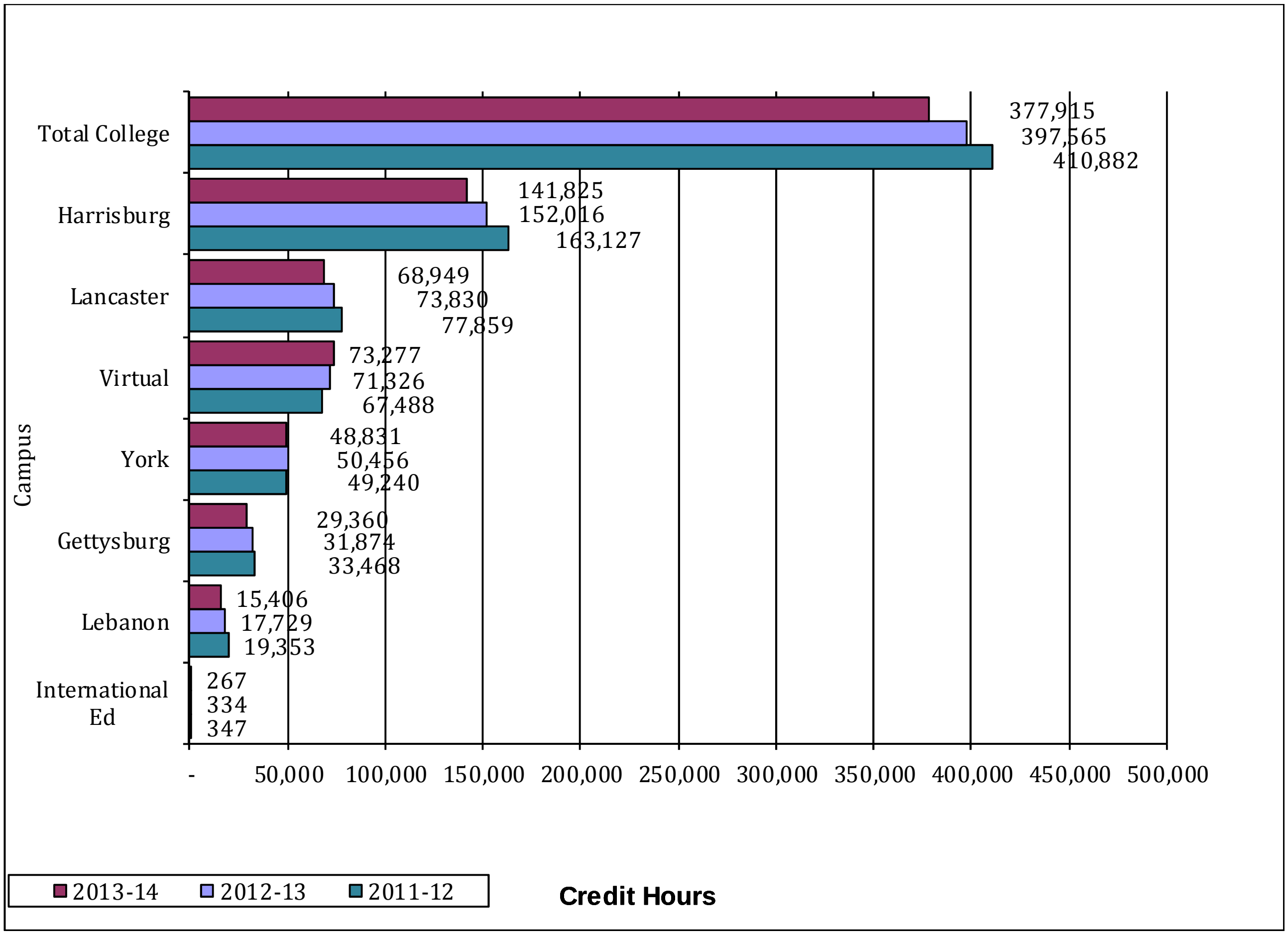


	Sponsored	Nonsponsored	Out of State	College in HS
2011-12	131,959	261,644	9,563	7,716
2012-13	117,653	261,635	9,577	8,700
2013-14	108,001	253,040	9,370	7,504

Student Type

CREDIT HOUR PRODUCTION (CONTINUED)

Credit Hour Production by Campus 2012, 2013, 2014



STATEMENT OF NET POSITION

The statement of net position presents the assets, deferred outflows/inflows of resources, liabilities, and net position of the College as of the end of the June 30, 2014 fiscal year. This statement provides a snapshot of the financial condition of the College with unrestricted net position representing funds available to continue the operations of the institution. It presents the end-of-the-year data for current and noncurrent assets, deferred outflows/inflows of resources, current and noncurrent liabilities, and net position (assets plus deferred outflows/inflows minus liabilities). Over periods of time, increases and decreases in net position may serve as a useful gauge of the College's financial position. As the following chart illustrates, the College is in a strong financial position with net position increasing over the past year due to alignment of operating costs with operating revenues.

STATEMENT OF NET POSITION (CONTINUED)

Statement of Net Position
(In millions)

	2014	2013	Increase (Decrease) 2014-2013	2012	Increase (Decrease) 2013-2012
ASSETS					
Current Assets	$ 48.6	$ 50.7	$ (2.1)	$ 66.1	$ (15.4)
Noncurrent Assets	235.1	235.9	(0.8)	205.6	30.3
Total Assets	283.7	286.6	(2.9)	271.7	14.9
Deferred Outflows of Resources	0.5	0.1	0.4	0.3	(0.2)
Total Assets and Deferred Ouflows of Resources	284.2	286.7	(2.5)	272.0	14.7
LIABILITIES					
Current Liabilities	26.6	28.8	(2.2)	34.2	(5.4)
Noncurrent Liabilities	133.3	139.7	(6.4)	125.6	14.1
Total Liabilities	159.9	168.5	(8.6)	159.8	8.7
NET POSITION					
Net Investment in Capital Assets	73.5	74.6	(1.1)	74.6	-
Unrestricted	50.8	43.6	7.2	37.6	6.0
Total Net Position	$ 124.3	$ 118.2	$ 6.1	$ 112.2	$ 6.0

In 2014, current assets decreased by $2.1 million over 2013. During the year, cash and cash equivalents increased by $8.5 million and short-term investments decreased by $1.6 million and restricted cash and cash equivalents decreased by $8.4 million. Cash and cash equivalents of $900,000 were invested in long-term instruments to obtain better interest rates and the College utilized bond proceeds of $8.4 million for payment of bond financed construction projects. In 2014, the College incurred a modest decrease in accounts receivable by $195,000 due to increased collection efforts and minor changes in financial aid disbursement practices, a $356,000 decrease in bookstore inventory due to reduction in sales, and a $136,000 decrease in other assets due to bond refinancing which includes bond costs.

The noncurrent assets decreased by $800,000 in 2014 from the previous year. The decrease is partially due to the reduced number of capitalization of assets while the depreciable expense of those assets remained comparable to prior fiscal year resulting in a decrease of $1.7 million. In addition, $900,000 of cash and cash equivalents was invested in long-term instruments to obtain better interest rates. Deferred outflows of resources increased by $357,000 due to an increase in deferred charges on bond refinancing.

Current liabilities for 2014 decreased by $2.2 million due to decreases of $310,000 in accrued expenses and a decrease of $386,000 in unearned revenue representing an decrease in paid tuition and fees toward Summer II and Fall 2014 semesters. The current portion of long-term liabilities decreased by $1.6 million and the noncurrent liabilities decrease by $6.4 million due to paying down of debt instruments.

STATEMENT OF NET POSITION (CONTINUED)

Net position increased to $124.3 million as of June 30, 2014. The largest portion of net position, $73.5 million, reflects the College's net investment in capital assets. The College uses these capital assets to provide services to students, faculty, and staff and is not available for future spending. Therefore, resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities. The unrestricted net position balance of $50.8 million is available to use for any lawful purpose of the College.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statement of revenues, expenses, and changes in net position show the College's financial results for the fiscal year. The statement includes the College's revenues and expenses, both operating and non-operating.

Operating revenues are those received by the College for directly providing goods and services. Non-operating revenues are those that exclude a direct exchange of goods and services. State and local (school district) appropriations are classified as non-operating revenues since these governmental agencies do not directly receive goods or services for the revenue.

The following is a summarized version of the College's revenues, expenses, and changes in net position for years ending June 30, 2014, 2013, and 2012, as well as graphical representations of revenues and expenses by category.

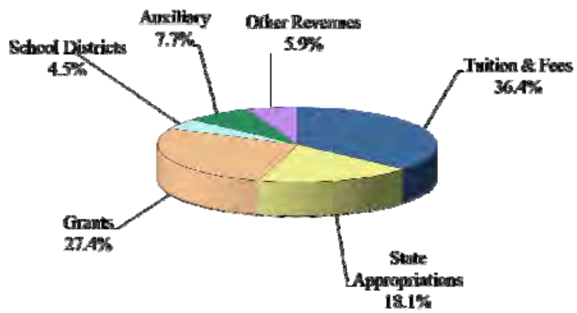
Revenues, Expenses and Changes in Net Position
(In millions)

	2014	2013	Increase (Decrease) 2014-2013	2012	Increase (Decrease) 2013 - 2012
Operating Revenues	$ 133.5	$ 138.8	$ (5.3)	$ 138.2	$ 0.6
Operating Expenses	173.4	178.8	(5.4)	195.1	(16.3)
Operating Income (Loss)	(39.9)	(40.0)	0.1	(56.9)	16.9
Nonoperating Revenues (Net)	36.9	36.3	0.6	39.4	(3.1)
Net Income (Loss) Before Capital Contributions	(3.0)	(3.7)	0.7	(17.5)	13.8
Capital Contributions	9.1	9.7	(0.6)	9.0	0.7
Increase (Decrease) in Net Position	$ 6.1	$ 6.0	$ 0.1	$ (8.5)	$ 14.5

TOTAL OPERATING AND NON-OPERATING REVENUES

2014

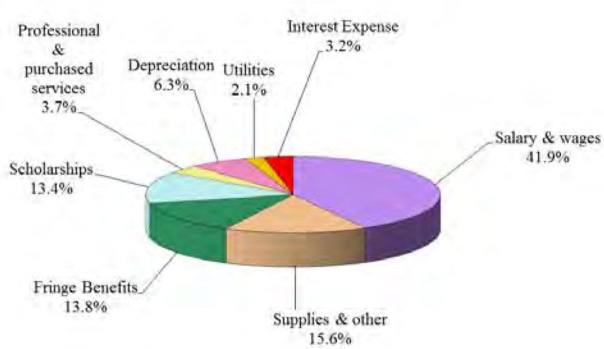
2013



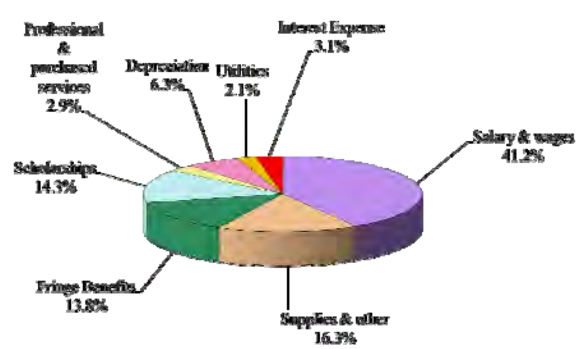
Operating revenues of $133.5 million in 2014 were $5.3 million less than 2013. Total operating revenues in 2013 were $138.8 million, which was an increase of $624,000 over 2012. In 2014, tuition and fees decreased by $1.5 million driven by a decrease in student enrollment of 4.9% despite an increase in tuition per credit hour (sponsored students $142.50 in 2014 versus $139.50 in 2013, non-sponsored students $201.00 in 2014 versus $195.00 in 2013, and out-of-state students $301.50 in 2014 versus $292.50 in 2013) while scholarship allowances and discounts increased by $1.3 million resulting in a total tuition and fee decrease of $2.8 million. Also, the College experienced an overall decrease of $3.0 million in grants and contracts mainly due to the expiration of the Title I Dislocated Worker Program Services and WIA Title I Adult Services contracts. Auxiliary enterprise (bookstore) revenue decreased by $1.3 million while other operating revenues increased by $1.8 million which includes income from institutional fees.

TOTAL OPERATING EXPENDITURES BY NATURAL SOURCE

2014

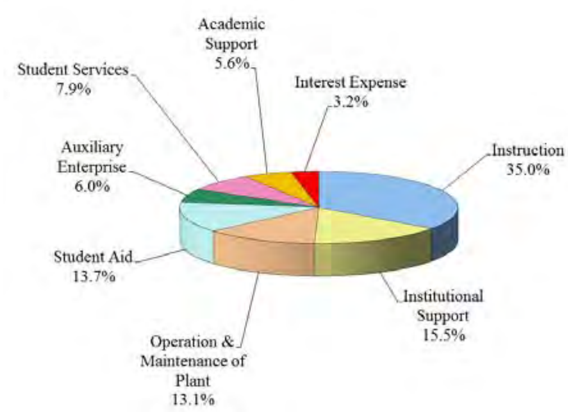


2013

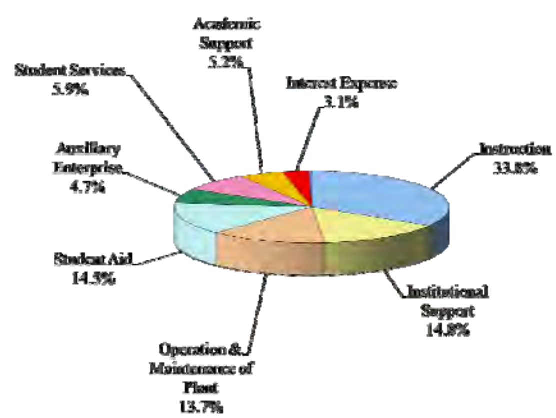


TOTAL OPERATING EXPENDITURES BY FUNCTION

2014



2013



Operating expenses decreased by $5.4 million in 2014. With the exception of professional and purchased services, the College experienced a decrease in all expense categories in 2014 compared to 2013. The $1.0 million increase in professional and purchased services is mainly due to increases in advertising, bond issuance expenses, snow removal, and instructional consultants. Salary and fringe benefits decreased $1.4 million due to College realignment and vacant positions. Scholarships decreased by $2.4 million due to a reduction in PELL awards of $1.1 million and an increase in the scholarship allowance and discounts of $1.3 million. Utilities decreased by $161,000 due to energy efficient improvements. Supplies and other expenses decreased by $2.2 million mainly due to savings in lease expenses when the College vacated Penn Center and Campus Square leases and an overall decrease in operational supplies and instructional equipment not capitalized.

Non-operating revenues (expenses) increased by $543,000 which includes an increase of $312,000 in state appropriations and gifts and an increase of $234,000 in investment income. The increase of $234,000 in investment income is a result of changes in investment strategy from short-term to long-term investing to obtain better interest rates.

The total capital contributions for fiscal year 2014 amounted to $9.1 million. This was a decrease of $619,000 compared to 2013 which includes a decrease of $22,000 in state and local appropriations and a decrease of $597,000 in grants and gifts.

The Statement of Revenues, Expenses, and Changes in Net Position reflects an overall increase of $6.1 million due to alignment of operating expenses with operating revenues.

STATEMENT OF CASH FLOWS

The final statement presented by the College is the statement of cash flows. The statement of cash flows presents information about the cash activity of the College identifying the major sources and uses of cash during the year. The following summary shows the College's liquidity as of June 30, 2014 increased $200,000 compared to the prior year. The following is a summary of the statement of cash flows for the years ending June 30, 2014, 2013, and 2012.

Cash Flows
(In millions)

	2014	2013	Increase (Decrease) 2014-2013	2012	Increase (Decrease) 2013-2012
Cash Provided (Used) By:					
Operating Activities	($73.9)	($82.6)	$8.7	($91.7)	$9.1
Noncapital Financing Activities	88.6	91.7	(3.1)	90.2	1.5
Capital Financing Activities	(15.5)	(2.6)	(12.9)	(16.3)	13.7
Investing Activities	1.0	(7.5)	8.5	(13.5)	6.0
Net Increase (decrease) in Cash and Cash Equivalents	0.2	(1.0)	1.2	(31.3)	30.3
Cash and Cash Equivalents - Beginning of Year	35.2	36.2	(1.0)	67.5	(31.3)
Cash and Cash Equivalents - End of Year	$35.4	$35.2	$0.2	$36.2	($1.0)

CAPITAL ASSET AND DEBT ADMINISTRATION

During the year ended June 30, 2014, the College had total capital additions of approximately $10.4 million which included the renovation of the Ted Lick Wildwood Conference Center to facilitate Central Administration, the Blocker roof replacement, upgrades to the nursing lab, and library window replacement on the Harrisburg Campus. The College completed several renovation projects at the York Campus including door and window replacements, general interior remodeling, interior and exterior thermal and moisture protection, and sidewalk replacement. Other improvement projects at the College include the boiler replacement at the Lebanon Campus, the purchase of vacant property at the entrance to the Lancaster Campus, and installation of a parking lot on the Gettysburg Campus.

The College has several outstanding debt instruments which were issued to finance various construction projects and other improvements. These debts, including payment schedules are fully disclosed in greater detail within Notes 7 and 8 of the financial statements. The College refinanced the 2004 college-wide, 2005 York, and 2009 Gettysburg bonds in 2014 resulting in a savings to the College of $1.8 million over the life of the bonds.

CAPITAL PLAN

For 2015, the College has a variety of capital projects that have been planned or are currently being planned based upon funding availability. The plan includes College wide data center and information technology network cooling improvements and installation of data center emergency power source. The Harrisburg, Lancaster, and York campuses are planning upgrades and additions to the existing safety surveillance systems. There are plans to renovate and upgrade the restrooms in the Rose Lehrman Arts Center and landscape modifications to improve signage visibility at the entrance to the west parking lot on the Harrisburg Campus. Projects on the Lancaster Campus include renovating the campus welcome center in the main building and campus entrance intersection improvements. The College is currently finalizing the expansion and paving of the parking lot at the Gettysburg Campus and is planning the installation of emergency lighting at the York Campus.

ECONOMIC FACTORS THAT WILL IMPACT THE FUTURE

The College's financial position is closely tied to the economy and State's budget. Changes in the economy, unemployment rates in Central Pennsylvania, high school graduating yield rates, the College's challenges and opportunities to expand into new markets, and retention efforts have all affected student enrollments.

State and local funding through annual appropriations and other funding continues to be unpredictable, especially with the uncertainty of the economy. During 2013, the College amended the sponsorship agreement with the local sponsors (school districts) reducing their operating support on a graduating scale, from $8.0 million in fiscal year 2013-14 to $4.0 million in fiscal year 2016-17. In fiscal year 2014-15, local sponsors will contribute $6.0 million in operating support, a decrease of $2.0 million from fiscal year 2013-14. At the same time, the local sponsors agreed to increase the capital contributions from $1.0 million in fiscal year 2012-13 to $1.5 million in fiscal year 2017. However, the College continues to focus on student retention and foster growth through the pursuit of alternative sources of revenue, including funding through grants, major gift campaigns, and partnerships with local businesses, hospitals, and state agencies to meet our ongoing mission to provide low cost education to all who seek it. The College continues to be innovative by offering new programs and method of instruction to our students.

During 2013 and 2012, the College implemented significant cultural and economic changes to remain fiscally sustainable by realigning the operating costs with the estimated revenues through organizational realignment and process improvements. The realignment included elimination of numerous vacant and open positions. The benefits of the changes continue to be experienced in 2014 in conjunction with the modest increase in student tuition and fees.

Overall, the College's current financial position remains strong as is evident by the 2014 financial statements. The organizational changes in fiscal year 2012 and 2013 are continuing to have a positive impact on the College's financial position. The current College structure is aligned to streamline operations, create efficiencies, leverage technology, and eliminate redundancies to advance fiscal stability and provide a high quality, low cost education where students come first.

HARRISBURG AREA COMMUNITY COLLEGE
Statements of Net Position
June 30, 2014 and 2013

	2014	2013	2014	2013
	Primary Institution		Component Unit Foundation	
ASSETS				
Current Assets				
Cash and cash equivalents	$ 34,932,928	$ 26,398,377	$ 1,103,450	$ 735,190
Restricted cash and cash equivalents	458,493	8,811,535	-	-
Short-term investments	1,045,397	2,645,019	-	-
Accounts receivable, net	8,602,087	8,796,598	2,031,899	2,511,727
Loans receivable - current portion	3,195	5,122	-	-
Other assets	1,327,122	1,462,690	500	3,017
Inventories	2,129,202	2,485,362	-	-
Due from HACC Foundation	137,120	113,839	-	-
Total Current Assets	48,635,544	50,718,542	3,135,849	3,249,934
Noncurrent Assets				
Long-term investments	28,275,812	27,394,913	33,881,760	29,654,700
Loans receivable - long term portion	19,817	21,990	-	-
Capital assets, net of accumulated depreciation	206,863,765	208,526,144	-	-
Total Noncurrent Assets	235,159,394	235,943,047	33,881,760	29,654,700
Total Assets	283,794,938	286,661,589	37,017,609	32,904,634
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on bond refunding	475,527	118,416	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 284,270,465	$ 286,780,005	$ 37,017,609	$ 32,904,634
LIABILITIES				
Current Liabilities				
Due to HACC	$ -	$ -	$ 137,120	$ 113,839
Accounts payable and accrued expenses	12,003,109	12,313,198	-	113,665
Deposits held in custody for others	1,580,722	1,484,468	-	-
Unearned revenue	4,682,298	5,068,460	44,519	69,700
Current portion of long term liabilities	8,305,278	9,968,314	-	-
Total Current Liabilities	26,571,407	28,834,440	181,639	297,204
Noncurrent Liabilities				
Long-term liabilities	132,207,320	138,728,755	-	-
OPEB obligations	1,134,077	980,220	-	-
Total Noncurrent Liabilities	133,341,397	139,708,975	-	-
Total Liabilities	159,912,804	168,543,415	181,639	297,204
NET POSITION				
Net Investment in capital assets	73,583,327	74,852,787	-	-
Restricted - temporarily	-	-	14,621,301	13,840,387
Restricted - permanently	-	-	19,845,184	16,639,945
Unrestricted	50,774,334	43,383,803	2,369,485	2,127,098
Total Net Position	124,357,661	118,236,590	36,835,970	32,607,430
TOTAL LIABILITIES AND NET POSITION	$ 284,270,465	$ 286,780,005	$ 37,017,609	$ 32,904,634

HARRISBURG AREA COMMUNITY COLLEGE
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2014 and 2013

	2014	2013	2014	2013
	Primary Institution		Component Unit Foundation	
REVENUES				
Operating Revenues				
Student tuition and fees	$ 81,906,492	$ 83,452,924	$ -	$ -
Scholarship allowance and discounts	(19,479,289)	(18,212,000)	-	-
Federal grants	36,553,609	39,165,095	-	-
State and local grants	9,536,792	9,777,138	-	-
Nongovernmental grants	106,983	313,159	-	-
Sales and services of auxiliary enterprises	12,463,376	13,756,191	-	-
Other operating revenues	12,411,453	10,568,325	-	-
Contributions	-	-	2,793,302	3,138,850
Investment income, net of investment expenses of $ 166,856 - 2014 and $118,054 - 2013	-	-	744,304	714,516
Realized and unrealized gains (losses) on investments	-	-	4,165,805	2,186,013
Total Operating Revenues	133,499,416	138,820,832	7,703,411	6,039,379
EXPENSES				
Operating Expenses				
Salaries and wages	75,140,795	75,682,933	725,751	772,127
Fringe benefits and payroll taxes	24,680,754	25,540,501	293,860	344,541
Supplies and other expense	27,867,205	30,115,092	898,587	2,898,537
Professional and purchased services	6,545,412	5,560,606	86,810	26,669
Utilities	3,771,961	3,933,362	-	-
Depreciation and amortization	11,359,197	11,581,793	-	-
Scholarships	23,989,012	26,395,431	1,291,477	940,092
Contributions and grants	-	-	178,386	219,146
Total Operating Expenses	173,354,336	178,809,718	3,474,871	5,201,112
Operating Income (Loss)	(39,854,920)	(39,988,886)	4,228,540	838,267
NON-OPERATING REVENUES (EXPENSES)				
State appropriations	32,406,477	32,390,178	-	-
Local appropriations	8,002,675	8,002,675	-	-
Gifts	1,852,043	1,556,433	-	-
Gain (loss) on sale of assets	751	2,336	-	-
Investment income, net of investment expenses of $15,708 - 2014 and $15,640 - 2013	316,795	82,564	-	-
Interest expense	(5,694,737)	(5,692,947)	-	-
Total Non-Operating Revenues, net	36,884,004	36,341,239	-	-
Net Income (Loss) Before Capital Contributions	(2,970,916)	(3,647,647)	4,228,540	838,267
CAPITAL CONTRIBUTIONS				
Capital appropriations - local sources	1,000,000	1,000,000	-	-
Capital appropriations - state sources	7,252,168	7,273,853	-	-
Capital grants and gifts	839,819	1,436,981	-	-
Total Capital Contributions	9,091,987	9,710,834	-	-
Increase (decrease) in Net Position	6,121,071	6,063,187	4,228,540	838,267
Net Position - Beginning of Year	118,236,590	112,173,403	32,607,430	31,769,163
Net Position - End of Year	$ 124,357,661	$ 118,236,590	$ 36,835,970	$ 32,607,430

HARRISBURG AREA COMMUNITY COLLEGE
Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
	Primary Insitution	
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments received for tuition and fees	$ 63,428,074	$ 66,146,324
Payments received from auxiliary enterprise charges	12,491,110	13,739,960
Payments received from other revenues	12,437,297	10,354,354
Payments to and on behalf of employees	(100,345,188)	(105,125,269)
Payments to suppliers for goods and services	(37,886,671)	(41,356,062)
Payments for financial aid and scholarships	(23,986,839)	(26,389,336)
Net cash (used) by operating activities	(73,862,217)	(82,630,029)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grants and contracts	46,189,483	50,412,364
State appropriations	32,291,527	32,173,052
Local appropriations	8,138,571	7,552,567
Gifts received	1,980,718	1,611,284
Net cash provided by noncapital financing activities	88,600,299	91,749,267
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital debt financing	23,481,621	23,388,079
State and local appropriations	8,252,168	8,273,853
Capital grants and gifts received	839,817	1,436,981
Purchases of capital assets	(10,184,198)	(22,635,324)
Proceeds from sale of capital assets	751	2,336
Principal paid on debt and capital leases	(32,000,000)	(7,523,122)
Interest paid on debt and capital leases	(5,902,131)	(5,579,061)
Net cash provided by capital financing activities	(15,511,972)	(2,636,258)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(47,141,482)	(54,603,591)
Proceeds from sale/maturities of investments	47,860,192	47,025,381
Investment income	236,689	114,713
Net cash provided (used) by investing activities	955,399	(7,463,497)
Increase (decrease) in cash and cash equivalents	181,509	(980,517)
Cash and cash equivalents - beginning of year	35,209,912	36,190,429
Cash and cash equivalents - end of year	$ 35,391,421	$ 35,209,912
AS REPORTED ON STATEMENTS OF NET POSITION		
Cash and cash equivalents	$ 34,932,928	$ 26,398,377
Restricted cash and cash equivalents	458,493	8,811,535
Total cash and cash equivalents	$ 35,391,421	$ 35,209,912

	2014	2013
	Primary Insitution	
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating income (loss)	$ (39,854,920)	$ (39,988,886)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation and amortization	11,359,197	11,581,793
Grants classified as operating revenues	(46,189,483)	(50,412,364)
(Increase) Decrease in:		
Accounts receivable	(507,565)	2,221,386
Inventory	356,160	(26,403)
Other assets	(232,805)	45,158
Increase (Decrease) in:		
Unearned revenue	321,166	552,948
Accounts payable and accrued expenses	431,547	(5,965,264)
Compensated absences	204,380	(184,241)
Other postemployment benefits	153,857	(216,582)
Deposits	96,249	(237,574)
Net cash (used) by operating activities	$ (73,862,217)	$ (82,630,029)
NONCASH INVESTING, CAPITAL AND FINANCING TRANSACTIONS		
Capital gifts of equipment and buildings	$ 10,750	$ -
Realized and unrealized gains (losses) on investments	$ (12,086)	$ (98,335)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Harrisburg Area Community College (the "College") is a public comprehensive, two year, co-educational institution, which commenced operations in 1964 under the provisions of the Community College Act of 1963. Campuses are located in Gettysburg, Harrisburg, Lancaster, Lebanon, and York, Pennsylvania. The College is accredited by the Middle States Association of College and Secondary Schools.

Measurement Focus and Basis of Accounting

The financial statements of the College have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB"), including 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 of Public Colleges and Universities (an Amendment of GASB Statement No. 34).* The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position and cash flows.

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been prepared on the accrual basis of accounting with a flow of economic resources measurement focus. Revenues are reported when earned and expenses when materials or services are received. All intercompany accounts and transactions have been eliminated.

Reporting Entity

GASB provides guidance to determine whether certain organizations for which the College is not financially accountable should be reported as component units based on the nature and significance of their relationship with the College. Generally, it requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a governmental unit. The Harrisburg Area Community College Foundation (the "HACC Foundation") and the Wildwood Conference Center Foundation are included in the College's financial statements as component units due to the oversight responsibility of the College in accordance with GASB standards. The criteria used in determining oversight responsibility include financial interdependency, ability to select members of the governing body, ability to designate management, ability to significantly influence operations, and accountability for fiscal matters. In accordance with the provisions of the GASB, the HACC Foundation is shown as a discretely presented component unit due primarily to the fact that it was organized for the purpose of receiving gifts and grants and to distribute the available funds to, or for the benefit of, the College. Substantially all of HACC Foundation's expenses for scholarships, contributions, and grants flow through as "state and local grants" income on the College's financial statements. The Wildwood Conference Center Foundation does not meet the requirement for discrete presentation and therefore is shown as a blended component unit and included with the activity of the college. The Conference Center ceased operations on December 31, 2012. Separate financial statements are available for the HACC Foundation by contacting the College's Office of Finance and College Resources, One HACC Drive, Harrisburg, Pennsylvania 17110-2999.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

The College has adopted GASB Statements No. 34 and 35 (as amended by GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus), and No. 38, Certain Financial Statement Note Disclosures, and No. 63, Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a basis to focus on the College as a whole. GASB Statements No. 35 and No. 63 report equity as "net position" rather than "fund balance".

Net Position

Net position is classified in the following categories:

Net Investment in capital assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt, accounts payable and retainage payable that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted temporarily - This includes net position whose use is limited by donor imposed stipulations that can be removed by the passage of time or action of the HACC Foundation pursuant to those stipulations.

Restricted permanently - This includes net position whose use is limited by donor imposed stipulations that cannot be removed by the passage of time or action of the HACC Foundation.

Unrestricted – This category of net position is the amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Unrestricted net position represent resources derived from student tuition and fees, state and local appropriations, and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the College to meet current expenses for any purpose.

Use of restricted net position - The College has not adopted a formal policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Generally, the College attempts to utilize restricted funds first when practicable.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

The HACC Foundation follows SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net position: unrestricted net position, temporarily restricted net position, and permanently restricted net position. In addition, the HACC Foundation is considered a non-profit organization and follows FASB pronouncements, not GASB pronouncements. Therefore, it is not subject to the same disclosure requirements as the College.

Management's Use of Estimates

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

Cash and Cash Equivalents

These include cash on hand, demand deposits, and, in accordance with GASB pronouncements, the College's short-term pooled investments in the PSDLAF. For purposes of the statement of net position, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Restricted Cash and Cash Equivalents

Restricted cash consists of unspent bond proceeds which are designated to be used for the specific projects that were funded by the bonds.

Investments

Investments are reported at fair value based on quoted market prices.

Total Return Policy - HACC Foundation

The Foundation follows PA Act 141, "Investment of Trust Funds," and has adopted a total return policy for its permanently restricted endowment funds. Based on the PA Act 141 guidelines, the policy has been set into place where income for permanently restricted funds has been redefined to mean a percentage of the value of the trust. This percentage is determined annually by the Foundation Board and applied to the previous three years' average of the market value of the trust as a whole. The percentage must legally fall within the range of 2% to 7% and was approved to be 4% for the years ended June 30, 2014 and 2013. Actual investment return, net of the 4% spending policy, is added back to the permanently restricted corpus. The purpose of this policy is to smooth out the spending of the funds while maintaining the long term preservation of the fund as a whole under the assumption that in the long run, the actual income and growth of the fund will be greater than the spending of the fund.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost or market, cost being determined using the first-in, first-out method (FIFO).

Capital Assets

Buildings and improvements are stated at cost less accumulated depreciation. Equipment is stated at estimated historical cost (based on an appraisal done July 1, 1999, plus actual costs for subsequent purchases) less accumulated depreciation. The College provides for depreciation on the straight-line method over the estimated useful lives of the related assets as shown below. All assets with a purchased cost, or fair value if acquired by gift, in excess of $ 2,000 with an estimated useful life in excess of one year is capitalized. Normal repair and maintenance expenses are not capitalized because they neither add to the value of the property nor materially prolong its useful life.

Asset Type	Useful Life in Years
Buildings	45
Land improvements	20
Equipment	5 - 20
Furniture	20

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The College only has one item that qualifies for reporting in this category, which is the deferred charge on bond refunding reported in the statement of net position. A deferred charge on bond refunding results from the difference in the carrying value of refunding debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The College does not have any items that qualify for reporting in this category.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums, discounts, and prepaid bond insurance costs are deferred and amortized over the life of the bonds using the straight line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Prepaid bond insurance costs are reported as other assets and amortized over the term of the related debt.

Income Taxes

The College is considered an activity of the Commonwealth of Pennsylvania and is tax-exempt. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The HACC Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code.

Compensated Absences

Liability for compensated absences is accounted for in accordance with generally accepted accounting principles, which require entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

The College's full-time employees earn up to a maximum of twenty vacation leave days per year and are entitled to compensation for accumulated, unpaid vacation leave upon termination up to a maximum of forty days. Full-time employees also earn up to 12 sick leave days per year and are entitled to compensation for accumulated unpaid sick leave upon retirement. The maximum payout is for 45 sick days.

The estimate of the liability for the accumulated unpaid sick leave has been calculated using the vesting method. Under that method, the College has identified the accrued sick leave benefit earned to date by each employee, determined the cost of that benefit by reference to the benefit provisions and the current rates paid by the College, and estimated the probability of the payment of that benefit to employees upon retirement.

The estimated expense incurred for vacation leave and sick leave is recorded as a component of fringe benefits and payroll taxes on the statement of revenues, expenses, and changes in net position.

Classification of Revenues

The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating Revenues **-** Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises; (3) most Federal, state, local, and nongovernmental grants and contracts; and (4) sales and service of educational activities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Revenues (Continued)

Nonoperating Revenues - Nonoperating revenues include activities that have the characteristics of non-exchange transactions (in which the College receives value without directly giving equal value in return), such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB No. 34, such as federal, state and local appropriations and investment income.

Accounts Receivable

Accounts receivable relate to transactions involving student tuition and fee billings for semesters in which services are provided, governmental appropriations, grants and contracts, financial aid, and other miscellaneous transactions.

Allowance for Doubtful Accounts

It is the College's policy to provide for future losses on uncollectible accounts, contracts, grants, and loans receivable based on an evaluation of the underlying account, contract, grant and loan balances, the historical collectability experienced by the College on such balances and such other factors which, in the College's judgment, require consideration in estimating doubtful accounts.

Scholarship Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the student's behalf.

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, the Federal Direct Loan Program (FDLP) and the Federal Family Educational Loan (FFEL) Program is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as either operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a College-wide basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension Plans

Employees of the College are provided pension benefits through one of three available cost-sharing, multiple-employer retirement plans. The College follows the provisions of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and GASB Statement No. 50*, Pension Disclosures*. GASB Statements No. 27 and No. 50 establish standards for the measurement, recognition, and display of pension expense and related liabilities, assets, and note disclosures. See Note 11 for additional information.

Reclassification of Prior Year Financial Statements

Certain reclassifications have been made to the prior year financial statements in order to be consistent with current year classifications.

NOTE 2 CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The College does not have a written policy for custodial credit risk. As of June 30, 2014, $ 34,442,159 of the College's bank balance of $ 64,030,474 was exposed to custodial credit risk and as of June 30, 2013, $ 39,886,613 of the College's bank balance of $ 60,845,875 was exposed to custodial credit risk as follows:

	2014	2013
Uninsured and uncollateralized	$ -	$ -
Collateralized with securities held by the pledging financial institution	-	-
Uninsured and collateral held by the pledging bank's trust department but not in the College's name	34,442,159	39,886,613
	$ 34,442,159	$ 39,886,613

Included in investments on the statement of net position are CD's invested in the Pennsylvania School District Liquid Asset Fund (PSDLAF) and various financial institutions in the amount of $ 29,321,209 and $ 30,039,932 all with maturities of greater than three months, as of June 30, 2014 and 2013, respectively. Included in these totals are $ 1,045,397 and $ 2,645,019 are CD's with a maturity of less than one year and are classified as short term investments. These are considered deposits for purposes of this disclosure.

NOTE 3 INVESTMENTS

Credit Risk

Included on the statement of net position are pooled investments in the Pennsylvania School District Liquid Asset Fund (PSDLAF) of $ 1,007,113 (classified as cash equivalents). These funds are basically mutual funds that consist of short term money market instruments and seek to maintain a constant net asset value of $ 1 per share. At June 30, 2014, the College's investment in PSDLAF was rated AAAm by Standard and Poor's.

NOTE 3 INVESTMENTS (CONTINUED)

Interest Rate Risk

Investments in PSDLAF are not subject to interest rate risk as the funds are accessible on a daily basis and the interest rates change daily based on market conditions.

HACC Foundation Investments

Investments of the HACC Foundation as of June 30, 2014 and 2013 are comprised of the following:

	2014		
	Cost	Fair Value	Unrealized Gains (Losses)
Cash	$ 358,939	$ 358,939	$ -
Money market funds	1,052,461	1,052,461	-
Equities by industry:			
S&P 500 index	4,253,267	4,513,303	260,036
Vanguard real estate investment trust	1,113,146	1,246,086	132,940
Basic materials	379,714	431,647	51,933
Capital goods	464,874	476,184	11,310
Consumer cyclical	483,161	512,984	29,823
Consumer non-cyclical	858,225	939,681	81,456
Energy	892,193	1,051,805	159,612
Financial	1,618,583	1,799,507	180,924
Health care	597,316	625,278	27,962
Other - Foreign stocks	4,979,556	5,190,237	210,681
Services	1,244,347	1,285,803	41,456
Technology	1,153,496	1,250,169	96,673
Transportation	551,759	640,194	88,435
Utilities	26,045	35,636	9,591
Total equities	18,615,682	19,998,514	1,382,832
Mutual funds by type:			
Fixed income	4,523,567	4,604,619	81,052
Total mutual funds	4,523,567	4,604,619	81,052
US Government obligations	2,873,943	2,833,099	(40,844)
Corporate bonds	4,955,838	5,034,128	78,290
Total	$ 32,380,430	$ 33,881,760	$ 1,501,330

NOTE 3 INVESTMENTS (CONTINUED)

	2013		
	Cost	Fair Value	Unrealized Gains (Losses)
Money market funds	$ 678,465	$ 678,465	$ -
Equities by industry:			
Consumer discretionary	689,063	903,801	214,738
Consumer staples	791,288	1,023,254	231,966
Energy	763,351	817,245	53,894
Exchange-traded fund	789,102	841,146	52,044
Financial	1,016,405	1,215,470	199,065
Health care	998,424	1,223,128	224,704
Industrials	573,199	726,543	153,344
Information technology	985,896	1,244,768	258,872
Materials	294,185	313,365	19,180
Telecommunication services	327,138	318,879	(8,259)
Utilities	190,131	201,181	11,050
Total equities	7,418,182	8,828,780	1,410,598
Mutual funds by type:			
Growth	4,595,519	5,745,040	1,149,521
Value	2,061,818	2,394,672	332,854
International	2,051,072	2,083,426	32,354
Fixed income	1,208,138	1,260,559	52,421
Other	8,500,100	8,247,469	(252,631)
Total mutual funds	18,416,647	19,731,166	1,314,519
Corporate bonds	406,402	416,289	9,887
Total	$ 26,919,696	$ 29,654,700	$ 2,735,004

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

	College		Foundation	
	2014	2013	2014	2013
Student Tuition and fees	$ 7,178,383	6,664,371	$ -	$ -
Allowance for doubtful accounts	(1,500,000)	(1,525,000)	-	-
Grants and contracts receivable	2,312,327	2,984,667	-	-
State appropriations receivable	59,165	0	-	-
Bookstore receivables	24,174	80,392	-	-
Other receivables	528,038	592,168	60,120	28,205
Pledges receivable (net)	-	-	1,971,779	2,483,522
Total	$ 8,602,087	$ 8,796,598	$ 2,031,899	$ 2,511,727

Bookstore receivables include $ 328,265 and $ 1,421,544 in vendor credit memos at June 30, 2014 and 2013, respectively.

NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)

Pledges receivable of the Foundation, representing donor promises to give, have been discounted to their present value assuming their respective terms and a discount rate of 1.7% at June 30, 2014 and 1.2% at June 30, 2013. The unamortized discount was $ 78,205 and $ 68,721 at June 30, 2014 and 2013, respectively.

NOTE 5 CAPITAL ASSETS

The following is a summary of capital asset transactions of the College for the years ended June 30, 2014 and 2013:

2014

	Beginning Balance	Additions	Retirements	Ending Balance
Cost:				
Land (not being depreciated)	$ 10,882,224	$ 85,971	$ -	$ 10,968,195
Building	155,463,744	614,047	-	156,077,791
Improvements - land	6,833,290	30,397	-	6,863,687
Improvements - building	58,920,100	8,348,940	-	67,269,040
Improvements - leasehold	17,427,316	-	-	17,427,316
Instructional equipment	35,336,414	755,686	(2,295)	36,089,805
Non-instructional equipment	24,833,834	887,346	-	25,721,180
Construction in progress (not being depreciated)	2,534,693	6,721,385	(7,815,125)	1,440,953
Total cost	312,231,615	17,443,772	(7,817,420)	321,857,967
Less accumulated depreciation:				
Building	(35,358,631)	(3,602,644)	-	(38,961,275)
Improvements - land	(1,163,704)	(339,752)	-	(1,503,456)
Improvements - building	(19,009,737)	(2,833,281)	-	(21,843,018)
Improvements - leasehold	(5,536,511)	(872,983)	-	(6,409,494)
Instructional equipment	(21,638,058)	(1,527,613)	2,295	(23,163,376)
Non-instructional equipment	(20,998,830)	(2,114,753)	-	(23,113,583)
Total accumulated depreciation	(103,705,471)	(11,291,026)	2,295	(114,994,202)
Capital assets, net	$ 208,526,144	$ 6,152,746	$ (7,815,125)	$ 206,863,765

NOTE 5 CAPITAL ASSETS (CONTINUED)

2013

	Beginning Balance	Additions	Retirements	Ending Balance
Cost:				
Land (not being depreciated)	$ 9,761,938	$ 1,120,286	$ -	$ 10,882,224
Building	130,087,844	25,375,900	-	155,463,744
Improvements - land	3,759,236	3,074,054	-	6,833,290
Improvements - building	57,531,255	1,388,845	-	58,920,100
Improvements - leasehold	17,427,316	-	-	17,427,316
Instructional equipment	33,791,746	1,561,134	(16,466)	35,336,414
Non-instructional equipment	23,385,928	1,452,906	(5,000)	24,833,834
Construction in progress (not being depreciated)	14,188,154	2,638,098	(14,291,559)	2,534,693
Total cost	289,933,417	36,611,223	(14,313,025)	312,231,615
Less accumulated depreciation:				
Building	(31,943,381)	(3,415,250)	-	(35,358,631)
Improvements - land	(873,146)	(290,558)	-	(1,163,704)
Improvements - building	(16,260,291)	(2,749,446)	-	(19,009,737)
Improvements - leasehold	(4,687,498)	(849,013)	-	(5,536,511)
Instructional equipment	(19,971,379)	(1,682,314)	15,635	(21,638,058)
Non-instructional equipment	(18,815,928)	(2,187,902)	5,000	(20,998,830)
Total accumulated depreciation	(92,551,623)	(11,174,483)	20,635	(103,705,471)
Capital assets, net	$ 197,381,794	$ 25,436,740	$ (14,292,390)	$ 208,526,144

NOTE 6 OTHER ASSETS

Other assets of the College at June 30 consist of:

	2014	2013
Prepaid expenses	$ 639,339	$ 533,259
Prepaid bond insurance	1,208,737	1,299,596
Accumulated amortization - prepaid bond insurance	(520,954)	(370,165)
	$ 1,327,122	$ 1,462,690

NOTE 7 LONG-TERM LIABILITIES

Long-term liabilities had the following activity during the years ended June 30, 2014 and 2013:

2014

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Long-term Portion
Leases and bonds/notes payable:						
Bonds and notes payable:						
Series of 2004	$ 8,930,000	$ -	$ (8,930,000)	$ -	$ -	$ -
Series of 2005	1,235,000	-	(1,235,000)	-	-	-
Series of 2008	21,560,000	-	(1,310,000)	20,250,000	1,365,000	18,885,000
Series of 2009	15,995,000	-	(15,995,000)	-	-	-
Series of 2009A	8,830,000	-	(1,320,000)	7,510,000	1,350,000	6,160,000
Series of 2010	15,270,000	-	(5,000)	15,265,000	645,000	14,620,000
Series of 2011	48,140,000	-	(1,695,000)	46,445,000	1,745,000	44,700,000
Series of 2012	14,860,000	-	(555,000)	14,305,000	565,000	13,740,000
Series of 2013	8,185,000	-	(955,000)	7,230,000	970,000	6,260,000
Series of 2014	-	22,510,000	-	22,510,000	620,000	21,890,000
Bond premium	459,959	900,179	(47,584)	1,312,554	91,149	1,221,405
Bond discount	(861,652)	-	248,555	(613,097)	(42,862)	(570,235)
Total leases and bonds/notes payable	142,603,307	23,410,179	(31,799,029)	134,214,457	7,308,287	126,906,170
Other liabilities:						
Compensated absences:						
Vacation leave	3,126,055	310,562	(332,314)	3,104,303	519,468	2,584,835
Sick leave	2,967,707	414,366	(188,235)	3,193,838	477,523	2,716,315
Total other liabilities	6,093,762	724,928	(520,549)	6,298,141	996,991	5,301,150
Total long-term liabilities	$ 148,697,069	$ 24,135,107	$ (32,319,578)	$ 140,512,598	$ 8,305,278	$ 132,207,320

2013

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Long-term Portion
Leases and bonds/notes payable:						
Capital lease obligation	$ 4,193	$ -	$ (4,193)	$ -	$ -	$ -
Bonds and notes payable:						
Series of 2004	10,725,000	-	(1,795,000)	8,930,000	1,865,000	7,065,000
Series of 2005	1,820,000	-	(585,000)	1,235,000	605,000	630,000
Series of 2008	22,815,000	-	(1,255,000)	21,560,000	1,310,000	20,250,000
Series of 2009	16,800,000	-	(805,000)	15,995,000	830,000	15,165,000
Series of 2009A	10,115,000	-	(1,285,000)	8,830,000	1,310,000	7,520,000
Series of 2010	15,275,000	-	(5,000)	15,270,000	5,000	15,265,000
Series of 2011	49,790,000	-	(1,650,000)	48,140,000	1,695,000	46,445,000
Series of 2012	-	14,860,000	-	14,860,000	555,000	14,305,000
Series of 2013	-	8,185,000	-	8,185,000	955,000	7,230,000
Revolving Loan	138,929	-	(138,929)	-	-	-
Bond premium	245,853	246,094	(31,988)	459,959	26,322	433,637
Bond discount	(481,590)	(437,623)	57,561	(861,652)	(55,093)	(806,559)
Total leases and bonds/notes payable	127,247,385	22,853,471	(7,497,549)	142,603,307	9,101,229	133,502,078
Other liabilities:						
Compensated absences:						
Vacation leave	3,136,730	-	(10,675)	3,126,055	436,388	2,689,667
Sick leave	2,685,381	282,326	-	2,967,707	430,697	2,537,010
Early retirement payable	455,892	-	(455,892)	-	-	-
Total other liabilities	6,278,003	282,326	(466,567)	6,093,762	867,085	5,226,677
Total long-term liabilities	$ 133,525,388	$ 23,135,797	$ (7,964,116)	$ 148,697,069	$ 9,968,314	$ 138,728,755

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Bonds Payable

Revenue bonds payable to the State Public School Building Authority (SPSBA) at June 30, 2014 and 2013 consist of the following:

	2014	2013
2004, issued $ 26,530,000 in July 2004; at a fixed rate of 2.25% - 5.25%; interest and principal payable semi-annually through April 2024.	$ -	$ 8,930,000
2005, issued $ 5,435,000 in July 2005; at a fixed rate of 3.00% - 4.00%; interest and principal payable semi-annually through April 2015.	-	1,235,000
2008, issued $ 26,275,000 in December 2008; at a fixed rate of 4.00% - 5.75%; interest and principal payable semi-annually through October 2029.	20,250,000	21,560,000
2009, issued $ 17,390,000 in May 2009; at a fixed rate of 2.00 - 4.50%; interest and principal payable semi-annually through October 2027.	-	15,995,000
2009A, issued $12,160,000 in November 2009; at a fixed rate of 2.00%-4.00%; interest and princpal payable semi-annually through October 2027.	7,510,000	8,830,000
2010, issued $15,280,000 in May 2010; at a fixed rate of 3.00%-4.00%; interest and principal payable semi-annually through October 2030.	15,265,000	15,270,000
2011, issued $51,010,000 in December 2011; at a fixed rate of 2.00%-5.00%; interest and princpal payable semi-annually through October 2031.	46,445,000	48,140,000
2012, issued $14,860,000 in October 2012; at a fixed rate of 0.90%-3.75%; interest and principal payable semi-annually through October 2032.	14,305,000	14,860,000
2013, issued $8,185,000 in April 2013; at a fixed rate of 1.00%-2.25%; interest and principal payable semi-annually through October 2021.	7,230,000	8,185,000
2014, issued $22,510,000 in June 2014; at a fixed rate of 0.30%-3.50%; interest and principal payable semi-annually through October 2027.	22,510,000	-
Total bonds payable	$ 133,515,000	$ 143,005,000

The bonds are guaranteed by a municipal bond insurance policy. In addition, the College has pledged to include debt service payments due each fiscal year in its budget for such fiscal year.

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Series 2014 Bonds Payable

As a result of the refunding of the Series of 2004, Series of 2005, and Series of 2009 with the issuance of the Series of 2014 bonds, the College will have the following benefits:

(1) Cash flow gain	$ 1,833,670
(2) Economic gain	$ 1,714,134

(1) Represents the difference between the cash flows required to service the old debt and the new debt, less bond issue costs.
(2) Represents the difference in present value of the old debt and the new debt, less bond issue costs.

Future Maturities

Under an agreement with the Commonwealth of Pennsylvania, a portion of the principal and interest on outstanding SPSBA bonds eligible for state reimbursement will be paid by the Commonwealth on a reimbursement basis. The combined aggregate amounts of maturities of all bonds and notes are as follows:

Year ending	State Share		College Share		Total	Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Total
2015	$ 3,056,750	$ 2,172,687	$ 4,203,250	$ 2,850,477	$ 7,260,000	$ 5,023,164	$ 12,283,164
2016	3,141,750	1,599,250	4,873,250	3,388,261	8,015,000	4,987,511	13,002,511
2017	3,241,750	1,501,351	5,043,250	3,213,743	8,285,000	4,715,094	13,000,094
2018	3,106,750	1,393,801	4,998,250	3,019,563	8,105,000	4,413,364	12,518,364
2019	3,214,250	1,286,105	5,190,750	2,823,815	8,405,000	4,109,920	12,514,920
2020-2024	14,666,250	4,727,291	26,123,750	10,860,264	40,790,000	15,587,555	56,377,555
2025-2029	11,371,250	2,349,137	23,448,750	5,499,661	34,820,000	7,848,798	42,668,798
2030-2033	6,174,500	404,562	11,660,500	834,670	17,835,000	1,239,232	19,074,232
Total	$ 47,973,250	$ 15,434,184	$ 85,541,750	$ 32,490,454	$ 133,515,000	$ 47,924,638	$ 181,439,638

NOTE 8 LEASES

Operating Leases

The College has entered into noncancelable operating leases for certain campus facilities and equipment. Minimum lease payments in future years are as follows:

2015	$ 3,548,074
2016	3,237,514
2017	2,963,431
2018	2,669,097
2019	2,625,000
2020-2023	7,875,000
Total minimum lease payments	$ 22,918,116

The total rent under operating leases for the years ended June 30, 2014 and 2013 was $ 4,516,269 and $ 5,713,121, respectively.

NOTE 9 DUE TO THE COMMONWEALTH OF PENNSYLVANIA

Included in accounts payable and accrued expenses are amounts due to the Commonwealth of Pennsylvania as of June 30, representing the outstanding deficiency of reimbursable operating and capital expenditures compared to the advances received from the Commonwealth. The outstanding amounts due to the Commonwealth are $ 23,078 and $ 78,364 as of June 30, 2014 and 2013, respectively.

Under the terms of the Commonwealth Community College Funding Legislation (Act 46), annual audits are prepared by each College's external audit firm and submitted to the Department of Education for review. Such audits could lead to reimbursement of appropriated funds to the Commonwealth. College management believes that reimbursements, if any, will be immaterial.

NOTE 10 RISK MANAGEMENT

The College is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets, errors, and omissions, injuries to employees and students, and natural disasters.

The College has purchased commercial insurance to cover general and professional liability, directors and officers liability, worker's compensation, accident insurance, flood, unemployment compensation, and employees' health coverage. For these insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

The College is self-insured for dental coverage and a prescription drug plan. The liability for estimated claims at June 30, 2014 and 2013 represents three months of claims paid. Changes in the College's claims liability amount for the years ended June 30 were:

	2014	2013
Beginning balance	$ 143,761	$ 341,286
Claims made/Changes in estimates	2,303,554	1,520,318
Claims paid	(2,308,017)	(1,717,843)
Ending balance	$ 139,298	$ 143,761

NOTE 11 PENSION BENEFITS

Substantially all of the employees of the College are covered by one of three multi-employer contributory pension plans; the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF), the Commonwealth of Pennsylvania Public School Employees' Retirement System (PSERS), or the Commonwealth of Pennsylvania State Employees' Retirement System (SERS).

The Public School Employees' Retirement System ("PSERS") and the Commonwealth of Pennsylvania State Employees' Retirement System ("SERS") are governmental cost-sharing multiple-employer defined benefit plans.

NOTE 11 PENSION BENEFITS (CONTINUED)

PSERS Plan Description

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

Type of plan: Governmental cost-sharing multiple-employer defined-benefit plan

Benefits: Retirement and disability, legislatively mandated ad hoc cost-of-living adjustments, healthcare insurance premium assistance to qualifying annuitants.

Authority: The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C. S. § 8101-8535)

Annual Financial Report: The System issues a *Comprehensive Annual Financial Report (CAFR)* that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to the Office of Financial Management, Public School Employees' Retirement System, 5 N 5th Street, Harrisburg PA 17101-1905. The *CAFR* is also available on the Publications page of the PSERS website.

Funding Policy

Authority: The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth.

Contribution rates

Member Contributions **–**

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

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

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

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

NOTE 11 PENSION BENEFITS (CONTINUED)

The contribution rate for the College is an actuarially determined rate. The rate at June 30, 2014, 2013, and 2012 was 8.465, 6.18, and 4.325 percent of annual covered payroll, respectively. The College's contributions to PSERS for the years ended June 30, 2014, 2013, and 2012, were $ 382,258, $ 263,731, and $ 221,346, respectively, equal to the required contractual contribution.

The contribution policy for SERS, as established by the SERS Board, requires contributions by active members and employers. As of January 1, 2002, active members could make an election to increase contributions from a rate of 5% to 6.25% of their qualifying compensation. The contribution rate for the College is an actuarially determined rate, which was 12.10 percent for Class A, 15.12 percent for Class AA, and 10.46 percent for Class A-3 and A-4 for the year ended June 30, 2014, and 8.43 percent for Class A, 10.51 percent for Class AA, and 7.29 percent for Class A-3 and A-4 the year ended June 30, 2013, respectively. The College's contributions to SERS for the years ended June 30, 2014, 2013, and 2012, were $ 978,634, $ 672,241, and $ 565,062, respectively, equal to the required contractual contribution. SERS issues a publicly available annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Commonwealth of Pennsylvania State Employees' Retirement System, PO Box 1147, Harrisburg, PA 17108.

The Teachers Insurance and Annuity Association-College Retirement and Equity Fund (TIAA-CREF) is a cost-sharing, multiple-employer defined contribution plan in which employees are eligible to participate. In a defined contribution plan, benefits depend on amounts contributed to the plan plus investment earnings. Employer and employee contribution rates are established by statute. The contribution policy, as established by statute, requires contributions by active members and employers. Active members contribute at a rate of 5 percent of their qualifying compensation; the College's contribution rate for each of the years ended June 30, 2014, 2013, and 2012 was 10 percent of qualifying compensation. In addition, employees may contribute to TIAA-CREF through the Supplemental Retirement Annuity.

The contributions to TIAA-CREF for the years ended June 30 were as follows:

	2014	2013	2012
College	$ 4,401,653	$ 4,462,741	$ 5,338,446
Employees	3,619,501	4,305,022	4,583,429

NOTE 12 POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

The College has a healthcare plan for retired employees, which is a single employer defined benefit healthcare plan administered by the College. The plan provides medical and prescription drug coverage for both retiree and family. To continue coverage upon retirement, the retiree must reimburse the College 100% of the College's cost of coverage. After age 65, the coverage shall change to a Medicare Supplement Plan with a Medicare Part D Prescription Drug rider or with the plan prescription drug at an adjusted premium. The fact that the blended rate that the retirees pay is less than the actual cost of covering retired members and their beneficiaries results in what is known as an "implicit rate subsidy" by the College, which gives rise to the other postemployment benefit (OPEB).

Funding Policy

The contribution requirements of plan members and the College are established and may be amended by the College. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the College. For fiscal years 2014 and 2013, the estimated contributions were $ 54,042 and $ 86,281 in the form of additional premiums for active employees based on implicit rates for retired employees to the plan. Plan members receiving benefits also contributed $ 228,368 for 2014 and $ 250,394 for 2013, or 100% of the total premiums.

Annual OPEB Cost and Net OPEB Obligation

The College's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the College's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the College's net OPEB obligation to the plan:

	2014	2013
Annual required contribution	$ 223,968	$ 315,380
Interest on net OPEB obligation	44,110	34,364
Adjustments to ARC	(60,179)	(46,881)
Annual OPEB cost	207,899	302,863
Employer contributions made (estimated)	(54,042)	(86,281)
Increase in net OPEB obligation	153,857	216,582
Net OPEB obligation - beginning of year	980,220	763,638
Net OPEB obligation - end of year	$ 1,134,077	$ 980,220

NOTE 12 POSTEMPLOYMENT HEALTHCARE PLAN

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	June 30 Net OPEB Obligation
2014	$ 207,899	25.99%	$ 1,134,077
2013	302,863	28.49%	980,220
2012	306,734	23.01%	763,638

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan had the following funding status and progress:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/13	$ -	$ 1,327,604	$ 1,327,604	0.00%	$ 48,575,539	2.73%

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

Actuarial Methods and Assumptions

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

In the July 1, 2013 actuarial valuation, the entry age normal cost method was used. The actuarial assumption included a 4.5 percent investment rate of return (net of administrative expenses), annual salary increase of 3.75-6.25%, and an annual healthcare cost trend rate of 7 percent in 2013, decreasing 0.5 percent to an ultimate rate of 5.5% in 2016 and later. The actuarial value of assets was based on the fair value of assets, of which there are none. The UAAL is being amortized based on a level dollar 30 year open amortization period.

NOTE 13 CONTINGENCIES AND COMMITMENTS

Contingencies

The nature of the educational industry is such that, from time to time, the College is exposed to various risks of loss related to torts; alleged negligence; acts of discrimination; breach of contract; labor disputes; disagreements arising from the interpretation of laws or regulations; theft of, damage to and/or destruction of assets; errors and omissions; injuries to employees and natural disasters. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system. Management does not expect that the resolution of any outstanding claims and litigation, of which there are several being defended by the College, will have a material adverse effect on the financial position of the College.

Commitments

As of June 30, 2014, the College had commitments for the following projects:

	Total Estimated Costs	Total Costs Paid as of June 30, 2014
Gettysburg campus paving	$ 1,006,204	$ 795,081

Subsequent Event

Subsequent to year-end, the College signed a contract for the renovations of the Lancaster Campus Welcome Center in the amount of $ 1,746,900.

NOTE 14 STATE APPROPRIATIONS

The following shows the detail of state appropriations earned for the years ended June 30:

	2014	2013
Included in non-operating revenue:		
Social security reimbursement	$ 2,742,312	$ 2,726,013
Tuition reimbursement	29,664,165	29,664,165
Sub-total	32,406,477	32,390,178
Included in capital contributions:		
Debt reimbursement	5,604,439	5,014,951
Lease reimbursement	1,647,729	2,258,902
Sub-total	7,252,168	7,273,853
Total	$ 39,658,645	$ 39,664,031

NOTE 15 NET POSITION

College

The following shows the details of net investment in capital assets at June 30:

	2014	2013
Capital assets, net	$ 206,863,765	$ 208,526,144
Bonds and notes payable, net of premium, discount and deferred charge on bond refunding	(133,738,931)	(142,484,892)
Unspent bond proceeds	458,493	8,811,535
Total	$ 73,583,327	$ 74,852,787

The remaining net position of the College is considered unrestricted.

HACC Foundation

The Foundation's board of directors has chosen to place the following limitations on unrestricted net position at June 30:

	2014	2013
Designated for endowment purposes	$ 1,118,862	$ 1,074,906
Undesignated	1,250,623	1,052,192
	$ 2,369,485	$ 2,127,098

Temporarily restricted net position is available for the following purposes or periods at June 30:

	2014	2013
Scholarships and awards	$ 3,920,913	$ 3,701,826
Academic support	2,385,063	2,114,255
Capital improvements	7,204,746	7,079,706
Other	1,110,579	944,600
	$ 14,621,301	$ 13,840,387

Permanently restricted net position is to provide a permanent endowment restricted for various purposes as follows at June 30:

	2014	2013
Scholarships and awards	$ 17,976,206	$ 13,942,143
Academic support	270,101	234,142
Other	1,598,877	2,463,660
	$ 19,845,184	$ 16,639,945

REQUIRED SUPPLEMENTARY INFORMATION

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/13	$ -	$ 1,327,604	$ 1,327,604	0.00%	$ 48,575,539	2.73%
07/01/11	$ -	$ 1,694,666	$ 1,694,666	0.00%	$ 52,739,477	3.21%
07/01/09	$ -	$ 1,400,030	$ 1,400,030	0.00%	$ 48,710,163	2.87%

OTHER SUPPLEMENTARY INFORMATION

HARRISBURG AREA COMMUNITY COLLEGE
Schedules of Expenses by Functional Classification - Primary Institution
Years Ended June 30, 2014 and 2013

2014

Functional Classification	Natural Classification							
	Salaries and Wages	Fringe Benefits	Supplies & Other Expense	Professional & Purchased Services	Utilities	Depreciation	Scholarships	Total
Instruction	$ 45,732,040	$ 11,639,001	$ 3,575,617	$ 1,520,428	$ 183,643	$ 0	$ 25,621	$ 62,676,350
Research	16,864	1,327	20,582	0	0	0	0	38,773
Public Support	278,138	21,397	61,972	0	0	0	0	361,507
Academic Support	6,266,363	2,144,108	1,387,567	159,586	0	0	0	9,957,624
Student Services	8,982,625	3,581,016	513,569	987,429	0	0	0	14,064,639
Institutional Support	9,181,818	5,262,349	8,024,649	3,127,297	0	2,080,592	0	27,676,705
Operation and Maintenance of Plant	3,177,663	1,626,712	5,005,362	749,701	3,574,274	9,278,605	0	23,412,317
Student Aid	484,958	0	29,735	0	0	0	23,963,391	24,478,084
Auxiliary Enterprises	1,020,326	404,844	9,248,152	971	14,044	0	0	10,688,337
Total operating expenses	$ 75,140,795	$ 24,680,754	$ 27,867,205	$ 6,545,412	$ 3,771,961	$ 11,359,197	$ 23,989,012	$ 173,354,336
Interest expense								5,694,737
Total expenses								$ 179,049,073

2013

Functional Classification	Natural Classification							
	Salaries and Wages	Fringe Benefits	Supplies & Other Expense	Professional & Purchased Services	Utilities	Depreciation	Scholarships	Total
Instruction	$ 45,108,181	$ 11,587,846	$ 4,081,088	$ 1,372,145	$ 127,616	$ 0	$ 161,709	$ 62,438,585
Research	0	0	889	0	0	0	0	889
Public Support	469,819	39,835	61,468	0	0	0	0	571,122
Academic Support	6,068,047	2,051,152	1,251,323	162,843	0	0	0	9,533,365
Student Services	9,657,247	3,937,525	555,853	965,510	0	0	6,940	15,123,075
Institutional Support	9,421,408	5,749,870	7,106,409	1,888,926	1,454	2,885,354	0	27,053,421
Operation and Maintenance of Plant	3,198,703	1,601,532	6,849,950	1,139,842	3,721,499	8,696,439	0	25,207,965
Student Aid	445,378	0	45,549	0	0	0	26,226,782	26,717,709
Auxiliary Enterprises	1,314,150	572,741	10,162,563	31,340	82,793	0	0	12,163,587
Total operating expenses	$ 75,682,933	$ 25,540,501	$ 30,115,092	$ 5,560,606	$ 3,933,362	$ 11,581,793	$ 26,395,431	$ 178,809,718
Interest expense								5,692,947
Total expenses								$ 184,502,665

HARRISBURG AREA COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Cash Receipts	Accrual Basis Expenditures
DEPARTMENT OF EDUCATION			
Student Financial Aid Cluster			
FSEOG Program	84.007	$ 459,453	$ 457,113
FWS Program	84.033	528,913	496,458
PELL Program	84.063	32,776,044	33,082,811
Direct Student Loan Program	84.268	76,880,601	75,652,240
Total student financial aid cluster		110,645,011	109,688,622
Passed through Pennsylvania Department of Education			
Vocational Educational Grants Perkins III	84.048	676,780	738,306
Passed through Tri-County Opportunities Industrialization Center, Inc.			
Adult Basic Education	84.002	76,544	77,212
Total Department of Education		111,398,335	110,504,140
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Americorp	94.006	41,050	34,779
DEPARTMENT OF LABOR			
Trade Adjustment Assistance Community College and Career Training	17.282	319,273	333,274
Passed through Southcentral Workforce Investment Board (SCWIB)			
Title I Adult Program Services and Activities	17.258	418,074	294,432
Title I Dislocated Worker Program Serivces and Activities	17.278	302,024	233,155
Total WIA Cluster passed through SCWIB		720,098	527,587
Passed through Employment Skills Center			
Title I Youth Literacy	17.259	11,298	15,393
Passed through YWCA of Greater Harrisburg			
Youthbuild Training	17.274	12,811	25,621
Total Department of Labor		1,063,480	901,875
NATIONAL ENDOWMENT FOR THE ARTS			
Passed through Mid-Atlantic Arts Foundation			
MAAF - Aquilla Theatre Company	45.025	2,100	2,100
Total National Endowment for the Arts		2,100	2,100
NATIONAL ENDOWMENT FOR THE HUMANITIES			
Passed through American Library Association			
American Library Traveling Lincoln Exhibit	45.164	-	750
Total National Endowment for the Humanities		-	750
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Keystone Education Yields Success (KEYS)	93.558	398,839	291,023
Passed through South Central Regional Key			
PA Keys ECE Credential Program	93.575	205,640	192,441
Total passed through South Central Regional Key		205,640	192,441
Total Department of Health and Human Services		604,479	483,464

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Cash Receipts	Accrual Basis Expenditures
DEPARTMENT OF HOMELAND SECURITY			
Passed through the City of Philadelphia			
PA Urban Search and Rescue Task Force	97.025	-	361,506
Total passed through the City of Philadelphia		-	361,506
Passed through Lancaster/Lebanon IU			
Citizenship Grant	97.010	5,058	7,513
Total passed through Lancaster/Lebanon IU		5,058	7,513
Total Department of Homeland Security		5,058	369,019
ENVIRONMENTAL PROTECTION AGENCY			
Brownfield Job Training Agreement	66.815	4,085	-
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Passed through Dickinson College			
Cooling the Liberal Arts Cirriculum	43.AAA	6,365	2,789
Total federal financial assistance		$ 113,124,952	$ 112,298,916

NOTE 1 GENERAL INFORMATION

The accompanying Schedule of Expenditures of Federal Awards presents the activities of the federal financial assistance programs of the Harrisburg Area Community College (the College). Financial awards received directly from federal agencies, as well as financial assistance passed through other governmental agencies or nonprofit organizations, are included in the schedule.

NOTE 2 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The Schedule of Expenditures of Federal Awards presents only a selected portion of the activities of the College. It is not intended to, and does not, present either the financial position, changes in net position, or cash flows of the College. The financial activity for the aforementioned awards is reported in the College's statement of revenues, expenses, and changes in net position. In certain programs, the expenditures reported in the financial statements may differ from the expenditures reported in the Schedule of Expenditures of Federal Awards, due to program expenditures exceeding grant or contract budget limitations which are not reported as expenditures in the Schedule of Expenditures of Federal Awards.

NOTE 3 BASIS OF PRESENTATION/ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal awards activity of the College and the expenditures are presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the basic financial statements.

NOTE 4 ADMINISTRATIVE EXPENSES

The expenditures in the accompanying Schedule of Expenditures of Federal Awards include an allocation of administrative expenses. Those allocations are based upon amounts permitted under each individual financial assistance program.

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Certified Public Accountants & Consultants

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

Board of Trustees
Harrisburg Area Community College
Harrisburg, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the business-type activities of Harrisburg Area Community College as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Harrisburg Area Community College's basic financial statements, and have issued our report thereon dated October 16, 2014. The financial statements of the Harrisburg Area Community College Foundation, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting on instances of reportable noncompliance associated with the Harrisburg Area Community College Foundation.

Internal Control Over Financial Reporting

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

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

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

Smith Elliott Kearns & Company, LLC
Certified Public Accountants & Consultants

Compliance and Other Matters

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

Purpose of this Report

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

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
October 16, 2014

Smith Elliott Kearns & Company, LLC
Certified Public Accountants & Consultants

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

Board of Trustees
Harrisburg Area Community College
Harrisburg, Pennsylvania

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Harrisburg Area Community College's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Harrisburg Area Community College's major federal programs for the year ended June 30, 2014. Harrisburg Area Community College's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Harrisburg Area Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Smith Elliott Kearns & Company, LLC
Certified Public Accountants & Consultants

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

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

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
October 16, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	☐ Yes ☒ No
• Significant deficiencies identified not considered to be material weaknesses?	☐ Yes ☒ None reported
Noncompliance material to financial statements noted?	☐ Yes ☒ No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	☐ Yes ☒ No
• Significant deficiencies identified that are not considered to be material weaknesses?	☐ Yes ☒ No
Type of auditor's report issued on compliance for major programs:	Unmodified
• Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Student Financial Aid Cluster:
84.007	FSEOG Program
84.063	PELL Program
84.033	FWS Program
84.268	Direct Student Loan Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,099,400
Auditee qualified as low-risk auditee?	☐ Yes ☒ No

Section II – Financial Statement Findings

A. Significant Deficiencies or Material Weaknesses in Internal Control

None noted

B. Compliance Findings

There were no compliance findings related to the financial statement audit required to be reported.

Section III – Federal Findings and Questioned Costs

A. Significant Deficiencies or Material Weaknesses in Internal Control Over Compliance

None noted

B. Compliance Findings

There were no findings relating to the major federal awards as required to be reported in accordance with Section .510(a) of OMB Circular A-133.

Summary Schedule of Prior Audit Findings Related to Federal Awards
Year Ended June 30, 2014

There were no compliance or internal control findings related to federal awards for the year ended June 30, 2013.