HARRISBURG AREA
COMMUNITY COLLEGE

ANNUAL FINANCIAL REPORT

JUNE 30, 2009

C O N T E N T S

HARRISBURG AREA COMMUNITY COLLEGE

LIST OF REPORT DISTRIBUTION

June 30, 2009

1 Report -	Federal Audit Clearing House Bureau of Census 1201 East 10th Street Jeffersonville, Indiana 47132 **(Note: Filed electronically)**
1 Reports -	Bureau of Audits Special Audit Services Division Forum Place – 8th Floor 555 Walnut Street Harrisburg, Pennsylvania 17101 **(Note: Filed electronically)**
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Harrisburg Area Community College
Harrisburg, Pennsylvania

We have audited the accompanying financial statements of Harrisburg Area Community College and its discretely presented component unit as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of Harrisburg Area Community College's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Harrisburg Area Community College and of its discretely presented component unit as of June 30, 2009 and 2008, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12, the College adopted Government Accounting Stardards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, during the year ended June 30, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2009 on our consideration of Harrisburg Area Community 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 to 11 and the other post-employment benefit schedule of funding progress on page 37 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit such information and express no opinion on it.

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

Board of Trustees
Harrisburg Area Community College

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Harrisburg Area Community College's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and NonProfit Organizations*, and is not a required part of the financial statements of Harrisburg Area Community College. The schedule of expenses by functional classification - primary institution is also presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
October 15, 2009

Harrisburg Area Community College
Management's Discussion and Analysis
Fiscal Years Ended June 30, 2009, 2008, and 2007

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, 2009, with selected comparative information for the years ended June 30, 2008 and 2007. 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 that follow.

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 Statement of Net Assets; the Statement of Revenues, Expenditures, and Changes in Net Assets; and the Statement of Cash Flows. This Management's Discussion and Analysis (MD&A) includes comments on each statement and focuses on the activities of the College (Primary Institution) only.

Additionally, the College has implemented Government Accounting Standards Board Statement No. 39, "Determining Whether Certain Organizations are Component Units." Pursuant to the criteria set forth in GASB 39, 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 solely to HACC. The Foundation's financial statements for June 30, 2009 and 2008 are displayed in the financial statements section of the report and are not included in the MD&A discussions. Separately issued financial statements are available for the HACC Foundation by contacting Mr. George A. Franklin, Jr., Vice President of Finance and College Resources, Harrisburg Area Community College, One HACC Drive, Harrisburg, PA 17110-2999.

Financial Highlights:

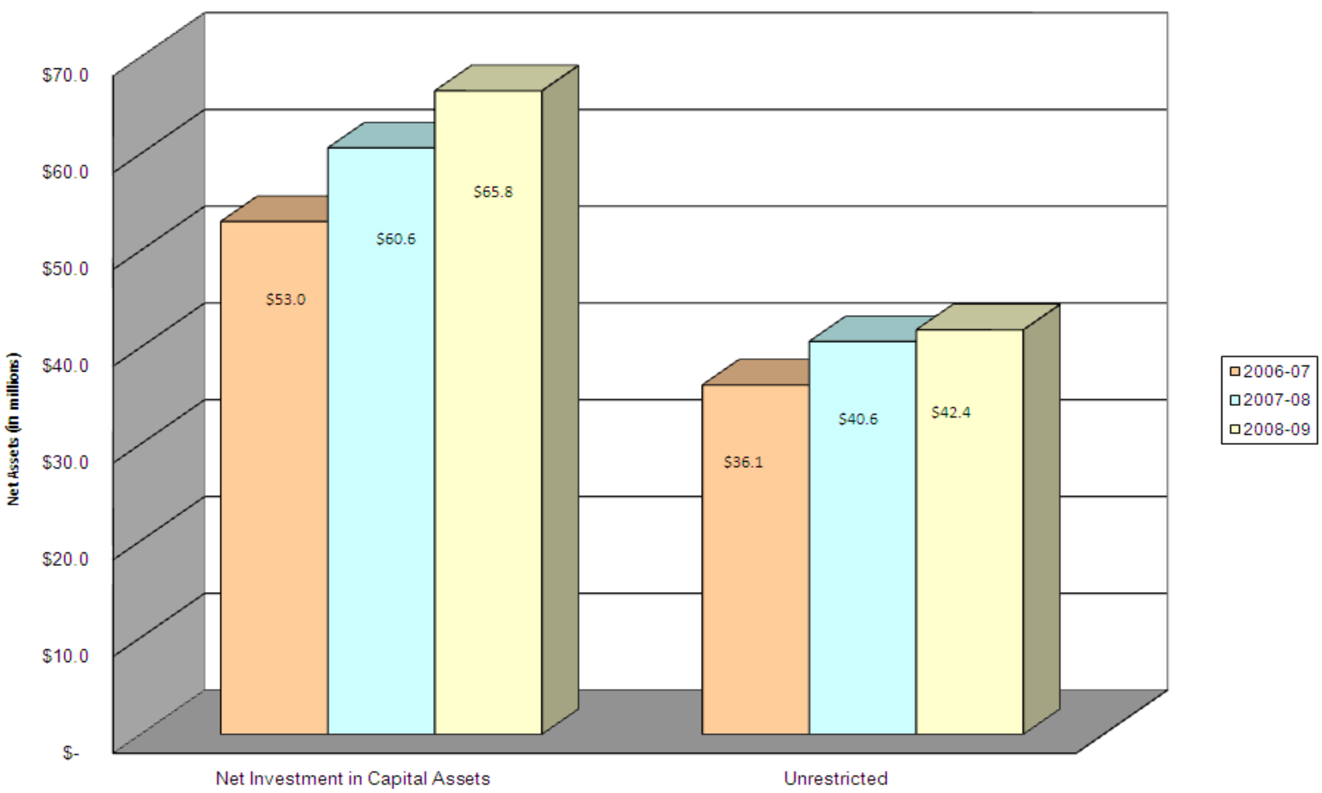
HACC's financial position continues to remain strong as of June 30, 2009. At June 30, 2009, HACC's assets of $195.8 million exceeded its liabilities of $87.5 million by $108.2 million, an increase over the prior year of $7.0 million. At June 30, 2008, assets of $165.9 million exceeded liabilities of $64.7 million by $101.2 million, an increase over the prior year of $12.1 million.

The Net Assets, which represent the difference between total assets and total liabilities, are divided into two major categories. The first category, invested in capital assets, net of related debt, provides the College's equity in property, plant, and equipment it owns. The second category, unrestricted net assets, is available to use for any lawful purpose of the College. The following table and graph summarizes the College's statement of net assets by category for the fiscal years ended June 30, 2009, 2008, and 2007.

Net Assets
As of June 30
(In millions)

	2009	2008	Increase (Decrease) 2009-2008	2007	Increase (Decrease) 2008-2007
Invested in capital assets, net of related debt	$65.8	$60.6	$5.2	$53.0	$7.6
Unrestricted	42.4	40.6	$1.8	36.1	4.5
Total Net Assets	$108.2	$101.2	$7.0	$89.1	$12.1

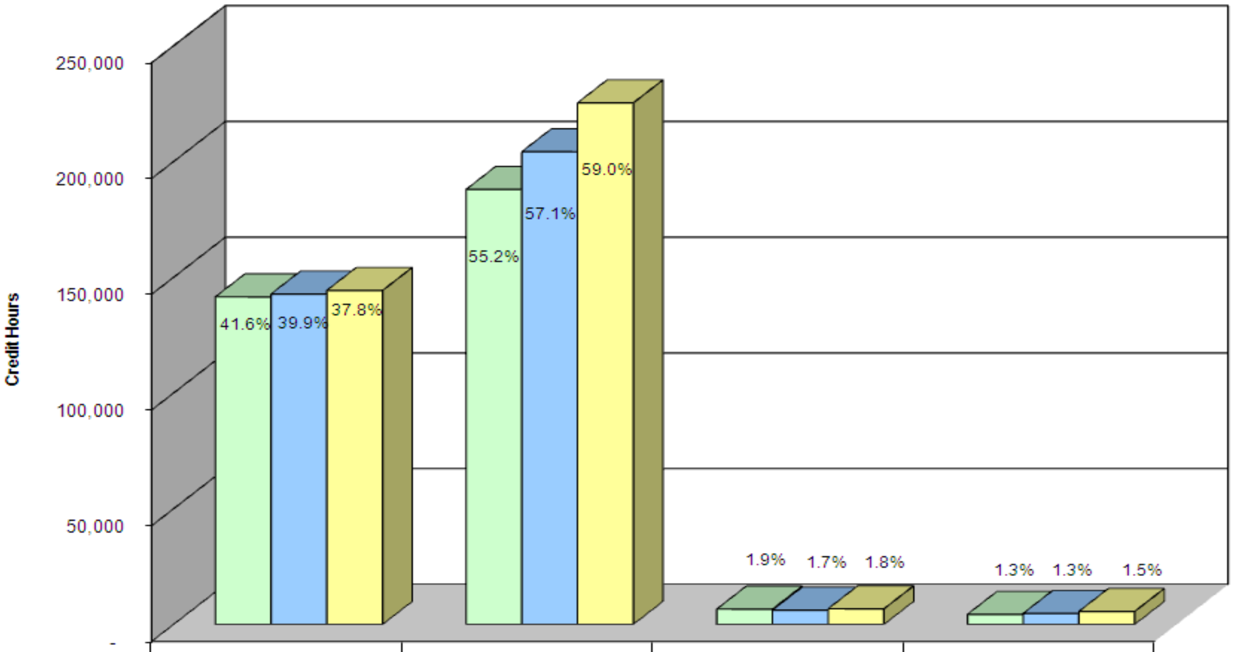
Comparison of Net Assets Fiscal Years 2007, 2008, 2009



Credit hour enrollment increased at a 6.7% growth rate in 2009, while the 2008 rate was at 5.1%. Total credit hour production of 381,874 was 24,144 greater than from the 2008 credit hours of 357,730. In 2008 the growth was 17,445 credit hours higher than the 2007 credit hours of 340,285. The Virtual, York, and Gettysburg Campuses experienced the most significant growth in 2009.

HACC's non-sponsored credit hour enrollments continue to exceed sponsored credit hours. Each year a greater percentage of the total credit hours produced have been comprised of non-sponsored students, which indicated the tremendous growth experienced at our regional campuses. In 2009, the 225,299 non-sponsored credit hours represent 59% of the total credit hours. This shows an increase from 204,182 credit hours or 57.1% of the total in 2008 and 187,898 credit hours or 55.2% from 2007. Each non-sponsored student pays 'two parts' tuition or $171 per credit hour in 2009, where a sponsored student pays $92.50 per credit hour and receives local sponsoring school district support of $80.50 per credit hour.

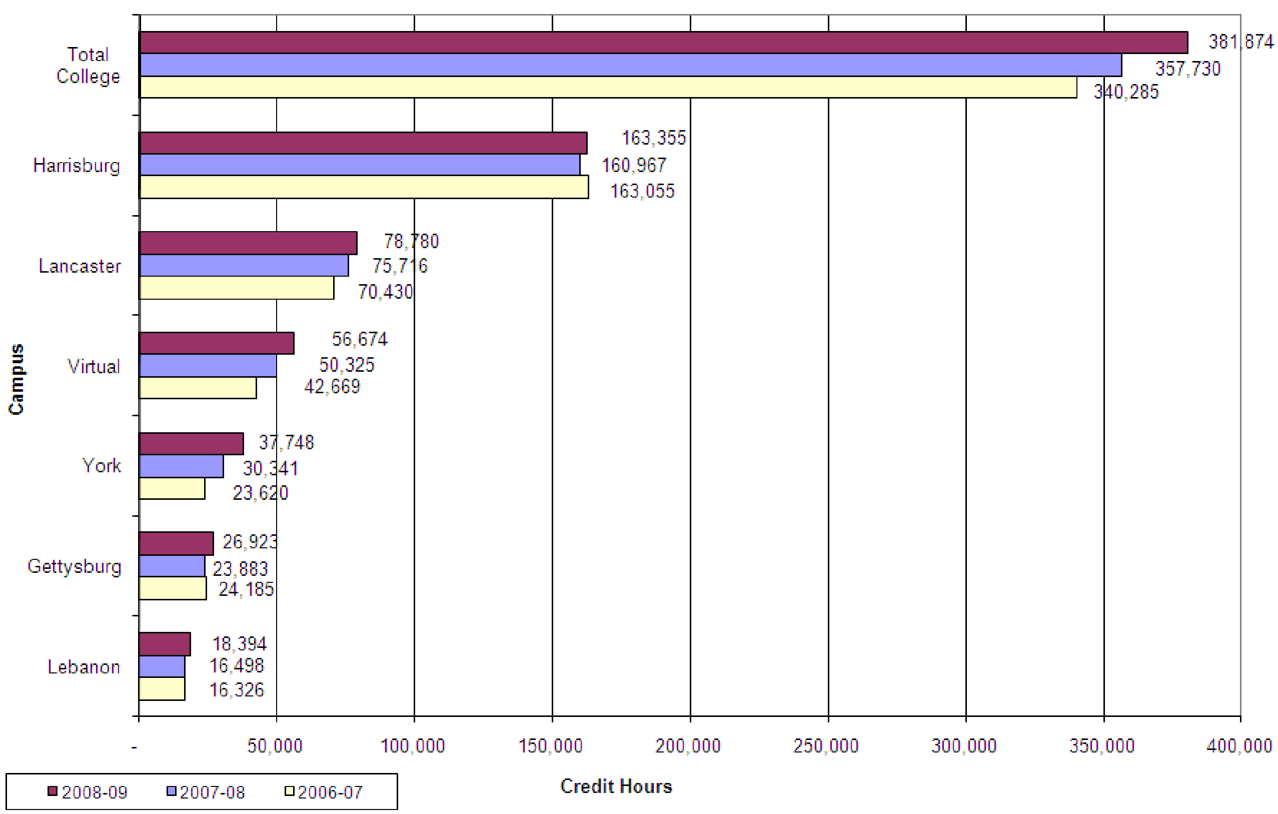
Credit Hour Production by Student Type



	Sponsored	Nonsponsored	Out of State	College in HS
2006-07	141,485	187,898	6,584	4,318
2007-08	142,721	204,182	6,114	4,713
2008-09	144,260	225,299	6,726	5,589

Student Type

Credit Hour by Campus 2007, 2008, 2009



Statement of Net Assets:

The Statement of Net Assets presents the assets, liabilities, and net assets of the College as of the end of the June 30, 2009 fiscal year. This statement provides a snapshot of the financial condition of the College with unrestricted net assets representing funds available to continue the operations of the institution. It presents the end-of-the-year data for Current and Noncurrent Assets, Current and Noncurrent Liabilities, and Net Assets (Assets minus Liabilities). Over periods of time, increases and decreases in net assets 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 assets increasing over the past years.

Statement of Net Assets
(In millions)

	2009	2008	Increase (Decrease) 2009-2008	2007	Increase (Decrease) 2008-2007
Assets					
Current Assets	$80.2	$70.8	$9.4	$56.4	$14.4
Noncurrent Assets	115.6	95.1	$20.5	82.7	12.4
Total Assets	195.8	165.9	$29.9	139.1	26.8
Liabilities					
Current Liabilities	20.7	21.2	($0.5)	19.9	1.3
Noncurrent Liabilities	66.8	43.5	$23.3	30.1	13.4
Total Liabilities	87.5	64.7	$22.8	50.0	14.7
Net Assets					
Invested in Capital Assets, net of debt	65.8	60.6	$5.2	53.0	7.6
Unrestricted	42.4	40.6	$1.8	36.1	4.5
Total Net Assets	$108.2	$101.2	$7.0	$89.1	$12.1

In 2009, current assets increased by $9.4 million over 2008**.** Most of this increase, $8.5 million, is in cash and cash equivalents and short term investments attributed to a net change of $7.5 million in bond proceeds not yet spent (2008 bond proceeds -$8.2 million and 2009 bond proceeds +$15.7 million), and $1 million in Select Medical/Pollock Capital Campaign pledge payments. In addition we saw a $1.5 million dollar increase in accounts receivable due to increases in both enrollment and tuition rates; and a $700,000 decrease in bookstore inventories. The noncurrent assets increased by $20.5 million in 2009 from the previous year. This increase is largely due to capital assets associated with the expansion/renovation of the Gettysburg Campus; the purchase of additional properties at the York Campus; and leasehold improvements at the Harrisburg Midtown 2 building**.**

Current liabilities for 2009 decreased $500,000 due to a decrease in accounts payable and accrued expenses, and an increase in long term liabilities for the 2008 bond issued for the expansion/renovation of the York Campus and major renovations to the Midtown 1 building on the Harrisburg Campus. Noncurrent liabilities for 2009 reflect an increase of $23.3 million attributed largely to the net increase in bonds payable with the issue of 2008 bond noted above.

Net assets increased to $108.2 million as of June 30, 2009. The largest portion of these net assets ($65.8 million) reflects the College's investment in capital assets, less any related outstanding debt used to acquire those assets. The College uses these capital assets to provide services to students, faculty, and staff so these assets are 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 balance is unrestricted net assets ($42.4 million) which is available to use for any lawful purpose of the College.

Statement of Revenues, Expenses, and Changes in Net Assets:

The Statement of Revenues, Expenses, and Changes in Net Assets present 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 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 assets for years ended June 30, 2009, 2008, and 2007 as well as graphical representations of revenues and expenses by category.

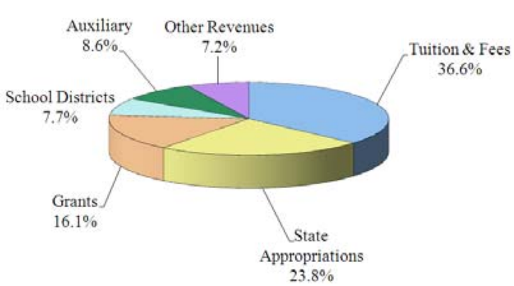
Revenues, Expenses and Changes in Net Assets

(In millions)

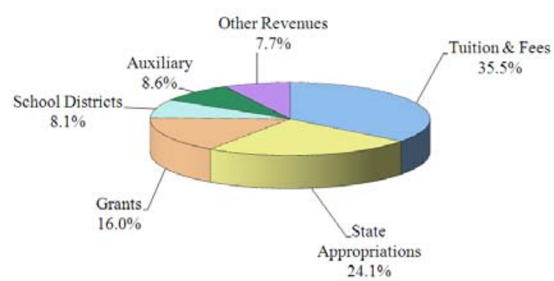
	2009	2008	Increase (Decrease) 2009-2008	2007	Increase (Decrease) 2008-2007
Operating Revenues	$99.8	$93.1	$6.7	$82.0	$11.1
Operating Expenses	155.3	143.2	$12.1	126.5	16.7
Operating Income (Loss)	(55.5)	(50.1)	($5.4)	(44.5)	(5.6)
Nonoperating Revenues (Net)	47.3	47.5	($0.2)	46.0	1.5
Net Income (Loss) Before Capital Contributions	(8.2)	(2.6)	($5.6)	1.5	(4.1)
Capital Contributions	15.2	14.7	$0.5	10.0	4.7
Increase (Decrease) in Net Assets	$7.0	$12.1	($5.1)	$11.5	$0.6

Total Operating and Nonoperating Revenue

2009



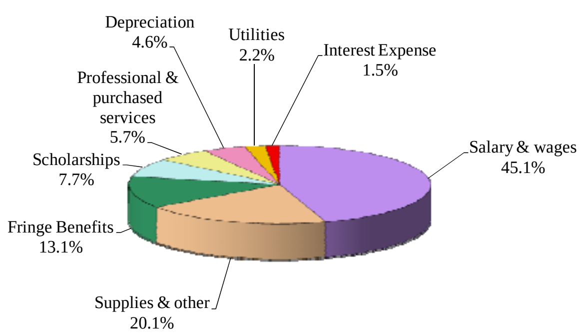
2008



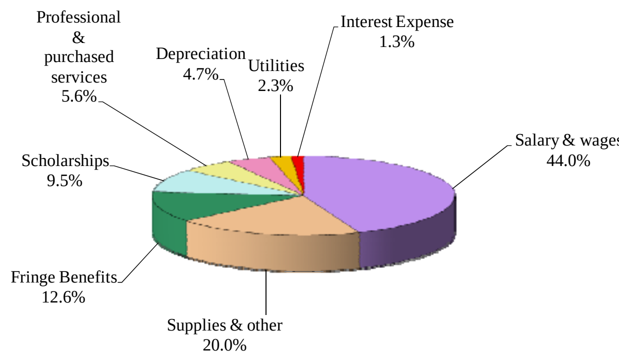
Operating revenues of $99.8 million in 2009 were $6.7 million greater than 2008. Total operating revenues in 2008 were $93.1 million, which was an increase of $11.1 million over 2007. The major driver of the 2009 increase is $4.2 million of revenue generated by enrollment growth and increased tuition per credit hour (sponsored students $92.50 in 2009 versus $83.00 in 2008; non-sponsored students $171.00 in 2009 versus $166.00 in 2008; and out-of-state students $256.50 in 2009 versus $249.00 in 2008). Federal grants increased by $2.5 million due to increased financial aid funding associated with enrollment growth, and a new Title I grant to partner with Career Links in several counties served by the College. In addition there was a decrease in state grants due to reductions in two programs (WedNet, PHEAA), an increase in auxiliary service sales from our bookstore operations and an increase in other operating revenues.

Total Operating Expenditures by Natural Source

2009

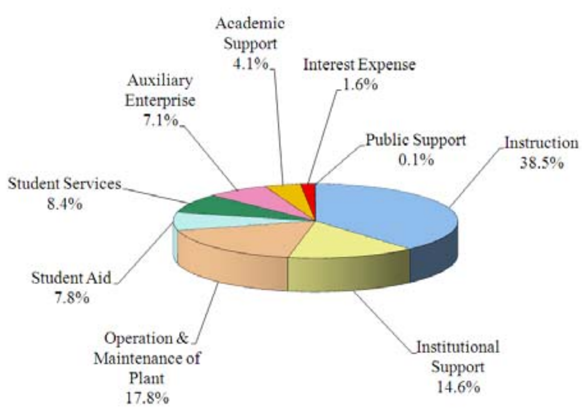


2008

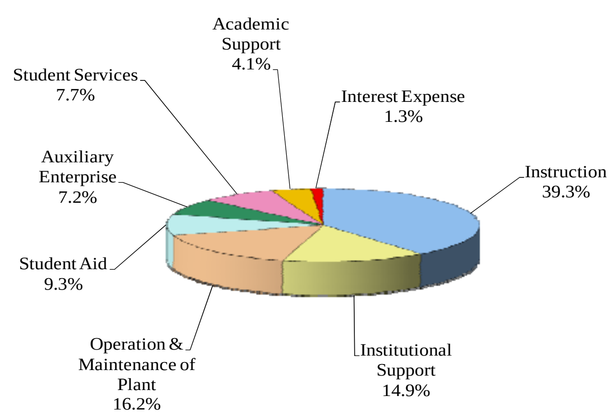


Total Operating Expenditures by Function

2009



2008



The other side of the enrollment growth is shown in the $12.1 million increase in operating expense in 2009. The largest portion of this increase ($9.5 million) is in salary and benefits which resulted from a 4.0% salary increase in 2009, additional staffing in areas of expansion and growth, new partnership with Career Link locations**,** and the implementation of a major classification and compensation review project. Other increases in the 2009 operating expense were for supplies, professional and purchases services.

Non-operating revenues (expenses) saw an overall decrease of $200,000. This is the net result of a $1.2 increase in state operating appropriations; a decrease of $1 million in investment income from a drop in interest rates; and a $600,000 increase in interest expense on capital assets related to debt which includes a first time interest payment on the 2008 bonds issued to purchase and/or renovate our York and Midtown 1 facilities.

The total capital contributions for fiscal year 2009 amounted to $15.2 million. This is an increase of $500,000 over the previous year which is the difference between the 2009 $4.2 million grant for leasehold improvements at the Midtown 2 building and the 2008 transfer of the $4.1 million Select Medical/Pollock Capital Campaign funds from the HACC Foundation to the College.

The Statement of Revenues, Expenses, and Changes in Net Assets reflect another positive year. Continued enrollment growth and expansion generated both additional revenue and expense, and 2009 saw an increase in net assets of $7.0 million.

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, 2009, had increased $4.2 million compared to the prior year. The following is a summary of the statement of cash flows for the years ended June 30, 2009, 2008, and 2007.

Cash Flows
(In millions)

	2009	2008	Increase (Decrease) 2009-2008	2007	Increase (Decrease) 20008-2007
Cash Provided (Used) By:					
Operating Activities	($47.2)	($43.4)	($3.8)	($37.2)	($6.2)
Noncapital Financing Activities	47.7	48.9	(1.2)	43.9	5.0
Capital Financing Activities	7.2	5.9	1.3	(2.2)	8.1
Investing Activities	(3.5)	6.4	(9.9)	(2.5)	8.9
Net Increase in Cash and Cash Equivalents	4.2	17.8	(13.6)	2.0	15.8
Cash and Cash Equivalents - Beginning of Year	41.7	29.6	12.1	27.6	2.0
Reclassification of cash equivalent to short term investment		(5.7)	5.7		(5.7)
Cash and Cash Equivalents - End of Year	$45.9	$41.7	$4.2	$29.6	$12.1

Capital Plan:

The College continued to undertake projects identified in the Facility Master Plan, during the course of fiscal year 2009. In addition to the management of existing facilities, the strategic plan will assist the College in determining the direction best suited to support the continued growth and expansion. This will enable the College to prudently allocate the capital resources and better determine when capital financing is required. Capital projects planned and/or being considered, based upon funding availability for 2010, include completion of the Phase II renovation of the Midtown 1 building, continued expansion/renovation of the York Campus, relocate Allied health/science labs from Midtown to the Harrisburg Campus, fit-out of Campus Square building in Midtown for Green Technologies and Virtual Campus and Central Administration, Lebanon Campus renovations, and Public Safety Center renovations/expansion.

Capital Asset and Debt Administration:

During the year ended June 30, 2009, the College had total capital additions of approximately $27.8 million. This activity included various College Facility Master Plan projects including renovations of the expanded Gettysburg Campus facility; Phase II renovation of the Midtown 1 building; expansion of the York Campus; major renovations to Whitaker Hall (Harrisburg) including upgrades to building insulation, electrical and HVAC systems; Harrisburg Campus Way-finding Signage, and a new Public Safety Center Police Tactics Building.

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. In fiscal year 2009, final negotiations occurred to purchase and fund the expansion and renovation of the York Campus, and major renovations of the Midtown 1 facility. A $26.3 million bond was issued through The State Public School Building Authority (SPSBA) to finance this endeavor. The College also refinanced the 2007 Gettysburg Bond in 2009 resulting in a savings to the college of $1 million over the life of the bonds.

Economic Factors That Will Affect the Future:

The economic position of the College is closely tied to the economy and the State's budget. Downturns in the economy, higher unemployment rates in Central Pennsylvania, increasing high school graduating yield rates, the College's ongoing expansion into new markets, and retention efforts have all resulted in continued enrollment growth. The expansion of the Gettysburg and York Campuses, increased offerings by the Virtual Campus, an additional Midtown location to offer green technology programs, and the renovation and expansion of the Public Safety Center will continue to stimulate future enrollment growth.

State funding through annual appropriations and other funding continues to be unpredictable, especially with the uncertainty of the economy. However, the College continues to sustain continued 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. HACC's enrollment growth in conjunction with community partnerships to meet the growing demands of our customers provides ample opportunities for our continued expansion. The College continues to be innovative by offering new programs to our students.

Overall, the College's current financial position is very strong, as is evident by the 2009 financial statements, and will continue to grow and expand while efficiently managing available resources in a prudent manner.

HARRISBURG AREA COMMUNITY COLLEGE
STATEMENTS OF NET ASSETS
June 30, 2009 and 2008

	PRIMARY INSTITUTION		COMPONENT UNIT FOUNDATION	
	2009	**2008**	**2009**	**2008 (as restated)**
ASSETS				
Current Assets				
Cash and cash equivalents	$ 45,942,206	$ 41,748,641	$ 469,558	$ 472,463
Short-term investments	19,939,832	15,636,896	1,582,996	1,137,489
Accounts receivable, net	9,526,898	8,049,209	4,090,243	3,352,597
Loans receivable - current portion	74,880	62,880	0	0
Other assets	2,977,616	2,822,167	2,178	2,404
Inventories	1,578,416	2,263,250	0	0
Due from HACC Foundation	118,304	249,603	0	0
Total Current Assets	80,158,152	70,832,646	6,144,975	4,964,953
Noncurrent Assets				
Long-term investments	0	0	18,564,692	23,678,262
Loans receivable - long term portion	160,511	220,039	0	0
Capital assets, net of accumulated depreciation	115,462,415	94,860,130	0	0
Total Noncurrent Assets	115,622,926	95,080,169	18,564,692	23,678,262
Total Assets	$ 195,781,078	$ 165,912,815	$ 24,709,667	$ 28,643,215
LIABILITIES				
Current Liabilities				
Due to HACC	$ 0	$ 0	$ 118,304	$ 249,603
Accounts payable and accrued expenses	12,434,920	13,867,002	0	0
Deposits held in custody for others	898,860	782,112	0	0
Unearned revenue	2,229,506	2,040,513	20,010	46,125
Current portion of long term liabilities	5,164,840	4,513,978	100,000	100,000
Total Current Liabilities	20,728,126	21,203,605	238,314	395,728
Noncurrent Liabilities				
Long-term liabilities	66,694,582	43,524,712	302,313	402,312
OPEB obligations	121,374	0	0	0
Total Noncurrent Liabilities	66,815,956	43,524,712	302,313	402,312
Total Liabilities	87,544,082	64,728,317	540,627	798,040
NET ASSETS				
Invested in capital assets, net of related debt	65,782,570	60,226,679	0	0
Restricted - nonexpendable	0	0	12,184,000	11,773,250
Restricted - expendable	0	0	9,364,833	11,556,719
Unrestricted	42,454,426	40,957,819	2,620,207	4,515,206
Total Net Assets	108,236,996	101,184,498	24,169,040	27,845,175
Total Liabilities and Net Assets	$ 195,781,078	$ 165,912,815	$ 24,709,667	$ 28,643,215

The Notes to Financial Statements are an integral part of these statements.

HARRISBURG AREA COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Years Ended June 30, 2009 and 2008

	PRIMARY INSTITUTION		COMPONENT UNIT FOUNDATION	
	2009	**2008**	**2009**	**2008**
REVENUES				
Operating Revenues				
Student tuition and fees	$ 62,886,548	$ 55,903,544	$ 0	$ 0
Scholarship allowance and discounts	(8,055,865)	(5,206,329)	0	0
Federal grants	19,431,128	16,591,396	0	0
State and local grants	4,112,619	5,642,138	0	0
Nongovernmental grants	480,229	575,941	0	0
Sales and services of auxiliary enterprises	12,934,446	12,188,267	0	0
Other operating revenues	7,991,596	7,363,898	0	0
Contributions	0	0	5,110,734	2,999,849
Investment income, net of investment expenses of $116,164 - 2009 and $155,781 - 2008	0	0	519,720	873,418
Realized and unrealized gains (losses) on investments	0	0	(4,647,697)	(1,615,043)
Support fee	0	0	327,556	351,395
Total Operating Revenues	99,780,701	93,058,855	1,310,313	2,609,619
EXPENSES				
Operating Expenses				
Salaries and wages	71,116,366	63,868,760	258,649	266,172
Fringe benefits and payroll taxes	20,626,866	18,283,416	87,481	102,261
Supplies and other expense	31,736,138	28,876,055	1,531,352	4,983,735
Professional and purchased services	8,944,369	8,125,324	315,302	319,111
Utilities	3,431,969	3,373,335	0	0
Depreciation and amortization	7,286,363	6,855,830	0	0
Scholarships	12,124,386	13,797,493	957,404	941,574
Contributions and grants	0	0	1,836,260	1,791,445
Total Operating Expenses	155,266,457	143,180,213	4,986,448	8,404,298
Operating Income (Loss)	(55,485,756)	(50,121,358)	(3,676,135)	(5,794,679)
NON-OPERATING REVENUES (EXPENSES)				
State appropriations	35,633,075	34,382,495	0	0
Local appropriations	11,488,603	11,488,603	0	0
Gifts	1,869,744	1,676,139	0	0
Gain on sale of assets	150	2,185	0	0
Investment income, net of investment expenses of $10,829 - 2009 and $6,859 - 2008	861,287	1,886,053	0	0
Interest expense	(2,535,264)	(1,915,929)	0	0
Total Non-Operating Revenues, net	47,317,595	47,519,546	0	0
Net Income Before Capital Contributions	(8,168,161)	(2,601,812)	(3,676,135)	(5,794,679)
CAPITAL CONTRIBUTIONS				
Capital appropriations - local sources	200,000	200,000	0	0
Capital appropriations - state sources	7,936,736	8,123,289	0	0
Capital grants and gifts	7,083,923	6,395,562	0	0
Total Capital Contributions	15,220,659	14,718,851	0	0
Increase (decrease) in Net Assets	7,052,498	12,117,039	(3,676,135)	(5,794,679)
Net Assets - Beginning of Year	101,184,498	89,067,459	27,845,175	33,639,854
Net Assets - End of Year	$ 108,236,996	$ 101,184,498	$ 24,169,040	$ 27,845,175

The Notes to Financial Statements are an integral part of these statements.

HARRISBURG AREA COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2009 and 2008

	PRIMARY INSTITUTION 2009	PRIMARY INSTITUTION 2008	COMPONENT UNIT FOUNDATION 2009	COMPONENT UNIT FOUNDATION 2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments received for tuition and fees	$ 52,876,139	$ 50,720,359	$ 0	$ 0
Payments received from grants and contracts	24,385,970	22,707,610	0	0
Payments received from auxiliary enterprise charges	12,927,003	11,643,423	0	0
Payments received from other revenues	8,461,768	7,345,749	0	0
Payments received from donors (temporary and unrestricted)	0	0	2,022,992	1,646,526
Payments received from investment activities	0	0	307,735	496,131
Payments to and on behalf of employees	(89,934,845)	(81,116,716)	(346,130)	(368,433)
Payments to suppliers for goods and services	(43,787,772)	(40,795,476)	(577,283)	(559,708)
Payments for interest	0	0	(26,888)	(32,782)
Payments for contributions and grants	0	0	(2,866,601)	(6,026,029)
Payments for financial aid and scholarships	(12,084,814)	(13,853,481)	(974,659)	(992,176)
Net cash (used) by operating activities	(47,156,551)	(43,348,532)	(2,460,834)	(5,836,471)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	34,847,964	35,156,358	0	0
Local appropriations	11,023,777	12,049,977	0	0
Gifts received	1,864,867	1,699,887	0	0
Collection of contributions restricted for long-term purposes	0	0	2,303,109	1,065,993
Collection of investment income restricted for long-term purposes	0	0	234,453	384,041
Principal payments on notes payable	0	0	(99,999)	(100,001)
Net cash provided by noncapital financing activities	47,736,608	48,906,222	2,437,563	1,350,033
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Capital debt financing	44,015,703	18,184,753	0	0
State and local appropriations	8,136,053	8,305,590	0	0
Capital grants and gifts received	6,985,383	6,340,086	0	0
Purchases of capital assets	(28,471,117)	(19,819,573)	0	0
Principal paid on debt and capital leases	(21,145,683)	(5,311,019)	0	0
Interest paid on debt and capital leases	(2,353,553)	(1,811,336)	0	0
Net cash provided by capital financing activities	7,166,786	5,888,501	0	0
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(18,883,406)	(27,980,000)	(10,764,073)	(8,686,085)
Proceeds from sale/maturities of investments	14,562,823	32,203,227	10,784,439	9,727,426
Investment income	767,305	2,138,442	0	0
Net cash provided (used) by investing activities	(3,553,278)	6,361,669	20,366	1,041,341
Increase (decrease) in cash and cash equivalents	4,193,565	17,807,860	(2,905)	(3,445,097)
Cash and Cash equivalents - Beginning of Year	41,748,641	29,611,949	472,463	3,917,560
Reclassification of cash equivalent to short term investment	0	(5,671,168)	0	0
Cash and Cash equivalents - End of Year	$ 45,942,206	$ 41,748,641	$ 469,558	$ 472,463

The Notes to Financial Statements are an integral part of these statements.

HARRISBURG AREA COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS - CONTINUED
Years Ended June 30, 2009 and 2008

	PRIMARY INSTITUTION 2009	PRIMARY INSTITUTION 2008	COMPONENT UNIT FOUNDATION 2009	COMPONENT UNIT FOUNDATION 2008
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES				
Operating income (loss)	($ 55,485,756)	($ 50,121,358)	($ 3,676,135)	($ 5,794,679)
Adjustments to reconcile net operating loss to net cash used in operating activities:				
Depreciation and amortization expense	7,286,363	6,855,830	0	0
Gain on disposal of capital assets	15,395	15,710	0	0
Realized and unrealized (gain) loss on investments	0	0	4,647,697	1,615,043
Contributions restricted for long-term investment	0	0	(2,303,109)	(1,065,993)
Contributions of investment income restricted for long-term purposes	0	0	(234,453)	(384,041)
(Increase) Decrease in:				
Accounts receivable	(1,177,370)	(861,765)	(737,646)	(319,066)
Inventory	684,834	(345,961)	0	0
Other assets	384,221	(456,961)	226	(2,404)
Increase (Decrease) in:				
Unearned revenue	0	0	(26,125)	38,475
Accounts payable and accrued expense	1,019,014	1,556,429	(131,289)	76,194
Deposits	116,748	9,544	0	0
Net cash (used) by operating activities	($ 47,156,551)	($ 43,348,532)	($ 2,460,834)	($ 5,836,471)
NONCASH INVESTING, CAPITAL AND FINANCING TRANSACTIONS				
Capital gifts of equipment and buildings	$ 98,540	$ 55,476	$ 0	$ 0
Realized and unrealized gains (losses) on investments	($ 47,428)	($ 21,817)	($ 4,647,697)	($ 1,615,043)

The Notes to Financial Statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

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, liabilities, net assets, revenues, expenses, changes in net assets and cash flows, and replaces the fund-group perspective previously required.

The College follows all GASB pronouncements as well as Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, and has elected not to apply FASB Statements and Interpretations issued after November 30, 1989 to its combined financial statements.

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 expenditures when materials or services are received. All intercompany accounts and transactions have been eliminated.

***Reporting Entity* -** GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* which amends Statement No. 14, *The Financial Reporting Entity*, provides guidance to determine whether certain organizations for which the College is not financially accountable should be reported as component units based on the nature and significance of their relationship with the College. Generally, it requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a governmental unit.

The Harrisburg Area Community College Foundation (the "HACC Foundation") and the Wildwood Conference Center Foundation are included in the College’s financial statements as component units due to the oversight responsibility of the College in accordance with GASB standards. The criteria used in determining oversight responsibility include financial interdependency, ability to select members of the governing body, ability to designate management, ability to significantly influence operations, and accountability for fiscal matters. In accordance with the provisions of GASB Statement 39, the HACC Foundation is shown as a discretely presented component unit due primarily to the fact that it was organized for the purpose of receiving gifts and grants and to distribute the available funds to, or for the benefit of, the College. Substantially all of HACC Foundation's expenses for scholarships, contributions, and grants flow through as "state and local grants" income on the College's financial statements. The Wildwood Conference Center Foundation does not meet the requirement for discrete presentation and therefore is shown as a blended component unit and included with the activity of the college. Separate financial statements are available for the HACC Foundation by contacting the College's Office of Finance and College Resources, One HACC Drive, Harrisburg, Pennsylvania 17110-2999.

Financial Statement Presentation **-** The College has adopted GASB Statements No. 34 and 35 (as amended by GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*), and No. 38, *Certain Financial Statement Note Disclosures.* These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a basis to focus on the College as a whole. GASB Statement No. 35 reports equity as "net assets" rather than "fund balance". Net assets are classified into four categories according to external donor restrictions or availability of assets for satisfaction of College obligations. The College's net assets are classified as follows:

- *Invested in capital assets, net of related debt* **-** This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are included as a component of invested in capital assets, net of related debt.

- *Restricted net assets, expendable* **-** This includes resources for which HACC Foundation is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

- *Restricted net assets, nonexpendable* - This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal.

- *Unrestricted net assets* **-** Unrestricted net assets 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.

GASB Statement No. 35 requires the statements of net assets, revenues, expenses, and changes in net assets, and cash flows to be reported on a combined basis. The provisions of Statement No. 35 have been applied to the years presented.

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 assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. For the statement of net assets, restricted net assets-expendable is the same classification as temporarily restricted net assets, and restricted net assets – nonexpendable is the same classification as permanently restricted net assets. In addition, the HACC Foundation is considered a non-profit organization and follows FASB pronouncements, not GASB pronouncements. Therefore, it is not subject to the same disclosure requirements as the College.

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

***Cash and Cash Equivalents* -** These include cash on hand, demand deposits, and, in accordance with GASB Statement No. 9, the College's short-term pooled investments in the PSDLAF. For purposes of the statement of net assets, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

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

***Total Return Policy - HACC Foundation* -** The Foundation has adopted a total return policy for its permanently restricted endowment funds and a separate trust was created to maintain the investments for these funds. Based on the policy and the revocable trust agreement, income for permanently restricted funds has been redefined to mean a percentage of the value of the trust. This percentage is determined annually by the Foundation Board and applied to the previous three years' average of the market value of the trust as a whole. The percentage must legally fall within the range of 2% to 7% and was approved to be 4% for the years ended June 30, 2009 and 2008. 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 fund principal 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).

***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 expenditures 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

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, bond loss on refinancing, and issuance 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 and bond loss on refinancing. Bond issuance costs are reported as deferred charges 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 and Wildwood Conference Center Foundation are exempt organizations 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 assets.

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 state and local appropriations and investment income.

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.

Use of Restricted Net Assets **-** 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 assets are available. Generally, the College attempts to utilize restricted funds first when practicable.

Note 1. Summary Of Significant Accounting Policies (Continued)

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 assets. 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, 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. 27, *Accounting for Pensions by State and Local Governmental Employers* and GASB Statement No. 50, *Pension Disclosures*. GASB Statement No. 27 and No. 50 establish standards for the measurement, recognition, and display of pension expense and related liabilities, assets, and note disclosures. See Note 11 for additional information.

Note 2. Cash and Cash Equivalents

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the College’s deposits may not be returned to it. The College does not have a written policy for custodial credit risk. As of June 30, 2009, $ 59,484,810 of the College’s bank balance of $ 61,996,145 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 0
Collateralized with securities held by the pledging financial institution	0
Uninsured and collateral held by the pledging bank's trust department but not in the College's name	59,484,810
	$ 59,484,810

Included in investments on the statement of net assets are CD’s invested in the Pennsylvania School District Liquid Asset Fund (PSDLAF) and various financial institutions in the amount of $ 18,913,188 all with maturities of greater than three months. These are considered deposits for purposes of this disclosure.

Note 3. Investments

Credit Risk

Included on the statement of net assets are pooled investments in the Pennsylvania School District Liquid Asset Fund (PSDLAF) of $ 3,857,584 (classified as cash equivalents) and the Commonfund – Short-term fund (classified as short term investment) of $ 628,345. 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, 2009, the College's investment in PSDLAF was rated AAAm and the College's investment in Commonfund – Short-term was rated AA by Standard & Poor's Investors Service.

As of June 30, 2009, the College's investment of $ 398,300 in the Commonfund – Intermediate Term Fund was rated AA by Standard & Poor's Investors Service.

Interest Rate Risk

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

As of June 30, 2009, the College had the following investments that were subject to interest rate risk. The College does not have a written policy for interest rate risk.

Investment	Maturity	Fair Value
Commonfund - Short Term Fund	(A)	$ 628,345
Commonfund - Intermediate Term Fund Tranche 1	Effective Duration 1.6 years	159,475
Commonfund - Intermediate Term Fund Tranche 2	Effective Duration 1.3 years	238,825

(A) The Commonfund – Short Term Fund is currently in the process of being liquidated. The College is withdrawing funds as they become available.

Market Risk

The College's investments are exposed to various risks, such as interest rate, market, currency and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment assets reported in the financial statements.

In addition, recent economic uncertainty and market events have led to unprecedented volatility in currency, commodity, credit and equity markets culminating in failures of some banking and financial services firms and Government intervention to solidify others. These recent events underscore the level of investment risk associated with the current economic environment, and accordingly the level of risk in the College's investments.

Note 3. Investments (Continued)

Investments of the HACC Foundation as of June 30, 2009 and 2008 are comprised of the following:

	Cost	Fair Value	Unrealized Gains (Losses)
		2009	
Money market funds	$ 1,582,996	$ 1,582,996	$ 0
Equities	10,586,357	9,964,616	(621,741)
Mutual funds	8,005,203	6,690,420	(1,314,783)
Government obligations	837,320	865,256	27,936
Corporate bonds	1,045,163	1,044,400	(763)
	$ 22,057,039	$ 20,147,688	($ 1,909,351)

	Cost	Fair Value	Unrealized Gains (Losses)
		2008	
Money market funds	$ 1,137,489	$ 1,137,489	$ 0
Equities	11,245,177	11,715,074	469,897
Mutual funds	8,834,928	9,159,150	324,222
Government obligations	1,943,676	1,990,526	46,850
Corporate bonds	845,817	813,512	(32,305)
	$ 24,007,087	$ 24,815,751	$ 808,664

Note 4. Accounts Receivable

Accounts receivable consist of the following at June 30:

	College		HACC Foundation	
	2009	2008	2009	2008
Student Tuition and fees	$ 7,054,638	$ 5,129,923	$ 0	$ 0
Allowance for doubtful accounts	(750,000)	(700,000)	0	0
Grants and contracts receivable	1,121,884	1,116,149	0	0
State appropriations receivable	0	0	0	0
Bookstore receivables	1,448,054	1,553,420	0	0
Other receivables	652,322	949,717	64,485	86,953
Pledges receivables (net)	0	0	3,861,369	3,111,169
Charitable remainder annuity trust held by outside party	0	0	164,389	154,475
Total	$ 9,526,898	$ 8,049,209	$ 4,090,243	$ 3,352,597

Bookstore receivables include $ 1,421,544 and $ 1,526,671 in vendor credit memos at June 30, 2009 and 2008, respectively.

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 2.7% at June 30, 2009 and 3.5% at June 30, 2008. The unamortized discount was $ 281,096 and $ 345,004 at June 30, 2009 and 2008, respectively.

Note 5. Capital Assets

The following is a summary of capital asset transactions of the College for the years ended June 30, 2009 and 2008:

2009	Beginning Balance	Additions	Retirements and Adjustments	Ending Balance
Cost:				
Land	$ 1,895,022	$ 1,388,456	$ 0	$ 3,283,478
Building	73,623,218	8,072,159	0	81,695,377
Improvements - land	1,540,374	161,625	0	1,701,999
Improvements - building	23,247,441	9,932,093	0	33,179,534
Improvements - leasehold	10,110,128	4,623,848	0	14,733,976
Instructional equipment	27,916,506	1,918,214	(12,873)	29,821,847
Non-instructional equipment	13,545,431	2,258,341	(325,542)	15,478,230
Construction in process	2,228,906	1,722,030	(2,228,907)	1,722,029
Total cost	154,107,026	30,076,766	(2,567,322)	181,616,470
Less accumulated depreciation:				
Building	(23,527,792)	(1,825,320)	0	(25,353,112)
Improvements - land	(417,759)	(82,809)	0	(500,568)
Improvements - building	(8,487,621)	(1,376,328)	0	(9,863,949)
Improvements - leasehold	(1,819,021)	(530,392)	0	(2,349,413)
Instructional equipment	(12,803,369)	(1,744,892)	12,534	(14,535,727)
Non-instructional equipment	(12,191,334)	(1,670,437)	310,485	(13,551,286)
Total accumulated depreciation	(59,246,896)	(7,230,178)	323,019	(66,154,055)
Capital assets, net	$ 94,860,130	$ 22,846,588	($ 2,244,303)	$ 115,462,415

2008	Beginning Balance	Additions	Retirements and Adjustments	Ending Balance
Cost:				
Land	$ 1,639,470	$ 255,552	$ 0	$ 1,895,022
Building	63,723,925	9,899,293	0	73,623,218
Improvements - land	1,431,308	109,066	0	1,540,374
Improvements - building	20,952,959	2,294,482	0	23,247,441
Improvements - leasehold	9,711,616	398,512	0	10,110,128
Instructional equipment	25,585,692	2,346,472	(15,658)	27,916,506
Non-instructional equipment	11,529,819	2,171,155	(155,543)	13,545,431
Construction in process	461,335	2,228,906	(461,335)	2,228,906
Total cost	135,036,124	19,703,438	(632,536)	154,107,026
Less accumulated depreciation:				
Building	(21,790,126)	(1,737,666)	0	(23,527,792)
Improvements - land	(341,760)	(75,999)	0	(417,759)
Improvements - building	(7,359,413)	(1,128,208)	0	(8,487,621)
Improvements - leasehold	(1,324,143)	(494,878)	0	(1,819,021)
Instructional equipment	(11,182,809)	(1,633,935)	13,375	(12,803,369)
Non-instructional equipment	(10,569,336)	(1,764,116)	142,118	(12,191,334)
Total accumulated depreciation	(52,567,587)	(6,834,802)	155,493	(59,246,896)
Capital assets, net	$ 82,468,537	$ 12,868,636	($ 477,043)	$ 94,860,130

Capitalized interest was $ 155,640 and $ 45,245 for the years ending June 30, 2009 and 2008, respectively.

Note 6. Other Assets

Other assets of the College at June 30 consist of:

	2009	2008
Prepaid expenses	$ 2,205,311	$ 2,458,233
Bond issue costs	1,000,198	655,268
Accumulated amortization - bond issue costs	(227,893)	(291,334)
	$ 2,977,616	$ 2,822,167

Note 7. Long-Term Liabilities

Long-term liabilities had the following activity during the years ended June 30, 2009 and 2008:

2009						
	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Long-term Portion
Leases and bonds/notes payable:						
Capital lease obligation	$ 3,631	$ 35,656	($ 9,935)	$ 29,352	$ 8,391	$ 20,961
Bonds and notes payable:						
Series of 1995 D	2,945,000	0	(1,100,000)	1,845,000	895,000	950,000
Series of 2004	18,790,000	0	(2,030,000)	16,760,000	2,115,000	14,645,000
Series of 2005	3,985,000	0	(515,000)	3,470,000	530,000	2,940,000
Series of 2007	17,240,000	0	(17,240,000)	0	0	0
Series of 2008	0	26,275,000	0	26,275,000	1,105,000	25,170,000
Series of 2009	0	17,390,000	0	17,390,000	0	17,390,000
Revolving Loan	65,563	1,341,191	(316,778)	1,089,976	308,312	781,664
Bond premium	43,043	0	(2,686)	40,357	2,686	37,671
Bond discount	(21,351)	(233,425)	11,648	(243,128)	(24,280)	(218,848)
Loss on refinancing	(100,001)	(262,134)	9,523	(352,612)	(9,523)	(343,089)
Total leases and bonds/notes payable	42,950,885	44,546,288	(21,193,228)	66,303,945	4,930,586	61,373,359
Other liabilities:						
Compensated absences:						
Vacation leave	2,695,866	480,504	(126,580)	3,049,790	166,711	2,883,079
Sick leave	2,359,103	178,033	(32,278)	2,504,858	66,714	2,438,144
Early retirement payable	32,836	0	(32,007)	829	829	0
Total other liabilities	5,087,805	658,537	(190,865)	5,555,477	234,254	5,321,223
Total long-term liabilities	$ 48,038,690	$ 45,204,825	($21,384,093)	$ 71,859,422	$ 5,164,840	$ 66,694,582

Note 7. Long-Term Liabilities (Continued)

2008	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Long-term Portion
Leases and bonds/notes payable:						
Capital lease obligation	$ 31,404	$ 0	($ 27,773)	$ 3,631	$ 3,631	$ 0
Bonds and notes payable:						
Series of 1995 D	4,810,000	0	(1,865,000)	2,945,000	1,100,000	1,845,000
Series of 2004	20,765,000	0	(1,975,000)	18,790,000	2,030,000	16,760,000
Series of 2005	4,480,000	0	(495,000)	3,985,000	515,000	3,470,000
Series of 2007	0	18,020,000	(780,000)	17,240,000	505,000	16,735,000
Revolving Loan	0	233,809	(168,246)	65,563	65,563	0
Bond premium	45,729	0	(2,686)	43,043	2,686	40,357
Bond discount	(22,606)	0	1,255	(21,351)	(1,265)	(20,086)
Loss on refinancing	(106,236)	0	6,235	(100,001)	(6,235)	(93,766)
Total leases and bonds/notes payable	30,003,291	18,253,809	(5,306,215)	42,950,885	4,214,380	38,736,505
Other liabilities:						
Compensated absences:						
Vacation leave	2,411,969	491,356	(207,459)	2,695,866	182,497	2,513,369
Sick leave	2,235,061	193,417	(69,375)	2,359,103	85,062	2,274,041
Early retirement payable	73,629	0	(40,793)	32,836	32,039	797
Total other liabilities	4,720,659	684,773	(317,627)	5,087,805	299,598	4,788,207
Total long-term liabilities	$ 34,723,950	$ 18,938,582	($ 5,623,842)	$ 48,038,690	$ 4,513,978	$ 43,524,712

Bonds Payable

Revenue bonds payable to the State Public School Building Authority (SPSBA) at June 30, 2009 and 2008 consist of the following:

	2009	2008
1995 D, issued $ 16,685,000 in June 1995; at a fixed rate of 4.50% - 6.25%; interest and principal payable semi-annually through April 1, 2011.	$ 1,845,000	$ 2,945,000
2004, issued $ 26,530,000 in July 2004; at a fixed rate of 2.25% - 5.25%; interest and principal payable semi-annually through April 2024.	16,760,000	18,790,000
2005, issued $ 5,435,000 in July 2005; at a fixed rate of 3.00% - 4.00%; interest and principal payable semi-annually through April 2015.	3,470,000	3,985,000
2007, issued $ 18,020,000 in July 2007; at a fixed rate of 5.30% through March 31, 2012, thereafter, a variable rate of not more than 9% based on 65% of the Fulton prime rate; interest and principal payable semi-annually through April 2028. This debt was defeased in 2008/2009 by the 2009 issue.	0	17,240,000
2008, issued $ 26,275,000 in December 2008; at a fixed rate of 4.00% - 5.75%; interest and principal payable semi-annually through October 2029.	26,275,000	0
2009, issued $ 17,390,000 in May 2009; at a fixed rate of 2.00 - 4.50%; interest and principal payable semi-annually through October 2027.	17,390,000	0
Total bonds payable	$ 65,740,000	$ 42,960,000

Note 7. Long-Term Liabilities (Continued)

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.

As a result of the refunding of the 2007 bonds with the issuance of the 2009 bonds, the College will realize the following future benefits:

(1) Cash flow gain	$ 934,731
(2) Economic gain	779,384

(1) Represents the difference between the cash flows required to service the old debt and the new debt.
(2) Represents the difference in present values of the old debt and new debt.

Note Payable

The revolving loan note payable of $ 1,089,976 to the State Public School Building Authority (SPSBA) dated April 1, 2008 has a fixed interest rate of 2.78% and a maturity date of December 1, 2012. Interest and principal are payable semi-annually beginning June 1, 2008. This note was fully drawn as of June 30, 2009 for the full amount of $ 1,575,000.

Future Maturities

Under an agreement with the Commonwealth of Pennsylvania, 50%-52% 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
2010	$ 2,314,038	$ 1,015,438	$ 2,639,274	$ 1,712,599	$ 4,953,312	$ 2,728,037	$ 7,681,349
2011	2,408,749	974,474	2,743,193	1,660,065	5,151,942	2,634,539	7,786,481
2012	1,995,396	874,595	2,430,396	1,548,432	4,425,792	2,423,027	6,848,819
2013	2,061,965	806,160	2,516,965	1,462,198	4,578,930	2,268,358	6,847,288
2014	2,067,500	731,294	2,542,500	1,366,357	4,610,000	2,097,651	6,707,651
2015-2019	6,545,000	2,754,082	9,265,000	5,585,194	15,810,000	8,339,276	24,149,276
2020-2024	6,222,500	1,409,284	9,707,500	3,474,166	15,930,000	4,883,450	20,813,450
2025-2029	2,890,000	242,568	7,415,000	1,221,973	10,305,000	1,464,541	11,769,541
2030	0	0	1,065,000	30,618	1,065,000	30,618	1,095,618
Total	$ 26,505,148	$ 8,807,895	$ 40,324,828	$ 18,061,602	$ 66,829,976	$ 26,869,497	$ 93,699,473

Note 8. Leases

Capital Leases:

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

	2009	2008
Amount capitalized	$ 278,376	$ 242,735
Accumulated amortization	(242,593)	(203,346)
Net book value	$ 35,783	$ 39,389

Amortization expense of $ 39,247 and $ 35,428 for 2009 and 2008 is included with depreciation expense.

Note 8. Leases (Continued)

The future minimum lease payments under capital leases as of June 30, 2009 are as follows:

2010	$ 8,391
2011	8,389
2012	8,388
2013	4,184
	$ 29,352

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:

2010	$ 3,704,399
2011	3,432,859
2012	3,422,363
2013	3,468,818
2014	2,893,785
2015-2019	10,689,151
2020-2024	6,252,591
Total minimum lease payments	$ 33,863,966

The College has entered into operating leases for the Lancaster campus facilities, which contain options for the College to purchase no sooner than 2009. Estimated minimum lease payments in future years are as follows:

2010	$ 4,089,957
2011	4,089,957
2012	4,089,957
2013	4,089,957
2014	4,089,957
2015-2019	20,449,785
2020-2024	15,959,872
2025-2028	2,666,004
Total minimum lease payments	$ 59,525,446

The total rent under operating leases for the years ended June 30, 2009 and 2008 was $ 9,826,552 and $ 8,845,462, respectively.

Note 9. Due to the Commonwealth of Pennsylvania

Included in accounts payable and accrued expenses are amounts due to the Commonwealth of Pennsylvania as of June 30, representing the outstanding deficiency of reimbursable operating and capital expenditures compared to the advances received from the Commonwealth. The following table presents outstanding amounts due to the Commonwealth by originating fiscal year:

	June 30, 2009
2005-2006	$ 57,823
2008-2009	23,367
	$ 81,190

	June 30, 2008
2005 - 2006	$ 57,823
2007 - 2008	786,976
	$ 844,799

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. The liability for estimated claims at June 30, 2009 represents three months of claims paid. Changes in the College's claims liability amount for the years ended June 30 were:

	2009	2008
Beginning balance	$ 131,663	$ 116,404
Claims made/Changes in estimates	573,340	541,910
Claims paid	(564,002)	(526,651)
Ending balance	$ 141,001	$ 131,663

Note 11. Pension Benefits

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. PSERS provides retirement and disability benefits, legislative mandated *ad hoc* cost-of-living adjustments, and health care insurance premium assistance to qualifying annuitants. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C.S. 8101-8535) is the authority by which benefit provisions are established and may be amended. PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Public School Employees' Retirement System, P. O. Box 125, Harrisburg, Pennsylvania 17108-0125. SERS also provides retirement, death, and disability benefits, and legislative mandated *ad hoc* cost-of-living adjustments. Article II of the Commonwealth of Pennsylvania's Constitution assigns the authority to establish and amend the benefit provisions of the plan to the General Assembly. SERS issues a publicly available annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Commonwealth of Pennsylvania State Employees' Retirement System, P. O. Box 1147, Harrisburg, Pennsylvania 17108.

The contribution policy for PSERS is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth. Most active members contribute at a rate of 5.25 percent of their qualifying compensation. However, effective January 1, 2002, employees could make an election to increase from 5.25% to 6.50%. Members joining the PSERS on or after July 22, 1983 contribute at a rate of 6.25 percent. However, effective January 1, 2002, employees could make an election to increase from 6.25% to 7.50%. The contribution rate for the College is an actuarially determined rate. The rate at June 30, 2009 and 2008 was 2.38 and 3.57 percent of annual covered payroll, respectively. The College's contributions to PSERS for the years ended June 30, 2009, 2008, and 2007, were $ 99,199, $ 112,571, and $ 97,215, respectively, equal to the required contractual contribution. At the time of transition to GASB No. 27, *Accounting for Pensions by State and Local Governmental Employers,* there was no pension liability or asset for the PSERS plan.

The contribution policy for SERS, as established by the SERS Board, requires contributions by active members and employers. As of January 1, 2002, active members could make an election to increase contributions from a rate of 5% to 6.25% of their qualifying compensation. The contribution rate for the College is an actuarially determined rate, which was 2.64 percent for Class A and 3.29 percent for Class AA for the year ended June 30, 2009, and 2.63 percent for Class A and 3.28 percent for Class AA for the year ended June 30, 2008, respectively. The College's contributions to SERS for the years ended June 30, 2009, 2008, and 2007, were $ 201,926, $ 205,039, and $ 151,087, respectively, equal to the required contractual contribution. At the time of transition to GASB No. 27, there was no pension liability or asset for the SERS 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, 2009, 2008, and 2007 was 10 percent of qualifying compensation. In addition, employees may contribute to TIAA-CREF through the Supplemental Retirement Annuity.

Note 11. Pension Benefits (Continued)

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

	2009	2008	2007
College	$ 4,326,599	$ 3,832,288	$ 3,553,544
Employees	3,926,128	3,835,192	3,629,019

Note 12. Postemployment Healthcare Plan

GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* was adopted during the current year ending June 30, 2009. The provisions of this standard are being implemented prospectively.

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.

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 2009, the College contributed $ 134,796 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 $ 61,990, or 100% of the total premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution (ARC)	$ 256,170
Employer contributions made	(134,796)
Increase in net OPEB obligation	121,374
Net OPEB obligation – beginning of the year	0
Net OPEB obligation – end of the year	$ 121,374

Note 12. Postemployment Healthcare Plan (Continued)

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	06/30/09 Net OPEB Obligation
2009	$ 256,170	53%	$ 121,374

Funded Status and Funding Progress

As of July 1, 2007, 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
7/1/2007	$ 0	$ 1,488,936	$ 1,488,936	0.00%	$ 41,908,646	3.55%

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, 2007 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 4-7%, and an annual healthcare cost trend rate of 9 percent in 2007, decreasing 1.5 percent to an ultimate rate of 5% in 2015 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 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 other 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.

Lancaster Campus Phase II Construction Disputes

Harrisburg Area Community College ("HACC") leases the Lancaster Campus from Pitney Road Partners, LLC ("Pitney") under an agreement that includes an option to purchase. Under this agreement, Pitney agreed to construct a new building at the Lancaster Campus and contracted with Warfel Construction Company ("Warfel"). Pitney financed the construction of the Lancaster Campus through the issuance of bonds backed by a letter of credit issued through a consortium of banks ("Lender Group"). Although the contract between Pitney and Warfel contained a guaranteed maximum price, disputes arose between them regarding the final construction costs. The dispute proceeded to arbitration, and after extensive settlement negotiations, Warfel agreed to accept a total of $ 4.9 million. Of that amount, approximately $ 2.1 million was covered by the balance held in a project fund. Pitney and HACC each agreed to contribute an amount slightly in excess of $1.4 million, achieving the total cash payment to Warfel of $ 4.9 million. The $ 1.4 million agreed to by HACC was accrued at June 30, 2007 and was paid in August 2007, with an offset to other assets pending the outcome of the arbitration process and the final determination of exercising the option to purchase.

Pitney initiated litigation against HACC to recover the additional construction costs awarded by the arbitration panel to Warfel, as well as other alleged damages. Indirectly as a result of the disputes and litigations pending, the trustee called one of the series of bonds, resulting in the drawdown of the letter of credit supporting the bonds and a default under the financing arrangements. The Lender Group agreed to forebear on any claims or potential claims against Pitney and HACC arising out of the alleged defaults in the financial agreements, while Pitney and HACC resolve their disputes. Pitney and HACC agreed to arbitrate all disputes between them, including which party is responsible for the cost overruns paid to Warfel and for the claims of the Lender Group. The arbitration process between HACC and Pitney still is in the early stages, and consequently, the full amount of claims or damages being asserted by Pitney cannot be determined.

Note 13. Contingencies and Commitments (Continued)

Commitments

As of June 30, 2009, the College had commitments for the following projects:

	Total Estimated Costs	Total Costs Paid as of June 30, 2009
Master Plan	$ 5,431,669	$ 5,250,317
Gettysburg Renovation	8,281,346	7,884,419
Biology Lab Relocation	200,000	43,015
York Renovation	5,603,311	537,764
York Purchase	13,796,181	9,492,892
CCTA Phase II	6,520,755	844,028
Whitaker Classroom Renovation	294,261	314,598
	$ 40,127,523	$ 24,367,033

Note 14. State Appropriations

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

	2009	2008
Included in non-operating revenue:		
Social security reimbursement	$ 2,603,140	$ 2,367,073
Tuition reimbursement	33,029,935	32,015,422
Sub-total	35,633,075	34,382,495
Included in capital contributions:		
Debt reimbursement	3,369,652	3,622,912
Lease reimbursement	4,517,084	4,450,377
Capital contribution	50,000	50,000
Sub-total	7,936,736	8,123,289
Total	$ 43,569,811	$ 42,505,784

Note 15. Net Assets

College:

The following shows the details of net assets invested in capital assets, net of related debt, at June 30:

	2009	2008
Capital assets, net	$ 115,462,411	$ 94,860,130
Bonds and notes payable, net	(66,274,593)	(42,947,254)
Capital lease payable	(29,352)	(3,631)
Unspent bond proceeds	16,624,104	8,317,434
Total	$ 65,782,570	$ 60,226,679

The remaining net assets of the College are considered unrestricted.

HACC Foundation:

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

	2009	2008
Designated for endowment purposes	$ 777,079	$ 926,054
Undesignated	1,843,128	3,589,152
	$ 2,620,207	$ 4,515,206

Temporarily restricted net assets (restricted - expendable) are available for the following purposes or periods at June 30:

	2009	2008
Provide support for future years' activities	$ 9,364,833	$ 11,556,719

Permanently restricted net assets (restricted - non-expendable) are to provide a permanent endowment restricted for various purposes as follows at June 30:

	2009	2008
Scholarships and awards	$ 11,001,002	$ 10,275,147
Academic support	784,999	976,035
Other	397,999	522,068
	$ 12,184,000	$ 11,773,250

Note 16. **Prior Period Restatement**

During the year ended June 30, 2009, the Foundation determined that the support fee charged to endowments in the previous year had erroneously been applied to endowment earnings rather than the principal. As a result, a restatement was made of net assets as of June 30, 2008, as follows:

	Restricted Expendable	Restricted Nonexpendable
June 30, 2008, as originally reported	$ 11,382,980	$ 11,946,989
Adjustment	173,739	(173,739)
June 30, 2008, as restated	$ 11,556,719	$ 11,773,250

Note 17. **Subsequent Event**

On October 6, 2009, The Board of Trustees authorized the issuance of $ 12,610,000 in College Revenue Bonds. The issuance is expected to occur in the last quarter of 2009. The purpose of the issuance is to fund (a) the renovations to the first floor of the Lebanon Campus and related furniture and equipment; (b) the Harrisburg Campus, Campus Square building leasehold improvements and furniture, fixtures, and equipment; (c) miscellaneous capital projects and infrastructure renovations and improvements to the Harrisburg Campus Wildwood site; and (d) to pay issuance costs of the bond.

REQUIRED SUPPLEMENTARY INFORMATION

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
7/1/2007	$ 0	$ 1,488,936	$ 1,488,936	0.00%	$ 41,908,646	3.55%

This schedule will be expanded to show multi-year trend information as additional actuarial valuations are performed in the future.

OTHER SUPPLEMENTARY INFORMATION

HARRISBURG AREA COMMUNITY COLLEGE
SCHEDULES OF EXPENSES BY FUNCTIONAL CLASSIFICATION - PRIMARY INSTITUTION
Years Ended June 30, 2009 and 2008

2009

FUNCTIONAL CLASSIFICATION	NATURAL CLASSIFICATION							
	Salaries and Wages	Fringe Benefits	Supplies & Other Expense	Professional & Purchased Services	Utilities	Depreciation	Scholarships	Total
Instruction	$ 44,117,762	$ 10,216,393	$ 4,188,197	$ 2,006,300	$ 0	$ 0	$ 302,392	$ 60,831,044
Research	0	0	2,700	22,616	0	0	0	25,316
Public Support	27,444	2,597	77,590	18,259	0	0	0	125,890
Academic Support	3,892,738	1,122,533	1,445,873	39,399	0	0	0	6,500,543
Student Services	8,977,315	3,006,748	713,294	597,205	0	0	15,123	13,309,685
Institutional Support	9,214,721	4,525,490	1,724,390	4,534,667	0	2,929,099	0	22,928,367
Operation and Maintenance of Plant	3,193,629	1,368,477	14,132,992	1,614,090	3,411,653	4,357,264	0	28,078,105
Student Aid	507,790	0	0	0	0	0	11,806,871	12,314,661
Auxiliary Enterprises	1,184,967	384,628	9,451,102	111,833	20,316	0	0	11,152,846
Total operating expenses	$ 71,116,366	$ 20,626,866	$ 31,736,138	$ 8,944,369	$ 3,431,969	$ 7,286,363	$ 12,124,386	$ 155,266,457
Interest expense								2,535,264
Total expenses								$ 157,801,721

2008

FUNCTIONAL CLASSIFICATION	NATURAL CLASSIFICATION							
	Salaries and Wages	Fringe Benefits	Supplies & Other Expense	Professional & Purchased Services	Utilities	Depreciation	Scholarships	Total
Instruction	$ 39,986,199	$ 9,156,281	$ 4,337,181	$ 2,788,532	$ 0	$ 0	$ 754,470	$ 57,022,663
Research	4,785	1,211	909	50,334	0	0	0	57,239
Public Support	18,611	1,532	29,881	5,086	0	0	0	55,110
Academic Support	3,581,536	1,083,272	1,273,888	63,608	0	0	0	6,002,304
Student Services	7,476,590	2,406,953	753,075	555,956	0	0	24,329	11,216,903
Institutional Support	8,316,412	4,004,114	2,493,393	3,246,059	0	3,374,206	0	21,434,184
Operation and Maintenance of Plant	2,958,914	1,255,205	11,163,002	1,306,904	3,353,109	3,481,624	0	23,518,758
Student Aid	461,207	0	0	0	0	0	13,018,694	13,479,901
Auxiliary Enterprises	1,064,506	374,848	8,824,726	108,845	20,226	0	0	10,393,151
Total operating expenses	$ 63,868,760	$ 18,283,416	$ 28,876,055	$ 8,125,324	$ 3,373,335	$ 6,855,830	$ 13,797,493	$ 143,180,213
Interest expense								1,915,929
Total expenses								$ 145,096,142

HARRISBURG AREA COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Cash Receipts	Accrual Basis Expenditures
Department of Education:			
Nursing Simulation Laboratory	84.116Z	$ 69,831	$ 70,694
Student Financial Aid Cluster:			
FSEOG Program	84.007	423,783	423,783
FWS Program	84.033	511,048	533,180
PELL Program	84.063	14,895,028	14,904,258
Perkins Loan Program	84.038	0	13,080
Federal Academic Competitiveness Grants	84.375	220,375	217,000
Total cluster		16,050,234	16,091,301
Gear Up Grants	84.334A	73,330	54,406
Total student financial aid		16,123,564	16,145,707
Passed through PHEAA			
Robert C. Byrd Scholarship	84.185A	1,188	1,188
Passed through Pennsylvania Department of Education			
Adult Basic Education	84.002	36,116	36,116
Vocational Educational Grants Perkins III	84.048	1,192,933	1,421,614
Title III-E Tech Prep Education	84.243	325,052	164,096
Total passed through Pennsylvania Department of Education		1,554,101	1,621,826
Total Department of Education		17,748,684	17,839,415
Department of Labor:			
Community Based Job Training Grant	17.261	650,248	513,547
Earmark Job Training Grant	17.261	26,500	26,670
		676,748	540,217
Passed through Southcentral Workforce Investment Board (SCWIB)			
WIA Cluster:			
Title I National Emergency Grant	17.260	48,648	60,182
Title I Rapid Response Dislocated Worker	17.260	53,206	71,917
Title I Adult Program Services and Activities	17.260	120,241	161,387
Title I Dislocated Worker Program Serivces and Activities	17.260	274,243	374,579
Title I Youth Year Round Program Services and Activities	17.260	93,869	114,198
ARRA - Title I Dislocated Worker Services and Activities	17.260	0	20,372
Self-Employment Assistance Program	17.259	1,920	3,046
Circuit Rider Program	17.259	50,275	58,842
Total WIA Cluster passed through SCWIB		642,402	864,523
Total Department of Labor		1,319,150	1,404,740
National Science Foundation:			
AM Foundation for Education & Career Path	47.076	2,796	4,438
Department of Health and Human Services:			
Passed through Child Care Consultants, Inc.			
South Central Regional Key (CCCI)	93.575	56,730	49,857
Keystone Stars Support (CCRD)	93.575	50,134	54,548
Total passed through Child Care Consultants, Inc.		106,864	104,405
Passed through Southcentral Workforce Investment Board (SCWIB)			
Title I Temporary Assistance for Needy Families	93.558	75,797	103,416
Keystone education yields success (KEYS)	93.558	383,044	397,208
H.E.A.P. Tuition Assistance for Dislocated Worker	93.558	105,639	9,207
Total passed through SCWIB		564,480	509,831
Total Department of Health and Human Services		671,344	614,236
Corporation for National and Community Service:			
Americorp grant	94.006	24,406	23,729
Total federal financial assistance		$ 19,766,380	$ 19,886,558

Note 1. General Information/Basis of Accounting

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 fund balances, 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 assets. 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 Student Loan Programs

Total loan expenditures and disbursements of the Department of Education's student financial assistance program for the year ended June 30, 2009 are identified below:

	CFDA Number	Disbursements	
Perkins Loan Program	84.038	$ 0	New Loans
		13,080	Expenses
		$ 13,080	
Federal Stafford and PLUS Loans	84.032	$ 51,807,249	New Loans

The College administers the Federal Perkins Loan Program via a third party processor; accordingly, the College's basic financial statements include the Federal Perkins advances from the U. S. Government and related transactions. The balance of Federal Perkins loans outstanding as of June 30, 2009 was $ 178,240, and is included in the accompanying Statement of Net Assets.

For the Federal Family Education Loan Program (Stafford and PLUS), the College is only responsible for the performance of certain administrative duties and is not considered to be the lender of the funds; therefore, the net assets and transactions of this program are not included in the College's basic financial statements or in the schedule of expenditures of federal awards.

Note 4. Basis of Presentation

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.

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

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 the financial statements of the Harrisburg Area Community College as of and for the year ended June 30, 2009, and have issued our report thereon dated October 15, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Harrisburg Area Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Harrisburg Area Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Harrisburg Area Community College's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement to the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Board of Trustees
Harrisburg Area Community College

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.*

We noted certain matters that we reported to management of Harrisburg Area Community College in a separate letter dated October 15, 2009.

This report is intended solely for the information and use of the board of trustees, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
October 15, 2009

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

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Harrisburg Area Community College
Harrisburg, Pennsylvania

Compliance

We have audited the compliance of the Harrisburg Area Community College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Harrisburg Area Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Harrisburg Area Community College's management. Our responsibility is to express an opinion on the Harrisburg Area Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination of the Harrisburg Area Community College's compliance with those requirements.

In our opinion, Harrisburg Area Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Harrisburg Area Community College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Harrisburg Area Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

Board of Trustees
Harrisburg Area Community College

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of trustees, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
October 15, 2009

HARRISBURG AREA COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009

I. Summary of Auditor's Results:

Financial Statements:

(i) Type of auditor's report issued:	**Unqualified**		
(ii) Internal control over financial reporting: Material weakness(es) identified?	________yes	___X___no	
Significant deficiencies identified not considered to be material weaknesses?	________yes	___X___	None reported
(iii) Noncompliance material to financial statements noted?	________yes	___X___no	

Federal Awards:

(iv) Internal control over major programs: Material weakness(es) identified?	________yes	___X___no	
Significant deficiencies identified that are not considered to be material weaknesses?	________yes	___X___	None reported
(v) Type of auditor's report issued on compliance for major programs:	**Unqualified**		
(vi) Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	________yes	___X___no	

(vii) Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	WIA Cluster:
17.260	WIA Dislocated Workers
17.259	WIA Youth Activities
	Student Financial Aid Cluster:
84.007	FSEOG Program
84.063	PELL Program
84.033	FWS Program
84.038	Perkins Loan Program
84.375	Federal Academic Competitiveness Grants
84.048	Vocational Education Grant Perkins III

(viii) Dollar threshold used to distinguish between Type A and Type B programs:	$ 596,597	
(ix) Auditee qualified as low-risk auditee?	________yes	___X___no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2009

Part II

Financial Statement Findings Section:

None

Federal Awards Findings Section:

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2009

Findings – Financial Statement Audit

None in 2008