Audited Financial Statements

June 30, 2015

HACC

Founded in 1964

CENTRAL PENNSYLVANIA'S COMMUNITY COLLEGE

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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

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Certified Public Accountants & Consultants

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 year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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.

Smith Elliott Kearns & Company, LLC
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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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 11 and Note 16 to the financial statements, the College adopted new accounting guidance, Government Accounting Standards Board ("GASB") Statement No. 68, Accounting and Financial Reporting for Pensions, as of July 1, 2014. Our opinion has not been modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15, schedule of the College's proportionate share of the net pension liability – PSERS and SERS on page 48, schedule of the College's contributions – PSERS and SERS on page 49, and the other post-employment benefit schedule of funding progress on page 50 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.

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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 19, 2015, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the 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 19, 2015

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, 2015, with selected comparative information for the year ended June 30, 2014. 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. 61, "The Financial Reporting Entity". Pursuant to the criteria set forth in GASB 61, 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, 2015 is displayed in the financial statements section of the report and is 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

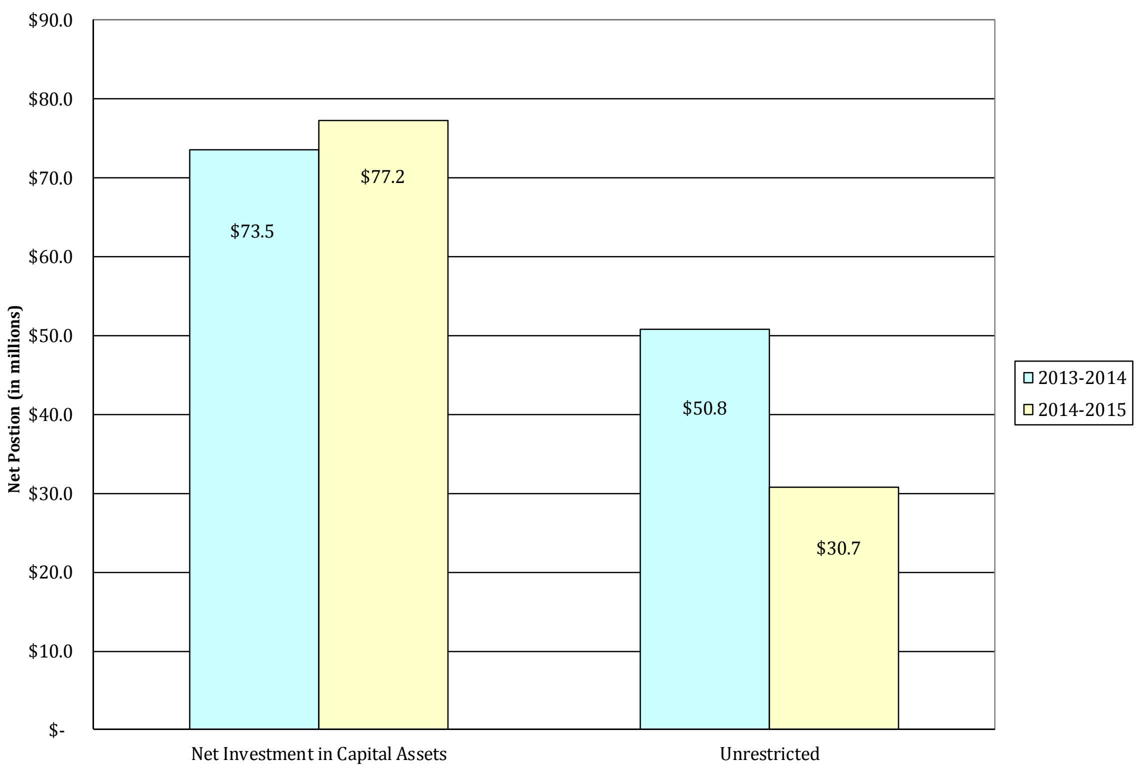
HACC's financial position continues to remain strong as of June 30, 2015. At June 30, 2015, HACC's assets and deferred outflows of resources of $ 288.7 million exceeded its liabilities and deferred inflows of resources of $ 180.8 million by $107.9 million, a decrease compared to the prior year of $ 16.4 million. At June 30, 2014, assets and deferred outflows of resources of $ 284.2 million exceeded liabilities and deferred inflows of resources of $ 159.9 million by $ 124.3 million, an increase over the prior year of $ 6.1 million.

The "Net Position", which represents the difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources, are divided into two major categories. The first category, net investment 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, 2015 and 2014.

Net Position
As of June 30
(In millions)

	2015	2014	Increase (Decrease) 2014-2015
Net Investment in Capital Assets	$ 77.2	$ 73.5	$ 3.7
Unrestricted	30.7	50.8	(20.1)
Total Net Position	$ 107.9	$ 124.3	$ (16.4)

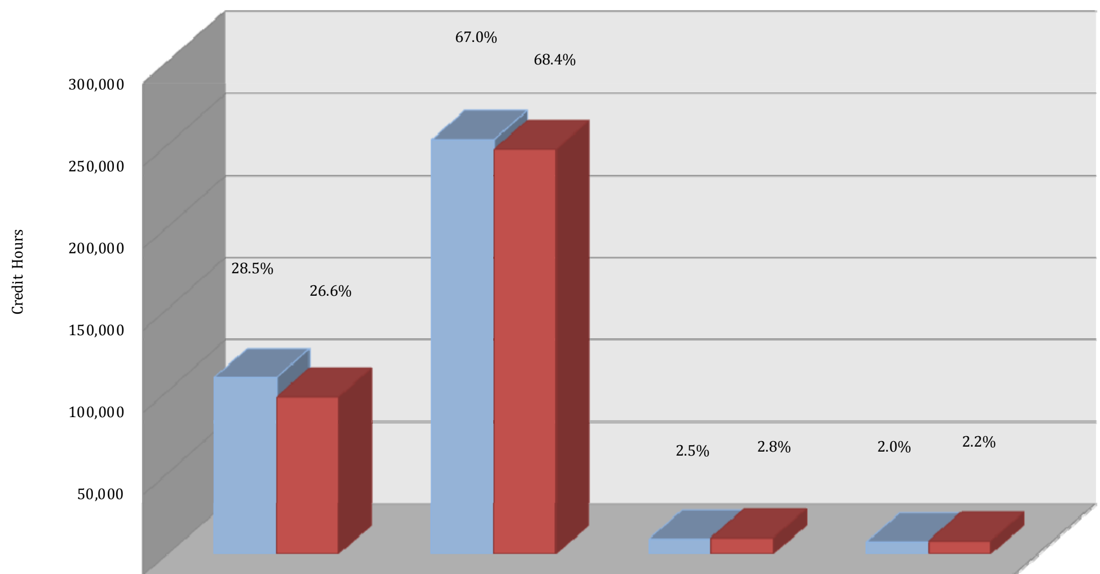
Comparison of Net Position Fiscal Years 2015 and 2014



CREDIT HOUR PRODUCTION

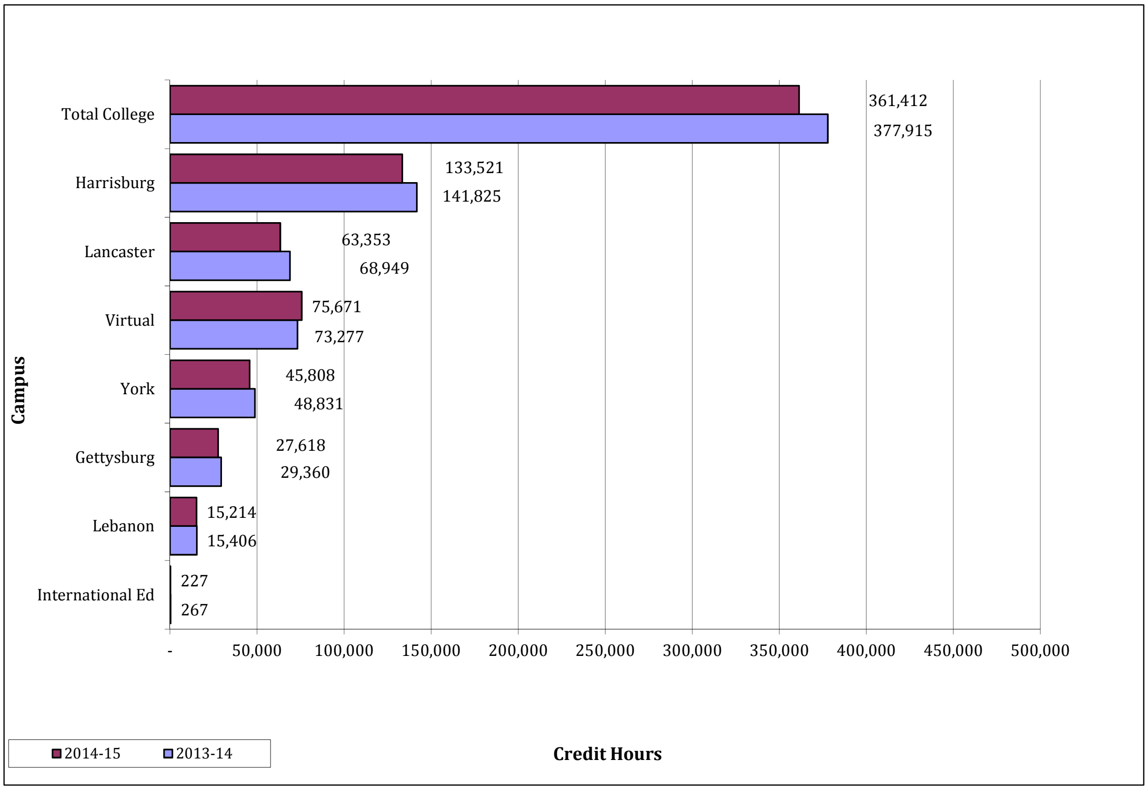
The College experienced a decrease in enrollments of 4.4% (16,504 credit hours) in 2015 and 4.9% (19,650 credit hours) in 2014 due to the continuing effects of the economy. Total credit hours have gone from 377,915 in 2014 to 361,411 for 2015. In 2015, the College experienced the percentage of non-sponsored student credit hours increase to 68.4% of total enrollments up from 67.0% in 2014 as compared to a decrease in the percentage of sponsoring student credit hours to 26.6% of total enrollments in 2015, down from 28.5% in 2014. Each non-sponsored student paid tuition of $207.00 per credit hour in 2015, while a sponsored student paid $152.50 per credit hour and received local sponsoring school district support.

Credit Hour Production by Student Type



	Sponsored	Nonsponsored	Out of State	College in HS
2013-14	108,001	253,040	9,370	7,504
2014-15	96,223	247,013	10,062	8,114

Credit Hour Production by Campus 2014 and 2015



STATEMENT OF NET POSITION

The statement of net position present the assets, deferred outflows/inflows of resources, liabilities, and net position of the College as of the end of the June 30, 2015 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
(In millions)

	2015	2014	Increase (Decrease) 2015-2014
Assets			
Current Assets	$ 48.4	$ 48.6	$ (0.2)
Noncurrent Assets	236.3	235.1	1.2
Total Assets	284.7	283.7	1.0
Deferred Outflows of Resources	4.0	0.5	3.5
Total Assets and Deferred Ouflows of Resources	288.7	284.2	4.5
Liabilities			
Current Liabilities	26.2	26.6	(0.4)
Noncurrent Liabilities	153.9	133.3	20.6
Total Liabilities	180.1	159.9	20.2
Deferred Inflows of Resources	0.7	-	0.7
Total Liabilities and Deferred Inflows of Resources	180.8	159.9	20.9
Net Position			
Net Investment in Capital Assets	77.2	73.5	3.7
Unrestricted	30.7	50.8	(20.1)
Total Net Position	$ 107.9	$ 124.3	$ (16.4)

In 2015, current assets decreased by $ 201,000 over 2014. During the year, cash and cash equivalents, both operating and restricted, decreased by a combined $ 2.4 million and short-term investments increased by $ 2.5 million. $ 6.6 million of cash and cash equivalents were invested in long-term ($ 4.1 million) and short term ($ 2.5 million) instruments to obtain better interest rates. The offsetting $ 4.1 increase to cash and cash equivalents was due to the decrease in debt payments of principal and interest due to the refinancing of the 2009A and 2010 bonds. In 2015, the College incurred a modest decrease in accounts receivable by $ 427,000 due to increased collection efforts and minor changes in financial aid disbursement practices, a $ 219,000 decrease in bookstore inventory due to reduction in sales, and a $ 319,000 decrease in other assets due to bond refinancing which includes bond costs and net investment in pension. In 2015 the college also saw a modest increase in the Due from HACC foundation of $ 671,000 due to deposits in transit at year end.

The noncurrent assets increased by $ 1.2 million in 2015 from the previous year. The increase is partially due to the reduced number of capitalization and disposed of assets, while the depreciable expense of those assets remained comparable to prior fiscal year resulting in a decrease of $ 2.9 million. In addition, $ 4.1 million of cash and cash equivalents was invested in long-term instruments to obtain better interest rates. Deferred outflows of resources increased by $ 3.5 million due to an increase of $ 400,000 in deferred charges on bond refinancing and deferred outflows due to changes in proportions, contributions subsequent to the measurement date, and net difference between projected and actual investment earnings as related to recognition of net pension liability of $ 3.1 million.

Current liabilities for 2015 decreased by $ 400,000 due to a decrease of $ 1.7 million in unearned revenue representing a decrease in paid tuition and fees toward Summer II and Fall 2015 credit and noncredit semesters. The current portion of long-term liabilities decreased by $ 315,000 as a result of savings from the refinancing of the 2009A and 2010 bonds in 2015.

The noncurrent liabilities increased by $ 20.6 million. This increase in noncurrent liabilities was due to a decrease in long term liabilities of $ 6.0 million due to paying down of debt instruments, an increase in other post employee benefit liabilities of $ 140,000 and the recognition of $ 26.5 million of proportionate share of net pension liability associated with the Public School Employees' Retirement System (PSERS) and Pennsylvania State Employee's Retirement System (SERS) defined benefit plans as a result of new accounting guidance.

The College adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 68 *Accounting and Financial Reporting for Pensions,* as of July 1, 2014. This statement requires entities that participate in pension plans to report a liability for its proportionate share of the net pension liability as well as deferred inflows and outflows of resources related to those pension liabilities. The College's proportionate share of net pension liability of the combined PSERS and SERS defined benefit pension plans is $ 26.5 million as of June 30, 2015, and the unrecorded/unadjusted amount is $ 22.9 million as of June 30, 2014. The College's proportionate share of net pension liability from the SERS plan is $ 19.6 million as of June 30, 2015. The PSERS retirement code mandates the Commonwealth of Pennsylvania (Commonwealth) fund 50% of the College's retirement expense directly to the plan. This arrangement meets the criteria of a special funding situation in accordance with GASB standards which mandates the College record 50% of the net pension liability of the PSERS plan. The College's total PSERS net pension liability is $ 13.8 million which is equally allocated to the College and Commonwealth.

In addition, a deferred inflow, representing the difference between projected and actual investment earnings for the above net pension liability, was recorded as an increase to total liabilities of $ 684,000. See Notes to Financials to Financial Statements note 11 for additional information.

Net position decreased to $ 107.9 million as of June 30, 2015. The largest portion of the net position, $ 77.2 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 $ 30.7 million is available to use for any lawful purpose of the College. The decrease is a result of the recognition of the College's proportionate share of net pension liabilities.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statement of revenues, expenses, and changes in net position shows 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.

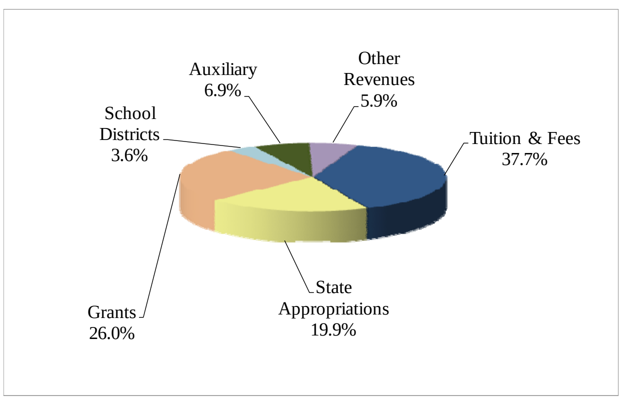
The following is a summarized version of the College's revenues, expenses, and changes in net position for years ending June 30, 2015 and 2014, as well as graphical representations of revenues and expenses by category.

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

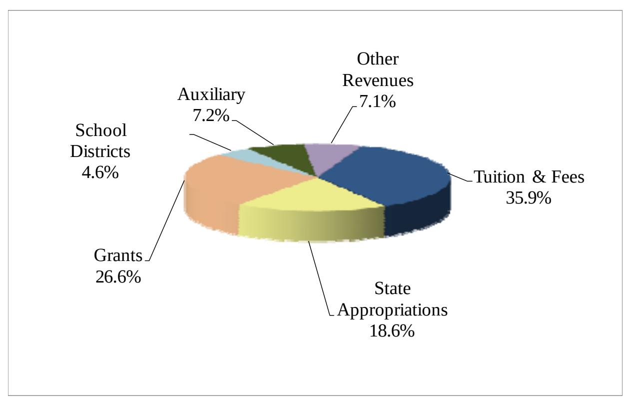
	2015	2014	Increase (Decrease) 2015 - 2014
Operating Revenues	$ 132.1	$ 133.5	$ (1.4)
Operating Expenses	171.8	173.4	(1.6)
Operating Income (Loss)	(39.7)	(39.9)	0.2
Nonoperating Revenues (Net)	36.7	36.9	(0.2)
Net Income (Loss) Before Capital Contributions	(3.0)	(3.0)	(0.0)
Capital Contributions	9.4	9.1	0.3
Increase (Decrease) in Net Position	$ 6.4	$ 6.1	$ 0.3

Total Operating and Non-Operating Revenues

2015



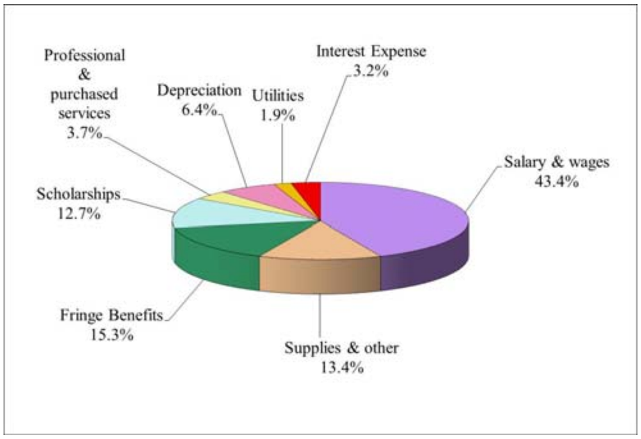
2014



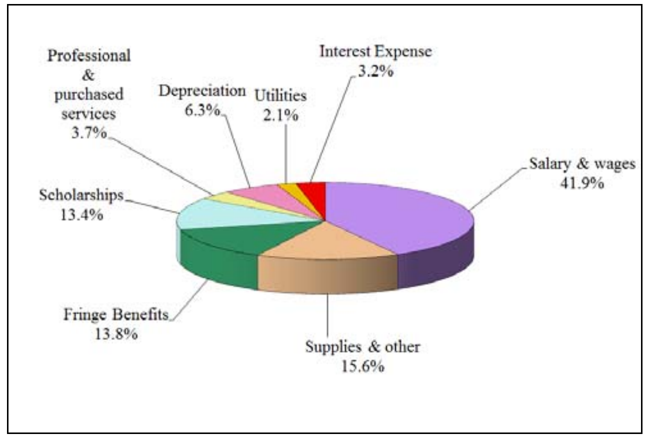
Operating revenues of $ 132.1 million in 2015 were $ 1.4 million less than 2014 of $ 133.5 million. In 2015, tuition and fees increased by $ 307,000 driven by an increase in tuition per credit hour and fees (sponsored students $ 152.50 in 2015 versus $ 142.50 in 2014, non-sponsored students $ 207.00 in 2015 versus $ 201.00 in 2014, and out-of-state students $ 310.50 in 2015 versus $ 301.50 in 2014) despite a decrease in student enrollment of 4.4%. Scholarship allowances and discounts decreased by $ 1.1 million resulting in a total tuition and fee increase of $ 1.3 million. Also, the College experienced an overall decrease of $ 2.2 million in grants and contracts mainly due to the reduction of PELL Grants. Auxiliary enterprise (bookstore) revenue decreased by $ 864,000 while other operating revenues increased by $ 325,000 which includes income from institutional fees.

Total Operating Expenditures by Natural Source

2015

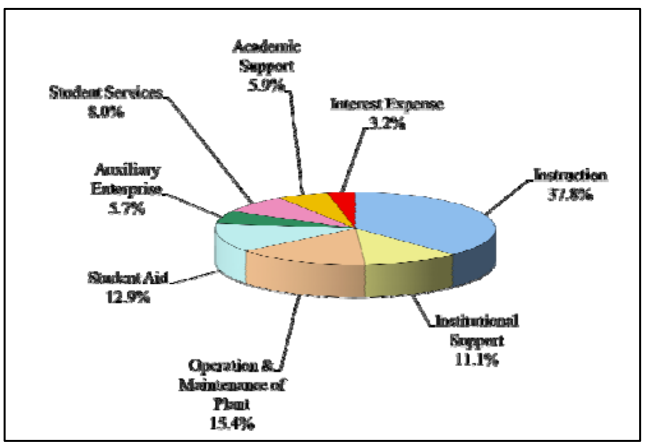


2014

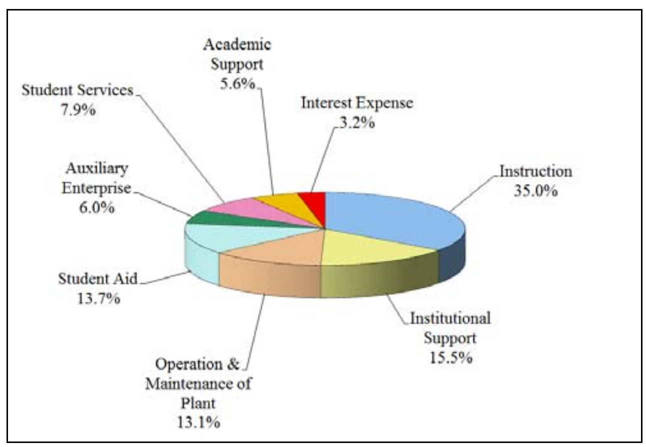


Total Operating Expenditures by Function

2015



2014



Operating expenses decreased by $ 1.6 million in 2015. With the exception of Salaries and Benefits, Professional and Purchased Services and Depreciation Expense, the College experienced a decrease in all expense categories in 2015 compared to 2014. Salary and fringe benefits increased $ 4.1 million due to College early retirement incentive and the filing of previously vacant positions. Professional and Purchased Services increased by $ 287,000 due to the usage of contracted services to help improve processes across the college. Scholarships decreased by $ 1.4 million due to a reduction in PELL awards of $ 1.1 million and slight decreases in other scholarships. Utilities decreased by $ 465,000 due to energy efficient improvements. Supplies and other expenses decreased by $ 4.1 million due to a decrease in bad debt expense, savings in general and operational supplies and instructional equipment not capitalized.

Non-operating revenues (expenses) decreased by $ 137,000 which includes increases of $ 1.3 million in state appropriations and gifts and savings of $ 640,000 in interest expense due to refinancing of debt. Local appropriations (school district allocations) decreased by $ 2 million due to a change in the sponsoring contractual agreement and a decrease of $ 122,000 in investment income due to a decline in interest rates.

The total capital contributions for fiscal year 2015 amounted to $ 9.4 million. This was an increase of $ 234,000 compared to 2014 which includes a decrease of $ 198,000 in state appropriations and an increase of $ 432,000 in grants and gifts.

Ending net position as reported in the Statement of Revenues, Expenses, and Changes in Net Position reflects an overall decrease of $ 16.4 million when compared to the net position which was originally reported as of June 30, 2014. This is a direct result of the adoption of Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* (GASB 68). A reduction of $ 22.9 million to beginning net position was the retroactive adjustment that reflects prior fiscal year's net pension liability. Net of the $ 22.9 million adjustment, net position increased $ 6.5 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, 2015 decreased $ 2.4 million compared to the prior year. The following is a summary of the statement of cash flows for the years ending June 30, 2015 and 2014.

Cash Flows
(In millions)

	2015	2014	Increase (Decrease) 2015-2014
Cash Provided (Used) By:			
Operating Activities	$ (70.8)	$ (73.9)	$ 3.1
Noncapital Financing Activities	85.2	88.6	(3.4)
Capital Financing Activities	(10.5)	(15.5)	5.0
Investing Activities	(6.3)	1.0	(7.3)
Net Increase (decrease) in Cash and Cash Equivalents	(2.4)	0.2	(2.6)
Cash and Cash Equivalents - Beginning of Year	35.4	35.2	0.2
Cash and Cash Equivalents - End of Year	$ 33.0	$ 35.4	$ (2.4)

CAPITAL ASSET AND DEBT ADMINISTRATION

During the year ended June 30, 2015, the College had total capital additions of approximately $8.6 million which included the renovation of the Rose Lehrman Art Center Rest Rooms, the addition of the Domestic Linen Lot, enhancements to the Cooper Student Center entrance, capital lease of fleet vehicles and the purchase of miscellaneous equipment on the Harrisburg Campus. The Lancaster Campus saw renovations to the Welcome Center, the capital lease of vehicles and miscellaneous equipment purchases. Completion of the Gettysburg Parking Lot and Pedestrian Crossing, as well as a roof replacement at the Gettysburg Campus were a significant part of these additions. The College completed several renovation projects at the York Campus including repairs to the sewer, a water pipe, the Goodling Coffee Shop and the geothermal test well.

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 2009A college wide and 2010 noncredit bonds in 2015 resulting in a savings to the College of $ 2.0 million over the life of the bonds.

CAPITAL PLAN

For 2016, 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 server upgrades, data storage solutions and Network Routing improvements. The Harrisburg Campus is planning renovations of the exterior of the Whitaker Building and repairs to the roof, as well as various floor replacement and repairs. Projects on the Lancaster Campus include renovating the campus learning center and library in the main building, including painting and carpeting of connecting hallways, upgrades to the child care center and HVAC replacement and repairs. The Gettysburg Campus is planning the renovations in order to bring the Mechatronics program to campus. The York Campus is embarking on multiple renovations to the Student Commons, Welding Lab and Cytec-Writing Lab.

The College Board of Trustees recently approved the concept to develop formal plans for renovations to the Harrisburg Campus's Cooper Student Center with an anticipated completion date of July 2017. The estimated cost of this renovation is $ 12 million, with funding being provided by a fundraising campaign, increased capital funding from the sponsoring school districts and the retirement of existing debt instruments.

As a community college the student center serves as the central point for students to gather. The building serves an integral role to the students overall experience by providing a location for social, intellectual and recreational programs. The renovation will meet students' needs in numerous ways including providing much needed space for student activities, enhancing entertainment options for students, improving food service options, providing student organization meeting space, and centralizing student services through a one-stop Welcome Center.

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 2015-16, local sponsors will contribute $5.0 million in operating support, a decrease of $ 3.0 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 2015 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 2015 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
Statement of Net Position
June 30, 2015

	Primary Institution	Component Unit Foundation
ASSETS		
Current Assets		
Cash and cash equivalents	$ 32,610,291	$ 1,230,793
Restricted cash and cash equivalents	331,821	-
Short-term investments	3,589,946	-
Accounts receivable, net	8,174,658	1,649,514
Loans receivable - current portion	1,593	-
Other assets	1,007,921	-
Inventories	1,909,931	-
Due from HACC Foundation	808,511	-
Total Current Assets	48,434,672	2,880,307
Noncurrent Assets		
Long-term investments	32,334,904	34,483,373
Loans receivable - long term portion	9,370	-
Capital assets, net of accumulated depreciation	204,004,220	-
Total Noncurrent Assets	236,348,494	34,483,373
Total Assets	284,783,166	37,363,680
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension liability	3,059,286	-
Deferred charge on bond refunding	887,652	-
Total Deferred Outflows of Resources	3,946,938	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 288,730,104	$ 37,363,680
LIABILITIES		
Current Liabilities		
Due to HACC	$ -	$ 808,511
Accounts payable and accrued expenses	13,383,902	-
Deposits held in custody for others	1,797,817	-
Unearned revenue	2,999,598	30,362
Current portion of long-term liabilities	7,989,658	-
Total Current Liabilities	26,170,975	838,873
Noncurrent Liabilities		
Long-term liabilities	126,163,242	-
Net pension liability	26,500,987	
OPEB obligations	1,277,196	-
Total Noncurrent Liabilities	153,941,425	-
Total Liabilities	180,112,400	838,873
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension liability	683,953	-
NET POSITION		
Net investment in capital assets	77,194,785	-
Restricted - temporarily	-	13,784,190
Restricted - permanently	-	20,697,086
Unrestricted	30,738,966	2,043,531
Total Net Position	107,933,751	36,524,807
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 288,730,104	$ 37,363,680

HARRISBURG AREA COMMUNITY COLLEGE
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2015

	Primary Institution	Component Unit Foundation
REVENUES		
Operating Revenues		
Student tuition and fees	$ 82,213,965	$ -
Scholarship allowance and discounts	(18,403,759)	-
Federal grants	34,194,765	-
State and local grants	9,745,052	-
Nongovernmental grants	59,575	-
Sales and services of auxiliary enterprises	11,599,725	-
Other operating revenues	12,736,040	-
Contributions	-	2,955,132
Investment income, net of investment expenses of $ 197,905	-	658,324
Realized and unrealized gains (losses) on investments	-	(75,146)
Total Operating Revenues	132,145,363	3,538,310
EXPENSES		
Operating Expenses		
Salaries and wages	76,967,900	715,614
Fringe benefits and payroll taxes	26,990,732	295,132
Supplies and other expense	23,716,935	1,403,221
Professional and purchased services	6,832,575	56,629
Utilities	3,307,547	-
Depreciation and amortization	11,448,035	-
Scholarships	22,601,115	1,181,192
Contributions and grants	-	197,685
Total Operating Expenses	171,864,839	3,849,473
Operating Income (Loss)	(39,719,476)	(311,163)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	33,617,048	-
Local appropriations	6,000,000	-
Gifts	1,958,790	-
Gain (loss) on sale of assets	30,475	-
Investment income, net of investment expenses of $15,343	194,964	-
Interest expense	(5,054,350)	-
Total Non-Operating Revenues, net	36,746,927	-
Net Income (Loss) Before Capital Contributions	(2,972,549)	(311,163)
CAPITAL CONTRIBUTIONS		
Capital appropriations - local sources	1,000,000	-
Capital appropriations - state sources	7,054,064	-
Capital grants and gifts	1,352,615	-
Total Capital Contributions	9,406,679	-
Increase in Net Position	6,434,130	(311,163)
Net Position - Beginning of Year, as Restated	101,499,621	36,835,970
Net Position - End of Year	$ 107,933,751	$ 36,524,807

HARRISBURG AREA COMMUNITY COLLEGE
Statement of Cash Flows
Year Ended June 30, 2015

	Primary Insitution
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments received for tuition and fees	$ 62,022,930
Payments received from auxiliary enterprise charges	11,622,901
Payments received from other revenues	13,520,151
Payments to and on behalf of employees	(101,819,767)
Payments to suppliers for goods and services	(33,521,854)
Payments for financial aid and scholarships	(22,592,939)
Net cash (used) by operating activities	(70,768,578)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grants and contracts	43,453,266
State appropriations	32,980,592
Local appropriations	6,682,593
Gifts received	2,039,257
Net cash provided by noncapital financing activities	85,155,708
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Capital debt financing	21,711,041
State and local appropriations	8,054,064
Capital grants and gifts received	1,272,149
Purchases of capital assets	(8,500,338)
Proceeds from sale of capital assets	30,475
Principal paid on debt and capital leases	(28,052,061)
Interest paid on debt and capital leases	(5,005,559)
Net cash provided by capital financing activities	(10,490,229)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(26,904,513)
Proceeds from sale/maturities of investments	20,300,872
Investment income	257,431
Net cash provided (used) by investing activities	(6,346,210)
(Decrease) in cash and cash equivalents	(2,449,309)
Cash and cash equivalents - beginning of year	35,391,421
Cash and cash equivalents - end of year	$ 32,942,112
AS REPORTED ON STATEMENT OF NET POSITION	
Cash and cash equivalents	$ 32,610,291
Restricted cash and cash equivalents	331,821
Total cash and cash equivalents	$ 32,942,112

HARRISBURG AREA COMMUNITY COLLEGE
Statement of Cash Flows (Continued)
Year Ended June 30, 2015

	Primary Insitution
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES	
Operating income (loss)	$ (39,719,476)
Adjustments to reconcile net operating loss to net cash used in operating activities:	
Depreciation and amortization	11,448,035
Grants classified as operating revenues	(43,453,266)
(Increase) Decrease in:	
Accounts receivable	(608,440)
Inventory	219,272
Other assets	(37,814)
Increase (Decrease) in:	
Unearned revenue	(627,265)
Accounts payable and accrued expenses	556,701
Compensated absences	(174,152)
Other postemployment benefits	143,119
Net pension liability and related items	1,267,612
Deposits	217,096
Net cash (used) by operating activities	$ (70,768,578)
NONCASH INVESTING, CAPITAL AND FINANCING TRANSACTIONS	
Capital gifts of equipment and buildings	$ 78,602
Realized and unrealized gains (losses) on investments	$ 47,694

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") is included in the College’s financial statements as a component unit 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 year ended June 30, 2015. 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.

Inventories

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 has the several items that qualify for reporting in this category, including the deferred charge on bond refunding, employer contributions made for the College's share of the pension plan after the actuarial measurement date of the pension plan, and amounts deferred due to changes in the pension plan's actuarial assumptions that will be amortized in future periods. 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's deferred inflows of resources at June 30, 2015 consist of the net difference between projected and actual earnings on the College's proportionate share of the pension plan investments.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. 68, *Accounting and Financial Reporting for Pensions*, effective July 1, 2014. GASB Statement No. 68 establishes standards for the measurement, recognition, and display of the net pension liability, deferred outflows and inflows of resources, pension expense, and note disclosures associated with their proportionate share of the pension plan. See Note 11 for additional information.

NOTE 2 DEPOSITS AND INVESTMENTS (COLLEGE)

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, 2015, $ 35,442,035 of the College's bank balance of $ 37,738,420 was exposed to custodial credit risk:

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	35,442,035
	$ 35,442,035

Included in deposits above are CD's invested in the Pennsylvania School District Liquid Asset Fund (PSDLAF) and various financial institutions in the amount of $ 6,567,711, as of June 30, 2015.

Credit Risk - Investments

Included on the statement of net position are pooled investments in the Pennsylvania School District Liquid Asset Fund (PSDLAF) of $ 509,161 (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, 2015, the College's investment in PSDLAF was rated AAAm by Standard and Poor's. The negotiable CD's detailed below are unrated investments.

Interest Rate Risk - Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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.

As of June 30, 2015, the College had the following investments and maturities:

		Investment Maturities (in Years)			
	Market Value	Less than 1	1-5	6-10	More than 10
Negotiable CD's	$ 31,322,960	$ 10,728,686	$ 20,594,274	$ -	$ -
PSDLAF-Max	509,161	509,161			

NOTE 3 INVESTMENTS - HACC FOUNDATION

Investments of the HACC Foundation as of June 30, 2015 are comprised of the following:

	Cost	Fair Value	Unrealized Gains (Losses)
Cash	$ 249,317	$ 249,317	$ -
Money market funds	2,562,899	2,562,899	-
Equities by industry:			
S&P 500 index	3,217,361	3,592,083	374,722
Morgan Stanley international traded funds	2,999,779	3,102,485	102,706
Basic materials	348,065	318,833	(29,232)
Capital goods	149,064	165,099	16,035
Consumer cyclical	423,357	440,794	17,437
Consumer non-cyclical	652,690	634,551	(18,139)
Energy	520,160	483,308	(36,852)
Financial	1,202,910	1,447,753	244,843
Health care	185,963	223,801	37,838
Other - Foreign stocks	4,441,152	4,508,046	66,894
Services	1,104,997	1,242,644	137,647
Technology	690,214	807,678	117,464
Transportation	247,398	255,963	8,565
Total equities	16,183,110	17,223,038	1,039,928
Mutual funds by type:			
Fixed income	4,185,844	4,083,407	(102,437)
Equity	710,000	727,450	17,450
Alternative investments	2,385,000	2,462,052	77,052
Total mutual funds	7,280,844	7,272,909	(7,935)
US Government obligations	2,215,730	2,217,350	1,620
Corporate bonds	5,001,308	4,957,860	(43,448)
Total	$ 33,493,208	$ 34,483,373	$ 990,165

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30, 2015:

	College	Foundation
Student Tuition and fees	$ 7,466,134	$ -
Allowance for doubtful accounts	(1,500,000)	-
Grants and contracts receivable	1,711,656	-
State appropriations receivable	117,372	-
Bookstore receivables	3,680	-
Other receivables	375,816	65,590
Pledges receivable (net)	-	1,583,924
Total	$ 8,174,658	$ 1,649,514

Bookstore receivables include $ 490,674 in vendor credit memos at June 30, 2015.

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 1.71% at June 30, 2015. The unamortized discount was $ 25,440 at June 30, 2015.

NOTE 5 CAPITAL ASSETS

The following is a summary of capital asset transactions of the College for the year ended June 30, 2015:

	Beginning Balance	Additions	Retirements	Ending Balance
Cost:				
Land (not being depreciated)	$ 10,968,195	$ 399,986	$ -	$ 11,368,181
Building	156,077,791	75,639	-	156,153,430
Improvements - land	6,863,687	1,695,278	(9,404)	8,549,561
Improvements - building	67,269,040	4,984,205	-	72,253,245
Improvements - leasehold	17,427,316	-	-	17,427,316
Instructional equipment	36,089,805	667,357	(45,003)	36,712,159
Non-instructional equipment	25,721,180	976,235	(54,495)	26,642,920
Construction in progress (not being depreciated)	1,440,953	3,549,405	(3,787,858)	1,202,500
Total cost	321,857,967	12,348,105	(3,896,760)	330,309,312
Less accumulated depreciation:				
Building	(38,961,275)	(3,910,372)	-	(42,871,647)
Improvements - land	(1,503,456)	(341,132)	-	(1,844,588)
Improvements - building	(21,843,018)	(3,024,604)	-	(24,867,622)
Improvements - leasehold	(6,409,494)	(824,757)	-	(7,234,251)
Instructional equipment	(23,163,376)	(1,347,819)	40,853	(24,470,342)
Non-instructional equipment	(23,113,583)	(1,957,550)	54,491	(25,016,642)
Total accumulated depreciation	(114,994,202)	(11,406,234)	95,344	(126,305,092)
Capital assets, net	$ 206,863,765	$ 941,871	$ (3,801,416)	$ 204,004,220

NOTE 6 OTHER ASSETS

Other assets of the College at June 30, 2015 consist of:

Prepaid expenses	$ 508,307
Prepaid bond insurance	618,852
Accumulated amortization - prepaid bond insurance	(119,238)
	$ 1,007,921

NOTE 7 LONG-TERM LIABILITIES

Long-term liabilities had the following activity during the year ended June 30, 2015:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Long-term Portion
Leases and bonds/notes payable:						
Capital lease obligation	$ -	$ 185,663	$ (12,061)	$ 173,602	$ 37,088	$ 136,514
Bonds and notes payable:						
Series of 2008	20,250,000	-	(1,365,000)	18,885,000	1,425,000	17,460,000
Series of 2009A	7,510,000	-	(7,510,000)	-	-	-
Series of 2010	15,265,000	-	(15,265,000)	-	-	-
Series of 2011	46,445,000	-	(1,745,000)	44,700,000	1,805,000	42,895,000
Series of 2012	14,305,000	-	(565,000)	13,740,000	580,000	13,160,000
Series of 2013	7,230,000	-	(970,000)	6,260,000	990,000	5,270,000
Series of 2014	22,510,000	-	(620,000)	21,890,000	1,600,000	20,290,000
Series of 2015	-	5,720,000	-	5,720,000	655,000	5,065,000
Series of 2015A	-	14,245,000	-	14,245,000	-	14,245,000
Bond premium	1,312,554	1,526,619	(125,166)	2,714,007	189,114	2,524,893
Bond discount	(613,097)	-	314,396	(298,701)	(21,808)	(276,893)
Total leases and bonds/notes payable	134,214,457	21,677,282	(27,862,831)	128,028,908	7,259,394	120,769,514
Other liabilities:						
Compensated absences:						
Vacation leave	3,104,303	396,438	(486,246)	3,014,495	399,075	2,615,420
Sick leave	3,193,838	529,848	(614,189)	3,109,497	331,189	2,778,308
Total other liabilities	6,298,141	926,286	(1,100,435)	6,123,992	730,264	5,393,728
Total long-term liabilities	$ 140,512,598	$ 22,603,568	$ (28,963,266)	$ 134,152,900	$ 7,989,658	$ 126,163,242

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Bonds Payable

Revenue bonds payable to the State Public School Building Authority (SPSBA) at June 30, 2015 consist of the following:

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.	$	18,885,000
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.		44,700,000
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.		13,740,000
2013, issued $8,185,000 in April 2013; at a fixed rate of 1.00%-2.50%; interest and principal payable semi-annually through October 2021.		6,260,000
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.		21,890,000
2015, issued $5,720,000 in February 2015; at a fixed rate of 0.30%-2.46%; interest and principal payable semi-annually through October 2024.		5,720,000
2015A, issued $14,245,000 in February 2015; at a fixed rate of 0.50%-3.11%; interest and principal payable semi-annually through October 2030.		14,245,000
Total bonds payable	$	125,440,000

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.

Series 2015 Bonds Payable

As a result of the refunding of the Series of 2009A, with the issuance of the Series of 2015 bonds, the College will have the following benefits:

(1) Cash flow gain	$ 384,160
(2) Economic gain	$ 376,854

Series 2015A Bonds Payable

As a result of the refunding of the Series of 2010, with the issuance of the Series of 2015A bonds, the College will have the following benefits:

(1) Cash flow gain	$ 1,595,818
(2) Economic gain	$ 1,551,843

(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.

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

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
2016	$ 3,359,250	$ 1,897,226	$ 3,695,750	$ 3,112,758	$ 7,055,000	$ 5,009,984	$ 12,064,984
2017	3,525,250	1,787,064	4,204,750	2,904,567	7,730,000	4,691,631	12,421,631
2018	3,390,250	1,666,168	4,724,750	2,732,709	8,115,000	4,398,876	12,513,876
2019	3,510,250	1,543,619	4,904,750	2,546,808	8,415,000	4,090,426	12,505,426
2020	3,643,250	1,413,197	5,121,750	2,336,929	8,765,000	3,750,126	12,515,126
2021-2025	15,658,750	5,133,729	24,376,250	8,419,223	40,035,000	13,552,951	53,587,951
2026-2030	13,168,750	2,289,311	20,801,250	3,806,864	33,970,000	6,096,175	40,066,175
2031-2034	4,277,750	182,500	7,077,250	366,783	11,355,000	549,283	11,904,283
Total	$ 50,533,500	$ 15,912,813	$ 74,906,500	$ 26,226,640	$ 125,440,000	$ 42,139,453	$ 167,579,453

NOTE 8 LEASES

Capital Leases

The College has entered into capital leases for certain vehicles. At June 30, 2015, the leased assets are as follows:

Amount capitalized	$ 185,663
Accumulated amortization	(10,247)
Net book value	$ 175,416

Amortization expense of $ 10,247 is included with depreciation expense.

The future minimum lease payments under capital leases as of June 30, 2015 are as follows:

2016	$ 44,952
2017	44,952
2018	44,952
2019	44,952
2020	27,494
	207,302
Less interest	(33,700)
	$ 173,602

NOTE 8 LEASES (CONTINUED)

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:

2016	$	3,700,270
2017		3,501,915
2018		3,077,523
2019		2,672,168
2020		2,626,669
2021-2022		5,250,000
Total minimum lease payments	$	20,828,545

The total rent under operating leases for the year ended June 30, 2015 was $ 3,682,918.

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 amount due to the Commonwealth is $25,604 as of June 30, 2015.

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, 2015 represents three months of claims paid. Changes in the College's claims liability amount for the year ended June 30, 2015 was:

Beginning balance	$	139,298
Claims made/Changes in estimates		553,282
Claims paid		(554,064)
Ending balance	$	138,516

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.

Summary of Significant Accounting Policies

Pensions

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

General Information about the Pension Plan

Plan Descriptions

Public School Employees' Retirement System (PSERS) is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Pennsylvania State Employees' Retirement System (SERS) is the administrator of a cost-sharing multiple-employer defined benefit pension plan established by the Commonwealth of Pennsylvania to provide pension benefits for employees of state government and certain independent agencies. Members and employees of employees in the field of education are not required, but are given the option to participate. SERS issues a publicly available financial report that can be obtained at www.SERS.pa.gov.

NOTE 11 PENSION BENEFITS (CONTINUED)

General Information about the Pension Plan (Continued)

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

SERS provides retirement, death, and disability benefits. Article II of the Commonwealth's constitution assigns the authority to establish and amend the benefit provision of the plan to the General Assembly. According to the State Employees' Retirement Code (SERC), all obligations of SERS will be assumed by the Commonwealth should SERS terminate.

NOTE 11 PENSION BENEFITS (CONTINUED)

General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

Prior to Act 2010-120, employees who retire at age 60 with three years of service, or with 35 years of service if under age 60, are entitled to a normal annual retirement benefit. Members of the General Assembly and certain classified in hazardous duty positions can retire with full benefits at age 50, with at least three years of service. Act 2010-120 preserved all benefits in place for members, but mandated a number of benefit reductions for new members effective January 1, 2011. The benefit reduction included a new class of membership that accrues benefits at 2% of their final average salary instead of the previous 2.5%. The new vesting period changed from five to 10 years of credit service, and the option to withdraw lump-sum accumulated deductions was eliminated. The new normal retirement age is 65 for most employees, and age 55 for members of the General Assembly and certain classified in hazardous duty positions.

Most members of SERS, and all state employees hired after June 30, 2001 and prior to January 1, 2011 (except state police officers and certain members of the judiciary and legislators), are Class AA members. Each class of benefits is based on a multiple of the base accrual rate of 2%, which is called the multiplier. The multiplier for Class AA is 1.25, which translate into an annual benefit of 2.5% of the member’s highest three year average salary times years of service and became effective for members July 1, 2001. The general annual benefit for Class A members is 2% of the member’s highest three-year average salary times years of service.

Act 2010-120 created a new A-3 class of service and an optional A-4 class for most employees that entered SERS membership for the first time on or after January 1, 2011 and December 1, 2010 for legislators newly elected in November 2010. Employees who enter SERS membership after the effective date of Act 2010-120 enter as members of the A-3 class with a 45-day window to elect membership in the optional A-4 class. The general annual benefit for Class A-3 members is 2% of the member’s highest three-year average salary times years of service while the Class A-4 benefit accrual rate is 2.5%.

Contributions

Public School Employees’ Retirement System (PSERS)

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.

NOTE 11 PENSION BENEFITS (CONTINUED)

Contributions (Continued)

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 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (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 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions:

The Colleges' contractually required contribution rate for fiscal year ended June 30, 2015 was 20.50% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Per § 8327 of the PSERS Retirement Code, the Commonwealth of Pennsylvania is required to contribute 50% of the above stated contribution rate directly to PSERS on behalf of the employer. Contributions to the pension plan from the employer were $ 490,915 for the year ended June 30, 2015.

State Funding:

Pursuant to § 8327 of the PSERS Retirement Code, the Commonwealth of Pennsylvania funds 50% of the College’s retirement expense directly to the plan. This arrangement does meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 50% of the College's share of these amounts.

Pennsylvania State Employees’ Retirement System (SERS)

Section 5507 of the SERC (71 Pa. C.S. §5507) requires the Commonwealth and other employers whose employees are SERS members to make contributions to the fund on behalf of all active members and annuitants necessary to fund the liabilities and provide the annuity reserves required to pay benefits. SERS funding policy, as set by the board, provides for periodic active member contributions at statutory rates. The SERS funding policy also provides for periodic employer contributions at actuarially determined rates based on SERS funding valuation, expressed as a percentage of annual retirement covered payroll, such that they, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due. However, Act 2010-120 imposes rate increase collars (limits on annual rate increases) on employer contributions that keep the employer contribution rate below the rates established in accordance with actuarial parameters. The collar for Commonwealth fiscal year 2013-2014 was 4.5% and will remain at that rate until no longer needed.

NOTE 11 PENSION BENEFITS (CONTINUED)

Contributions (Continued)

At December 31, 2014, the statutorily required composite contribution rate as collared by Act 2010-120 including the Benefits Completion Plan (BCP) was 20.53% while the actuarially determined rate would have been 31.41%.

Employer rates are computed based on SERS full year ended December 31 and applied to the Commonwealth based on its fiscal year end of June 30; therefore, the employer contribution rates, in effect for SERS full year ended December 31, reflect a blended average of calculated rates. As of December 31, 2014 and 2013, the blended contribution rates, which include the BCP, were 18.29% and 13.82%, respectively.

The general membership contribution rate for all Class A and Class AA members is 5% and 6.25% of salary, respectively. The general membership contribution rate under Act 2010-120 for A-3 and A-4 members is 6.25% and 9.3% of salary, respectively. All employee contributions are recorded in individually identified accounts that are credited with interest, calculated at 4% per annum, as mandated by statute. Accumulated employee contributions are credited interest vest immediately and are returned to the employee upon termination of service if the employee is not eligible for other benefits.

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

Public School Employees' Retirement System (PSERS)

At June 30, 2015, the College reported a liability for its proportionate share of the net pension liability that reflected a reduction for Commonwealth pension support provided to the College. The amount recognized by the employer as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the College were as follows:

College's proportionate share of the net pension liability	$ 6,887,045
Commonwealth's proportionate share of the net pension liability associated with the College	6,887,045
Total	$ 13,774,090

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2013 to June 30, 2014. The College's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the College's proportion was 0.0174 percent, which was an increase of 0.0011 percent from its proportion measured as of June 30, 2013.

NOTE 11 PENSION BENEFITS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Pennsylvania State Employees' Retirement System (SERS)

At June 30, 2015, the College reported a liability of $ 19,613,942 for its proportionate share of the net pension liability. The net pension liability and the total pension liability were measured and actuarially determined as of December 31, 2014, and December 31, 2013. The College's proportion of the net pension liability was calculated utilizing the employer's projected contributions as it relates to the total projected contributions. At December 31, 2014, the College's proportion was 0.1320 percent, which was an increase of 0.69 percent from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the College recognized pension expense and related revenue for defined benefit plans as follows:

	PSERS	SERS	Total
Pension expense	$ 1,386,766	$ 2,461,975	$ 3,848,741
Revenue for support provided by the Commonwealth	603,105	-	603,105

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

	PSERS		SERS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -	$ 106,479	$ -	$ 106,479	$ -
Changes in assumptions	-	-	-	-	-	-
Net difference between projected and actual investment earnings	-	492,346	566,710	-	566,710	492,346
Changes in proportions	362,862	-	779,044	-	1,141,906	-
Difference between employer contributions and proportionate share of total contributions	11,795	-	-	191,606	11,795	191,606
Contributions subsequent to the measurement date	502,831	-	729,565	-	1,232,396	-
	$ 877,488	$ 492,346	$ 2,181,798	$ 191,606	$ 3,059,286	$ 683,952

Amounts of $ 502,831 and $ 729,565 are reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016 related to the PSERS and SERS plans, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	PSERS	SERS	Total
2016	$ (33,158)	$ 292,530	$ 259,372
2017	(33,158)	292,530	259,372
2018	(33,158)	292,530	259,372
2019	(33,158)	292,530	259,372
2020	14,944	90,506	105,450

NOTE 11 PENSION BENEFITS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions

Public School Employees' Retirement System (PSERS)

The total pension liability as of June 30, 2014 was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return - 7.50%, includes inflation at 3.00%
- Salary increases - Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of l %, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP- 2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

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

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

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

NOTE 11 PENSION BENEFITS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions (Continued)

Public School Employees' Retirement System (PSERS) (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014, are as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	(9%)	(1.1%)
	100%	

Pennsylvania State Employees' Retirement System (SERS)

The total pension liability as of December 31, 2014 was determined using the following actuarial assumptions:

- Actuarial cost method - Entry Age
- Investment return - 7.50%, includes inflation at 2.75%, net of expenses
- Salary increases – Average of 6.10% with a range of 4.30% - 11.05%, includes inflation at 2.75%
- Mortality rates were based on the RP-2000 Mortality Tables adjusted for actual plan experience and future improvement

The actuarial assumptions used in the December 31, 2014 valuation were based on the experience study that was performed for the five-year period ending December 31, 2010. The actuary made recommendations with respect to the actuarial assumptions and methods based on their analysis. The next experience study will cover the years 2011 through 2015 and is expected to be released in 2016.

NOTE 11 PENSION BENEFITS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions (Continued)

Pennsylvania State Employees' Retirement System (SERS) (Continued)

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

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2014 are summary as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Alternative Investments	15%	8.5%
Global Public Entity	40%	5.4%
Real Assets	17%	5.0%
Diversifying Assets	10%	5.0%
Fixed Income	15%	1.5%
Liquidity Reserve	3%	0.0%
	100%	

Discount Rate

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

NOTE 11 PENSION BENEFITS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

Public School Employees' Retirement System (PSERS)

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
College's proportionate share of the net pension liability	$ 8,590,634	$ 6,887,045	$ 5,432,647

Pennsylvania State Employees' Retirement System (SERS)

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
College's proportionate share of the net pension liability	$ 25,105,373	$ 19,613,942	$ 14,892,200

Pension Plans Fiduciary Net Position

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

Detailed information about SERS' fiduciary net position is available in SERS Comprehensive Annual Financial Report which can be found on the System's website at www.sers.pa.gov.

Payables to the Pension Plan

As of June 30, 2015, the College has $170,788 included in accounts payable and accrued wages for the contractually required contribution for the second quarter of 2015, related to the PSERS plan.

NOTE 11 PENSION BENEFITS (CONTINUED)

General Information about the Defined Benefit Contribution Pension Plan

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, 2015, 2014, and 2013 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:

	2015	2014	2013
College	$ 4,631,101	$ 4,401,653	$ 4,462,741

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 year 2015, the estimated contributions were $ 62,260 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 $ 251,499 for 2015, or 100% of the total premiums.

NOTE 12 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

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:

	2015	2014
Annual required contribution	$ 223,968	$ 223,968
Interest on net OPEB obligation	51,034	44,110
Adjustments to ARC	(69,623)	(60,179)
Annual OPEB cost	205,379	207,899
Employer contributions made (estimated)	(62,260)	(54,042)
Increase in net OPEB obligation	143,119	153,857
Net OPEB obligation - beginning of year	1,134,077	980,220
Net OPEB obligation - end of year	$ 1,277,196	$ 1,134,077

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
2015	$ 205,379	30.31%	$ 1,277,196
2014	207,899	25.99%	1,134,077
2013	302,863	28.49%	980,220

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%

NOTE 12 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Funded Status and Funding Progress (Continued)

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

Subsequent Event - Commitments

Subsequent to year-end, the College signed contracts for new student commons at the York Campus for $ 489,737 and for a new welding lab at the York Campus for $ 375,968.

NOTE 14 STATE APPROPRIATIONS

The following shows the detail of state appropriations earned for the year ended June 30, 2015:

Included in non-operating revenue:		
Retirement contribution	$	603,105
Social security reimbursement		2,860,425
Tuition reimbursement		30,153,518
Sub-total		33,617,048
Included in capital contributions:		
Debt reimbursement		5,783,581
Lease reimbursement		1,270,483
Sub-total		7,054,064
Total	$	40,671,112

NOTE 15 NET POSITION

College

The following shows the details of net investment in capital assets at June 30, 2015:

Capital assets, net	$	204,004,220
Bonds and notes payable, net of premium, discount and deferred charge on bond refunding		(127,141,256)
Unspent bond proceeds		331,821
Total	$	77,194,785

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:

Designated for endowment purposes	$	1,061,430
Undesignated		982,101
	$	2,043,531

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

Scholarships and awards	$	3,855,345
Academic support		2,511,182
Capital improvements		6,228,172
Other		1,189,491
	$	13,784,190

NOTE 15 NET POSITION (CONTINUED)

HACC Foundation (Continued)

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

Scholarships and awards	$ 18,860,131
Academic support	267,733
Other	1,569,222
	$ 20,697,086

NOTE 16 RESTATEMENT

During the year ended June 30, 2015, the College adopted *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*, which required the College to record the net pension liability, deferred outflows and inflows of resources, and pension expense associated with its proportionate share of the pension plan. As a result, the beginning net position amount reflects the changes at June 30, 2014 resulting from the addition of the previously unrecorded information:

Net position, June 30, 2014, as originally stated	$ 124,357,661
Record net pension liability	(23,761,867)
Record deferred outflows of resources	903,827
Net position, June 30, 2014, as restated	$ 101,499,621

REQUIRED SUPPLEMENTARY INFORMATION

HARRISBURG AREA COMMUNITY COLLEGE
Schedule of the College's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

Public School Employees' Retirement System (PSERS)

		2015
College's proportion of the net pension liability (asset)		0.0174%
College's proportionate share of the net pension liability (asset)	$	6,887,045
Commonwealth's proportionate share of the net pension liability (asset) associated with the College		6,887,045
Total	$	13,774,090
College's covered-employee payroll - measurement period	$	2,220,165
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee		310.20%
Plan fiduciary net position as a percentage of the total pension liability		57.24%

State Employees' Retirement System (SERS)

		2015
College's proportion of the net pension liability (asset)		0.1320%
College's proportionate share of the net pension liability (asset)	$	19,613,942
College's covered-employee payroll - measurement period	$	7,852,744
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee		249.77%
Plan fiduciary net position as a percentage of the total pension liability		64.79%

Notes

The amounts presented for each fiscal year were determined as of the measurement period year ended that was used for the fiscal year. For PSERS, the measurement period year end is one year prior to the fiscal year end. For SERS, the measurement period year end is six months prior to the fiscal year end.

* This schedule will be expanded to show 10 fiscal years as information becomes available in the future.

HARRISBURG AREA COMMUNITY COLLEGE
Schedule of College Contributions
Last 10 Fiscal Years*

Public School Employees' Retirement System (PSERS)

		2015
Contractually required contribution	$	490,915
Contributions in relation to the contractually required contribution		490,915
Contribution deficiency (excess)	$	-
College's covered-employee payroll - fiscal year	$	2,395,386
Contributions as a percentage of covered-employee payroll		20.49%

State Employees' Retirement System (SERS)

		2015
Contractually required contribution	$	1,345,915
Contributions in relation to the contractually required contribution		1,345,915
Contribution deficiency (excess)	$	-
College's covered-employee payroll - fiscal year	$	6,867,547
Contributions as a percentage of covered-employee payroll		19.60%

* This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

HARRISBURG AREA COMMUNITY COLLEGE
OPEB (Other Post Employment Benefit Plan)
Unaudited Required Schedule of Funding 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%
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
Schedule of Expenses by Functional Classification - Primary Institution
Years Ended June 30, 2015

Functional Classification	Natural Classification							
	Salaries and Wages	Fringe Benefits	Supplies & Other Expense	Professional & Purchased Services	Utilities	Depreciation	Scholarships	Total
Instruction	$ 47,568,746	$ 13,078,058	$ 3,803,055	$ 2,082,346	$ 109,155	$ -	$ 124,828	$ 66,766,188
Research	17,978	1,375	1,001	-	-	-	-	20,354
Public Support	229,431	17,552	40,631	-	-	-	-	287,614
Academic Support	6,542,617	2,394,949	1,394,989	119,526	-	-	-	10,452,081
Student Services	8,870,408	3,819,906	599,915	984,471	-	-	-	14,274,700
Institutional Support	9,052,067	5,521,047	849,767	2,223,803	-	2,059,265	-	19,705,949
Operation and Maintenance of Plant	3,238,668	1,715,387	8,322,902	1,421,667	3,186,898	9,388,770	-	27,274,292
Student Aid	422,527	170	51,044	-	-	-	22,476,287	22,950,028
Auxiliary Enterprises	1,025,458	442,288	8,653,631	762	11,494	-	-	10,133,633
Total operating expenses	$ 76,967,900	$ 26,990,732	$ 23,716,935	$ 6,832,575	$ 3,307,547	$ 11,448,035	$ 22,601,115	171,864,839
Interest expense								5,054,350
Total expenses								$ 176,919,189

HARRISBURG AREA COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

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	$ 505,495	$ 510,166
FWS Program	84.033	420,460	462,765
PELL Program	84.063	31,662,989	31,008,879
Direct Student Loan Program	84.268	72,056,829	72,300,623
Total student financial aid cluster		104,645,773	104,282,433
Passed through Pennsylvania Department of Education			
Vocational Educational Grants Perkins III	84.048	1,071,278	1,101,548
Passed through Tri-County Opportunities Industrialization Center, Inc.			
Adult Basic Education	84.002	83,603	82,936
Total Department of Education		**105,800,654**	**105,466,917**
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Americorp	94.006	**26,698**	**27,389**
DEPARTMENT OF LABOR			
Trade Adjustment Assistance Community College and Career Training	17.282	337,511	238,355
Passed through Employment Skills Center			
Title I Youth Literacy	17.259	8,126	-
Passed through YWCA of Greater Harrisburg			
Youthbuild Training	17.274	78,551	124,827
Total Department of Labor		**424,188**	**363,182**
NATIONAL ENDOWMENT FOR THE ARTS			
Passed through Mid-Atlantic Arts Foundation			
MAAF - Aquilla Theatre Company	45.025	**7,250**	**7,250**
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Keystone Education Yields Success (KEYS)	93.558	363,701	326,280
Passed through South Central Regional Key			
PA Keys ECE Credential Program	93.575	164,128	190,019
Passed through Pennsylvania Development Disabilities Council			
Development Disabilities Basic Support and Advocacy Grants	93.630	38,166	47,406
Total Department of Health and Human Services		**$ 565,995**	**$ 563,705**

HARRISBURG AREA COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2015

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	$ 586,560	$ 287,614
Passed through Lancaster/Lebanon IU			
Citizenship Grant	97.010	5,871	4,322
Total Department of Homeland Security		**592,431**	**291,936**
NATIONAL SCIENCE FOUNDATION			
Passed through American Association of Community Colleges			
Advancing Technological Education	47.076	**6,326**	**8,843**
Total federal financial assistance		**$ 107,423,542**	**$ 106,729,222**

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 FEDERAL DIRECT STUDENT LOANS

The College is only responsible for the performance of certain administrative duties and is not considered the lender with respect to the student loan programs, and accordingly, these loans are not included in its financial statements and it is not practical to determine the balance of loans outstanding to students and former students of the College under these programs. The amount reported on the Schedule of Expenditures of Federal Awards represents new loan advances during the year.

NOTE 4 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 5 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.

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, 2015, 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 19, 2015. 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 19, 2015

SEK&Co
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, 2015. 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, 2015.

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 19, 2015

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
93.558	Keystone Education Yields Success

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

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.

HARRISBURG AREA COMMUNITY COLLEGE
Summary Schedule of Prior Audit Findings Related to Federal Awards
Year Ended June 30, 2015

There were no compliance or internal control findings related to federal awards for the year ended June 30, 2014.