NEW ISSUE—BOOK-ENTRY ONLY

RATINGS: S&P: AA (Insured)
S&P: A- (Underlying)
See "BOND RATINGS" herein

In the opinion of Bond Counsel, under existing statutes, regulations and judicial decisions, interest on the Bonds is excluded from gross income for purposes of federal income taxation and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although in the case of corporations (as defined for federal income tax purposes) such interest is taken into account in determining adjusted current earnings for purposes of such alternative minimum tax. This opinion of Bond Counsel is subject to continuing compliance by the Authority and College (both hereinafter defined) with their respective covenants in the Resolution and other documents to comply with requirements of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder.

Bond Counsel is also of the opinion that under the laws of the Commonwealth of Pennsylvania (the "Commonwealth") as presently enacted and construed, the Bonds are exempt from personal property taxes in the Commonwealth and the interest on the Bonds is exempt from the Commonwealth's Personal Income Tax and the Commonwealth's Corporate Net Income Tax.

For further information concerning federal and state tax matters relating to the Bonds, see "Tax Exemption and Other Tax Matters" herein.

$22,510,000
STATE PUBLIC SCHOOL BUILDING AUTHORITY
(Commonwealth of Pennsylvania)
College Revenue Bonds (Harrisburg Area Community College Refunding Project) Series of 2014

Dated: Date of Delivery
Principal Due: October 1, as shown on inside front cover
Interest Due: April 1 and October 1
First Interest Payment: October 1, 2014

The College Revenue Bonds (Harrisburg Area Community College Refunding Project), Series of 2014 (the "Bonds"), will be issued in the aggregate principal amount of $22,510,000 will be fully registered bonds and, when issued, will be registered in the name of Cede & Co., as partnership nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the registered owner, as partnership nominee of DTC, references herein to "Owner," "Registered Owner," or "Bondholders" shall mean Cede & Co., as aforesaid and shall not mean beneficial owners of the Bonds. Beneficial ownership in the Bonds may be acquired in denominations of $5,000 or multiples thereof, only under the book-entry-only system maintained by DTC, as more fully described herein.

Principal of, premium, if any, and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., Pittsburgh, Pennsylvania, as trustee for the Bonds (the "Trustee"). So long as DTC or its nominee, Cede & Co., is the registered owner, such payments will be made directly to Cede & Co. Disbursements of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the beneficial owners is the responsibility of DTC Participants and the Indirect Participants, as more fully described herein. Interest on the Bonds will be payable commencing on October 1, 2014, and semiannually thereafter on April 1 and October 1 of each year (each, an "Interest Payment Date").

The Bonds are subject to redemption prior to maturity as described under "REDEMPTION OF THE BONDS" herein.

The Bonds will be issued by the State Public School Building Authority (the "Authority") and will be secured by a Trust Indenture, dated as of June 15, 1995, as previously supplemented, and as shall be further supplemented by an Eleventh Supplemental Trust Indenture, dated as of the dated date of the Bonds (the "Indenture") between the Authority and the Trustee. The Bonds are limited obligations of the Authority, payable solely from the payments to be made by the Harrisburg Area Community College (the "College") under a Loan Agreement, dated as of June 15, 1995, as previously supplemented, and as shall be further supplemented by an Eleventh Supplemental Loan Agreement, dated as of the dated date of the Bonds (the "Loan Agreement") between the Authority and the College.

The Bonds are being issued by the Authority to (1) currently refund the Authority's College Revenue Bonds (Harrisburg Area Community College Project) Series of 2004, (2) currently refund the Authority's College Revenue Bonds (Harrisburg Area Community College Project) Series of 2005, (3) currently refund Authority's College Revenue Bonds (Harrisburg Area Community College Project) Series of 2009 and (4) to pay the costs and expenses of issuing the Bonds.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY. NEITHER THE PRINCIPAL OR REDEMPTION PRICE OF THE BONDS, NOR THE INTEREST THEREON, SHALL CONSTITUTE A GENERAL INDEBTEDNESS OF THE AUTHORITY OR AN INDEBTEDNESS OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER; CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY OR THE GENERAL CREDIT OR TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF; OR BE DEEMED TO BE A GENERAL OBLIGATION OF THE AUTHORITY OR OBLIGATION OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF. THE AUTHORITY HAS NO TAXING POWER.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY (BAM).

BAM

MATURITIES, AMOUNTS, RATES AND PRICES/YIELDS
See Inside Front Cover

The Bonds are offered for delivery when, as, and if issued by the Authority subject to the approving legal opinion of Rhoads & Sinon LLP, Harrisburg, Pennsylvania, Bond Counsel, appointed by the Office of General Counsel. Certain legal matters will be passed upon for the Authority by its counsel, Hartman Underhill & Brubaker, LLC, Lancaster, Pennsylvania, and for Harrisburg Area Community College (the "College") by its counsel, Barley Snyder LLP, Lancaster, Pennsylvania. Public Financial Management, Inc., Harrisburg, Pennsylvania, serves as Financial Advisor to the College and has acted as Financial Advisor in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery through DTC, on or about June 30, 2014.

Boenning & Scattergood, Inc.

Official Statement Dated: June 16, 2014

$22,510,000
STATE PUBLIC SCHOOL BUILDING AUTHORITY
(Commonwealth of Pennsylvania)
College Revenue Bonds (Harrisburg Area Community College Refunding Project)
Series of 2014

Dated: Date of Delivery
Interest Due: April 1 and October 1

Principal Due: October 1, as shown on below
First Interest Payment: October 1, 2014

Maturity Date (October 1)	Principal Amount	Interest Rate	Yield	Price
2014	$620,000	1.000%	0.300%	100.176%
2015	1,600,000	2.000	0.550	101.807
2016	1,645,000	3.000	0.800	104.901
2017	1,690,000	3.000	1.250	105.560
2018	1,755,000	4.000	1.650	109.611
2019	1,820,000	4.000	2.100	109.400
2020	1,900,000	4.000	2.400	109.235
2021	1,985,000	5.000	2.650	115.409
2022	2,065,000	2.700	2.900	98.539
2023	2,125,000	3.000	3.070	99.437
2024	1,265,000	3.000	3.180	98.432
2025	1,305,000	3.125	3.300	98.362
2026	1,345,000	3.250	3.400	98.503
2027	1,390,000	3.350	3.500	98.416

STATE PUBLIC SCHOOL BUILDING AUTHORITY
COMMONWEALTH OF PENNSYLVANIA

MEMBERS OF THE AUTHORITY

EXECUTIVE DIRECTOR
ROBERT BACCON

COUNSEL TO THE AUTHORITY
(Appointed by the Office of General Counsel)
HARTMAN UNDERHILL & BRUBAKER, LLC
Lancaster, Pennsylvania

BOND COUNSEL
(Appointed by the Office of General Counsel)
RHOADS & SINON LLP
Harrisburg, Pennsylvania

SOLICITOR TO THE COLLEGE
BARLEY SNYDER LLP
Lancaster, Pennsylvania

FINANCIAL ADVISOR TO THE COLLEGE
PUBLIC FINANCIAL MANAGEMENT, INC.
Harrisburg, Pennsylvania

UNDERWRITER
BOENNING & SCATTERGOOD, INC.
West Conshohocken, Pennsylvania

TRUSTEE
THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
Pittsburgh, Pennsylvania

AUTHORITY ADDRESS
STATE PUBLIC SCHOOL BUILDING AUTHORITY
1035 Mumma Road
Wormleysburg, Pennsylvania 17043

HARRISBURG AREA COMMUNITY COLLEGE
Harrisburg (Dauphin County), Pennsylvania

COLLEGE PRESIDENT
JOHN J. SYGIELSKI, PHD

VICE PRESIDENT OF FINANCE
JOHN EBERLY

SOLICITOR
BARLEY SNYDER LLP
Lancaster, Pennsylvania

FINANCIAL ADVISOR
PUBLIC FINANCIAL MANAGEMENT, INC.
Harrisburg, Pennsylvania

UNDERWRITER
BOENNING & SCATTERGOOD, INC.
West Conshohocken, Pennsylvania

TRUSTEE
THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
Pittsburgh, Pennsylvania

COLLEGE ADDRESS
One HACC Drive
Harrisburg, Pennsylvania 17110

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT NOTICE.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY, OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

No dealer, broker, salesman or other person has been authorized by the Authority, the College or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of, the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the College and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Underwriter or, as to information from other sources, by the Authority or the College. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the College or with respect to other matters sets forth herein since the date hereof.

The Bonds are not and will not be registered under the Securities Act of 1933, as amended, or under any state securities laws, and the Indenture has not been and will not be qualified under the Trust Indenture Act of 1939 because of available exemptions therefrom. Neither the Securities and Exchange Commission nor any federal, state, municipal or other governmental agency will pass upon the accuracy, completeness or adequacy of this Official Statement.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Bond Insurance" and "Appendix D - Specimen Municipal Bond Insurance Policy".

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OFFICIAL STATEMENT

$22,510,000
STATE PUBLIC SCHOOL BUILDING AUTHORITY
(Commonwealth of Pennsylvania)
College Revenue Bonds (Harrisburg Area Community College Refunding Project)
Series of 2014

INTRODUCTION

This Official Statement of the State Public School Building Authority (the "Authority"), which includes the cover page hereof and the Appendices hereto, provides certain information relating to the Authority and the $22,510,000 aggregate principal amount of State Public School Building Authority, College Revenue Bonds (Harrisburg Area Community College Refunding Project) Series of 2014 (the "Bonds"). The Bonds are being issued pursuant to the State Public School Building Authority Act of 1947, P.L. 1217, as supplemented and amended (the "Act"), and a resolution duly adopted by the Authority on May 29, 2014 (the "Resolution"), and are secured by a Trust Indenture, dated as of June 15, 1995 (the "Original Indenture"), as supplemented by a First Supplemental Trust Indenture, dated as of September 15, 1998 (the "First Supplemental Indenture"), a Second Supplemental Trust Indenture, dated as of July 15, 2004 (the "Second Supplemental Indenture"), a Third Supplemental Trust Indenture, dated as of July 1, 2005 (the "Third Supplemental Indenture"), a Fourth Supplemental Trust Indenture, dated as of December 15, 2008 (the "Fourth Supplemental Indenture "), a Fifth Supplemental Trust Indenture, dated as of May 15, 2009 (the "Fifth Supplemental Indenture"), a Sixth Supplemental Trust Indenture, dated as of November 19, 2009 (the "Sixth Supplemental Indenture"), a Seventh Supplemental Trust Indenture, dated as of May 10, 2010 (the "Seventh Supplemental Indenture"), an Eighth Supplemental Trust Indenture, dated as of December 14, 2011 (the "Eighth Supplemental Indenture"), a Ninth Supplemental Trust Indenture, dated as of September 20, 2012 (the "Ninth Supplemental Indenture"), a Tenth Supplement Trust Indenture, dated as of April 3, 2013 (the "Ten Supplemental Indenture"), and an Eleventh Supplemental Trust Indenture, dated as of the dated date of the Bonds (the "Eleventh Supplemental Indenture") (the Original Indenture, as supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Eighth Supplemental Indenture, the Ninth Supplemental Indenture, the Tenth Supplemental Indenture and the Eleventh Supplemental Indenture, being collectively referred to herein as the "Indenture"), entered into by the Authority and The Bank of New York Mellon Trust Company, N.A., Pittsburgh, Pennsylvania, as Trustee (the "Trustee").

The Authority is a body corporate and politic created in 1947 by the Act. Under the Act, the Authority is constituted a public corporation and governmental instrumentality, having perpetual existence, for the purpose of acquiring, financing, refinancing, constructing, improving, maintaining and operating public school and educational broadcasting facilities, and furnishing and equipping the same for use as part of the public school system of the Commonwealth of Pennsylvania (the "Commonwealth") under the jurisdiction of the Pennsylvania Department of Education (the "Department"). Under the Act, and Article XIX-A of the Public School Code, Act of July 1, 1985, P.L. 103, No. 31, Section 1 et seq., as amended (the "Community College Act"), the Authority also has for its purpose the acquiring, financing, refinancing, construction, improvement, furnishing, equipping, maintenance and operation of community college buildings.

The Harrisburg Area Community College (the "College") was established in 1964, in accordance with the provisions of the Community College Act and general guidelines for the implementation of the Community College Act prepared by the Pennsylvania Department of Education (the "Department") and is currently sponsored by twenty-two school districts. The College is a public comprehensive, two year co-educational institution with its main campus located in an area of the City of Harrisburg, Pennsylvania known as Wildwood Park, on an attractive 215 acre wooded site just minutes north of the central business district of Harrisburg, Pennsylvania's state capital. The College offers nearly 200 different degrees and certificate programs in the areas of Business, Technologies, Science and Mathematics, Education, Allied Health, Arts and Humanities. In fiscal year 2013, the College's enrollment was 61,005, inclusive of both full and part-time credit and noncredit students. The College also operates branch campuses in Lebanon, Lancaster, Gettysburg and York, Pennsylvania. For further information about the College, see "HARRISBURG AREA COMMUNITY COLLEGE" herein.

PURPOSE OF THE BONDS

The Bonds are being issued by the Authority to (1) currently refund the Authority's College Revenue Bonds (Harrisburg Area Community College Project) Series of 2004 (the "2004 Bonds"), (2) currently refund the Authority's College Revenue Bonds (Harrisburg Area Community College Project) Series of 2005 (the "2005 Bonds"), (3) currently refund Authority's College Revenue Bonds (Harrisburg Area Community College Project) Series of 2009 (the "2009 Bonds") and (4) pay the costs and expenses of issuing the Bonds.

Upon issuance of the Bonds, a portion of the proceeds will be deposited with The Bank of New York Mellon Trust Company, N.A., as Trustee for the 2004, 2005 & 2009 Bonds, which will be used to redeem the 2004, 2005 & 2009 Bonds at a redemption price of 100% of principal amount plus accrued interest, pursuant to the optional redemption provisions applicable to the 2004, 2005 & 2009 Bonds, on or about June 30, 2014.

Sources and Uses of Bond Proceeds

The following is a summary of the sources and uses of the proceeds from the issuance of the Bonds.

SOURCE OF FUNDS	
Par Amount	$22,510,000.00
Net Original Issue Premium	900,178.60
Total Sources of Funds	$23,410,178.60
USE OF FUNDS	
Amount to Call 2004 Bonds	$7,145,527.08
Amount to Call 2005 Bonds	635,607.00
Amount to Call 2009 Bonds	15,307,417.02
Cost of Issuance[(1)]	321,627.50
Total Uses of Funds	$23,410,178.60

(1)Includes legal, financial advisor, printing, rating, municipal bond insurance premium, underwriter's discount, trustee and miscellaneous costs.

THE AUTHORITY

The Authority and the Pennsylvania Higher Educational Facilities Authority (PHEFA) share an executive, fiscal and administrative staff, and operate under a joint administrative budget. The Authority serves as a conduit issuer for school districts, community colleges and technical schools and intermediate units in the Commonwealth and has issued, and will continue to issue, multiple series of bonds to finance various projects. Each such series of bonds is or will be secured by instruments and collateral separate and apart from other series, including the Bonds.

Under the Act, the Authority consists of the Governor of the Commonwealth, the State Treasurer, the Auditor General, the Secretary of Education, the Secretary of the Department of General Services, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Minority Leader of the Senate and the Minority Leader of the House of Representatives. The President Pro Tempore of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives and the Minority Leader of the House of Representatives may designate any member of his or her legislative body to act as a member of the Authority in his or her stead. The members of the Authority serve without compensation but are entitled to reimbursement for all necessary expenses incurred in connection with the performance of their duties as members. The powers of the Authority are exercised by a governing body consisting of the members of the Authority acting as a board.

The Bonds are being issued by the Authority on behalf of the College pursuant to the Act, the Indenture and the Resolution, which approved the projects financed thereunder. The Authority has and will continue to issue bonds/notes for other eligible institutions and projects in the Commonwealth. None of the revenues of the Authority pledged to payment of the Bonds will be pledged to the payment of such other bonds/notes.

The following are key staff members of the Authority who are involved in the administration of the financing and projects:

Robert Baccon
Executive Director

Mr. Baccon has served as an executive with the Authority and PHEFA (collectively, the "Authorities") since 1984. He is a graduate of St. John's University with a bachelor's degree in management, and holds a master's degree in international business from the Columbia University Graduate School of Business. Prior to joining the Authority, Mr. Baccon held financial management positions with multinational U.S. corporations and was Vice President - Finance for a major highway construction contractor.

David Player
Comptroller & Director of Financial Management

Mr. Player serves as the Comptroller & Director of Financial Management of both Authorities. He has been with the Authorities since 1999. Prior to his present position, he served as Senior Accountant for both Authorities and as an auditor with the Pennsylvania Department of the Auditor General. Mr. Player is a graduate of the Pennsylvania State University and a Certified Public Accountant.

Beverly M. Nawa
Administrative Officer

Mrs. Nawa has served as the Administrative Officer of both Authorities since 2004. She is a graduate of Alvernia University with a bachelor's degree in business administration. Prior to her present employment, Mrs. Nawa served as an Audit Senior and an Accounting Systems Analyst with the Pennsylvania Department of the Auditor General.

THE BONDS

Description of the Bonds

The Bonds are being issued by the Authority on behalf of the College in the aggregate principal amount shown on the cover page hereof pursuant to the Act, the Resolution and the Indenture. The Bonds will be dated the date of delivery thereof and will bear interest from such date at the rates set forth on the inside front cover page hereof, payable semiannually on April 1 and October 1 of each year (each, an "Interest Payment Date"), commencing October 1, 2014 (until maturity or prior redemption), and will mature on the dates and in the amounts set forth on the inside front cover page hereof. The Bonds when issued will be registered in the name of Cede & Co., as a nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. While the Bonds are in the Book-Entry-Only System, references to the "owner" or the "registered owner" as described herein are to Cede & Co., as registered owner for DTC. Each beneficial owner of a Bond may desire to make arrangements with a DTC Participant to receive notices or communications with respect to matters described herein. See "BOOK-ENTRY-ONLY SYSTEM" herein.

The Bonds will be issued in fully registered form in denominations of $5,000 or any multiple thereof. While all of the Bonds are held in Book-Entry-Only form, payments thereon shall be made to Cede & Co., as holder thereof. See "BOOK-ENTRY-ONLY SYSTEM" herein. At all other times, the principal of the Bonds, and the premium, if any, payable upon redemption, are payable at the designated corporate trust office of the Trustee, and the interest thereon is payable by check mailed by the Trustee on each Interest Payment Date to the persons who were the registered owners of the Bonds on the registration books maintained by the Trustee, at the close of the fifteenth day of the calendar month (whether or not a business day) immediately preceding the month of an Interest Payment Date (a "Regular Record Date"), irrespective of any transfer or exchange of any Bond subsequent to such regular record date and prior to such interest payment date, unless the Authority defaults in the payment of interest due on such Interest Payment Date. In the event of any such default, any defaulted interest will be payable to the person in whose name such Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Trustee to the registered owners of the Bonds not fewer than fifteen (15) business days preceding such special record date.

The Bonds may be transferred or exchanged by the registered owner thereof only upon presentation thereof to the Trustee, accompanied by a duly executed instrument of transfer by the registered owner thereof or his authorized representative, and, in the case of a transfer, containing written instructions as to the details of such transfer. Neither the Authority nor the Trustee will be required to issue, exchange or transfer any of the Bonds during the fifteen (15) days preceding the mailing of any notice of redemption of Bonds or to transfer any of the Bonds selected for redemption in whole or in part. The person in whose name any Bond is registered shall be deemed the owner thereof by the Authority and the Trustee, and any notice to the contrary shall not be binding upon the Authority or the Trustee.

No service charge will be made to the Bondholders of the Bonds for any exchange or transfer, but the Authority may require payment of a sum sufficient to pay any tax or other governmental charge that may be imposed in relation thereto. In the event any Bond is mutilated, lost, stolen, or destroyed, the Authority may execute and the Trustee may authenticate a new Bond of like tenor and denomination in accordance with the provisions of the Indenture, and the Authority and the Trustee may charge the registered owner of such Bond with its reasonable fees and expenses and require indemnity in connection therewith.

Use of Proceeds

Pursuant to a Loan Agreement, dated as of June 15, 1995, between the Authority, as lender, and the College, as borrower (the "Original Loan Agreement"), as supplemented by a First Supplemental Loan Agreement dated, as of September 15, 1998 (the "First Supplemental Loan Agreement"), a Second Supplemental Loan Agreement, dated as of July 15, 2004 (the "Second Supplemental Loan Agreement"), a Third Supplemental Loan Agreement, dated as of July 1, 2005 (the "Third Supplemental Loan Agreement"), a Fourth Supplemental Loan Agreement, dated as of December 15, 2008 (the "Fourth Supplemental Loan Agreement"), a Fifth Supplemental Loan Agreement, dated as of May 15, 2009 (the "Fifth Supplemental Loan Agreement"), a Sixth Supplemental Loan Agreement, dated as of November 15, 2009 (the "Sixth Supplemental Loan Agreement"), a Seventh Supplemental Loan Agreement, dated as of May 10, 2010 (the "Seventh Supplemental Loan Agreement"), an Eighth Supplemental Loan Agreement, dated as of December 14, 2011 (the "Eighth Supplemental Loan Agreement"), a Ninth Supplemental Loan Agreement, dated as of September 20, 2012 (the "Ninth Supplemental Loan Agreement"), a Tenth Supplemental Loan Agreement, dated as of April 3, 2013 (the "Tenth Supplemental Loan Agreement"), and an Eleventh

Supplemental Loan Agreement, dated as of the dated date of the Bonds (the “Eleventh Supplemental Loan Agreement”) (the Original Loan Agreement, as supplemented by the First Supplemental Loan Agreement, the Second Supplemental Loan Agreement, the Third Supplemental Loan Agreement, the Fourth Supplemental Loan Agreement, the Fifth Supplemental Loan Agreement, the Sixth Supplemental Loan Agreement, the Seventh Supplemental Loan Agreement, the Eighth Supplemental Loan Agreement, the Ninth Supplemental Loan Agreement, the Tenth Supplemental Loan Agreement and the Eleventh Supplemental Loan Agreement being collectively referred to as the “Loan Agreement”), the Authority will lend the proceeds of the Bonds to the College, which will use such proceeds as more fully described herein under “PURPOSE OF THE BONDS”.

Transfer, Exchange and Registration of Bonds

Each Bond is transferable by the registered owner thereof in person or by his attorney duly authorized in writing or legal representative at the office of the Trustee in Pittsburgh, Pennsylvania, or such other offices as may be designated by the Trustee, but only in the manner, subject to the limitations and upon payment of charges provided by the Indenture, and upon surrender and cancellation of such Bond accompanied by a duly executed instrument of transfer in form and with guarantee of signature satisfactory to the Trustee. Upon such transfer, a new Bond or Bonds of the same maturity and of authorized denomination or denominations, for the same aggregate principal amount and bearing the same rate of interest, will be issued to the transferee in exchange therefor at the earliest practicable time. In like manner each Bond may be exchanged by the registered owner or by his duly authorized attorney or other legal representative for Bonds of the same maturity and of authorized denomination or denominations in the same aggregate principal amount and bearing the same rate of interest. Any such transfer or exchange as described herein shall be made without charge, except for the payment of any taxes or other governmental charges relating thereto. No exchange or transfer shall be required to be made (i) between the Record Date and the related Interest Payment Date, (ii) during a period beginning at the opening of business (15) days before the date of the mailing notice of redemption of Bonds selected for redemption and ending at the close of business on the day of such mailing, or (iii) for any Bonds so selected for redemption in whole or in part. The Authority, the Trustee and any paying agent of the Authority may treat and consider the person in whose name a Bond is registered as the absolute owner thereof for the purpose for receiving payment of, or on account of, the principal or redemption price thereof and the interest due thereon and for all other purposes whatsoever.

BOOK-ENTRY ONLY SYSTEM

Portions of the following information concerning The Depository Trust Company ("DTC") and DTC's book-entry-only system have been obtained from DTC. The Authority (sometimes herein referred to as the “Issuer”), the College, the Financial Advisor, and the Underwriter make no representation as to the accuracy of such information.

DTC will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System. a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities: DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit bas agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to Trustee, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to Trustee. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

NEITHER THE AUTHORITY NOR THE TRUSTEE SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A BONDHOLDER WITH RESPECT TO EITHER: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (3) THE DELIVERY OR THE TIMELINESS OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO THE OWNER OF THE BONDS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

Neither the Authority nor the Trustee shall have any responsibility or obligation to any DTC Participant or Indirect Participant with respect to:

(i) the accuracy of the records of DTC, its nominee or any DTC Participant or Indirect Participant with respect to any beneficial ownership interest in any Bonds;

(ii) the delivery to any DTC Participant or Indirect Participant or any other Person, other than the registered owner of a Bond, as shown in the Bond Register, of any notice with respect to any Bond, including, without limitation, any notice of redemption;

(iii) the selection by DTC or any DTC Participant or Indirect Participant of any person to receive payment in the event of a partial redemption of Bonds;

(iv) the payment to any DTC Participant or Indirect Participant or any other Person other than the registered owner of a Bond, as shown in the Bond Register, of any amount with respect to the principal of, redemption price, or interest on, any Bond; or

(v) any consent given by DTC as registered owner.

Prior to the discontinuation of the book-entry only system as described herein, the Authority and the Trustee may treat DTC and any successor securities depository to be the absolute owner of the Bonds for all purposes, including, without limitation:

(i) the payment of principal of redemption price or interest on the Bonds;

(ii) giving notices of redemption and other matters with respect to the Bonds;

(iii) registering transfers with respect to the Bonds; and

(iv) the selection of Bonds for redemption.

The Beneficial Owners of the Bonds have no right to a securities depository for the Bonds. DTC or any successor securities depository may resign as depository for the Bonds by giving notice to the Trustee and the Authority and discharging its responsibilities under applicable law. In addition, the Authority, or the Authority at the request of the College, may remove DTC or a successor securities depository for any reason at any time. In such event, the Authority shall (i) appoint a securities depository qualified to act as such under Section 17(a) of the Securities Exchange Act of 1934, notify the prior securities depository of the appointment of such successor depository and transfer separate bond certificates to such successor securities depository or (ii) notify the securities depository of the availability through the securities depository of bond certificates and transfer one or more separate bond certificates to Depository Participants having Bonds credited to their accounts at the securities depository. In such event, such Bonds shall no longer be restricted to being registered in the registration books of the Authority in the name of the securities depository or its nominee, but may be registered in the name of the successor securities depository or its nominee, or in whatever name or names the Depository Participants receiving such Bonds shall designate, in accordance with the provisions of the Indenture.

Discontinuance of Book-Entry Only System

The book-entry only system for registration of the ownership of the Bonds may be discontinued at any time if: (i) DTC determines to resign as securities depository for the Bonds; or (ii) the Authority determines that continuation of the system of book-entry transfers through DTC (or through a successor securities depository) is not in the best interests of the Beneficial Owners. In either such event (unless the Authority appoints a successor securities depository), Bonds will then be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Authority or the Trustee for the accuracy of such designation. Whenever DTC requests the Authority or the Trustee to do so, the Authority or the Trustee shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

THE AUTHORITY, THE COLLEGE AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (I) PAYMENTS OF PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS, (II) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS, OR (III) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

REDEMPTION OF THE BONDS

Optional Redemption

The Bonds stated to mature on or after October 1, 2023 are subject to redemption prior to maturity, at the option of the Authority at the direction of the College in a whole or from time to time in part, on and after October 1, 2022, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the date fixed for redemption. Any partial redemption may be in any order of maturity and in any principal amount within a maturity as designated by the College. In the case of any Bond also subject to mandatory redemption, the Authority at the direction of the College shall be entitled to designate whether any optional redemption shall be credited against principal amounts due at maturity or against particular scheduled mandatory redemption obligations with respect to such Bond. The Bonds to be redeemed within a maturity will be selected by the Trustee by lot.

Extraordinary Optional Redemption

The Bonds will be subject to redemption prior to maturity at the option of the Authority at the direction of the College, in whole or in part at any time, in any order of maturity selected by the College, and within any maturity by lot, upon payment of a redemption price equal to one hundred percent (100%) of the principal amount, plus accrued interest to the date of redemption, but only in the event that all or a portion of the projects financed or refinanced with the proceeds of the Bonds are condemned or sold under threat of condemnation, damaged or destroyed, and it is determined by the College that repair, replacement or reconstruction is not desirable, practical or financially feasible, from and to the extent of insurance proceeds, condemnation awards, or proceeds of sale in lieu of condemnation payable to the College are deposited for such purposes with the Trustee.

Notice of Redemption

So long as the Bonds are registered in the name of DTC or its nominee, the Trustee shall cause notice of any optional redemption of the Bonds to be made only to DTC or its nominee. If at any time the book-entry only system is discontinued with respect to the Bonds or if any Bonds are not registered in the name of DTC, its nominee or similar depository or nominee, the Trustee shall cause any notice of redemption to be mailed by first class mail, postage prepaid to the Owners of all the Bonds to be redeemed at the registered addresses appearing in the Bond Register. Each such notice shall be given in the name of the Authority and shall (i) be mailed not less than 30 nor more than 60 days prior to the redemption date (ii) identify the Bonds to be redeemed (specifying the CUSIP numbers, if any, assigned to the Bonds), (iii) specify the redemption date and the redemption price, and (iv) state that on the redemption date the Bonds called for redemption will be redeemable at the corporate trust office in Pittsburgh, Pennsylvania of the Trustee or any alternative paying agent, that interest will cease to accrue from the redemption date, and that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds. No defect affecting any particular Bonds, whether in the notice of redemption or mailing thereof (including any failure to mail such notice), shall affect the validity of the redemption proceedings for the redemption of any other Bonds.

No further interest shall accrue on any Bond called for redemption after the redemption date if payment of the redemption price has been duly provided for and the Owners of such Bonds shall have no rights except payment of the redemption price and the unpaid interest accrued on such Bonds to the date fixed for redemption.

If at the time of mailing any notice of redemption the Authority shall not have deposited with the Trustee monies sufficient to redeem all the Bonds called for redemption, such notice shall state that it is subject to the deposit of the redemption monies with the Trustee not later than the opening of business on the redemption date and shall be of no effect unless such monies are so deposited. If such monies are not deposited by such date and time, the Trustee shall promptly notify the Owners of all Bonds called for redemption of such fact.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 1 World Financial Center, 27th Floor, 200 Liberty Street, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2014 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $478.6 million, $12.7 million and $465.9 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/.

Obligor Disclosure Briefs. Subsequent to closing, BAM posts an Obligor Disclosure Brief on every issue insured by BAM, including the Bonds. BAM Obligor Disclosure Briefs provide information about the gross par insured by CUSIP, maturity and coupon; sector designation (e.g. general obligation, sales tax); a summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. The Obligor Disclosure Briefs are also easily accessible on BAM's website at buildamerica.com/obligor/.

Disclaimers. The Obligor Disclosure Briefs and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Obligor Disclosure Briefs and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Obligor Disclosure Briefs and Credit Insight videos are prepared by BAM and have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and they assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

SOURCE OF PAYMENT AND SECURITY FOR THE BONDS

College Loan Payments

The College will deliver to the Authority a promissory note dated the date of delivery thereof (the "Note"), evidencing its obligation under the Loan Agreement with respect to the Bonds. The Bonds are limited obligations of the Authority, payable solely from (i) payments received from the College under the Eleventh Supplemental Loan Agreement and the Note, and (ii) certain moneys held by the Trustee in funds established under the Indenture, if any, excepting, however, sinking or Indenture funds pledged to any Additional Bonds (as defined in the Indenture). See "BOND RATINGS" herein. On the date of issuance of the Bonds, the Authority and the College will enter into the Eleventh Supplemental Loan Agreement pursuant to which the Authority will, among other things, lend the proceeds of the Bonds to the College.

Under the Eleventh Supplemental Loan Agreement, the College agrees to repay such loan in such amounts and at such times as will provide sufficient funds to meet the debt service requirements on the Bonds. The College will deliver the Note to the Authority evidencing its obligations under the Eleventh Supplemental Loan Agreement with respect to the Bonds. The payment obligations of the College under the Eleventh Supplemental Loan Agreement and the Note are general obligations of the College that are not subordinated to any other debt obligation of the College and that are not secured by the pledge or assignment by the College of any of its revenues or other property.

The Bonds are secured under the Indenture by the assignment to the Trustee of all the right, title and interest of the Authority in and to the Note and the Eleventh Supplemental Loan Agreement (except for the Authority's right to payment of certain fees and expenses and to indemnification) including amounts payable thereunder. The timely payment of all payments due under the Eleventh Supplemental Loan Agreement and the Note is the unsecured general obligation of the College ranking on a parity with the Bonds and the Prior College Bonds (hereinafter defined). See "HARRISBURG AREA COMMUNITY COLLEGE – Prior College Bonds" herein. **Neither the Authority nor the College have taxing power**.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY. NEITHER THE PRINCIPAL OF OR REDEMPTION PRICE OF THE BONDS, NOR THE INTEREST ACCRUING ON THE BONDS, SHALL CONSTITUTE A GENERAL INDEBTEDNESS OF THE AUTHORITY OR AN INDEBTEDNESS OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER, CONSTITUTE OR GIVE RISE TO A GENERAL PECUNIARY LIABILITY OF THE AUTHORITY OR A PECUNIARY LIABILITY OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY OR THE GENERAL CREDIT OR TAXING POWER OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, OR BE DEEMED TO BE A GENERAL OBLIGATION OF THE AUTHORITY OR AN OBLIGATION OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE AUTHORITY NOR THE COLLEGE HAVE TAXING POWER.

Additional Bonds

Upon compliance with the terms and obligations and conditions of the Indenture and the Loan Agreement, the Authority, at the request of the College, may issue Additional Bonds on parity with the Bonds, the bonds issued pursuant to the First Supplemental Indenture (the “1998 Bonds”), the bonds issued pursuant to the Second Supplemental Indenture (the “2004 Bonds”), the bonds issued pursuant to the Third Supplemental Indenture (the “2005 Bonds”), the bonds issued pursuant to the Fourth Supplemental Indenture (the “2008 Bonds”), the bonds issued pursuant to the Fifth Supplemental Indenture (the “2009 Bonds”), the bonds issued pursuant to the Sixth Supplemental Indenture (the “2009A Bonds”), the bonds issued pursuant to the Seventh Supplemental Indenture (the “2010 Bonds”), the bonds issued pursuant to the Eighth Supplemental Indenture (the “2011 Bonds”), the bonds issued pursuant to the Ninth Supplemental Indenture (the “2012 Bonds”), and the bonds issued pursuant to the Tenth Supplemental Indenture (the “2013 Bonds”), for any purpose permitted under the Act. In connection with the issuance of Additional Bonds, additional funds may be established under the Indenture for the benefit of such additional series of bonds. In such event, the holders of the Bonds will have no claims or right to any such funds. For a further description of the conditions under which such Additional Bonds may be issued, see “SUMMARIES OF CERTAIN PROVISIONS OF THE ELEVENTH SUPPLEMENTAL LOAN AGREEMENT AND THE INDENTURE – The Indenture” herein.

COMMUNITY COLLEGE FUNDING STRUCTURE

Local Sponsor Obligation

General: Under the Community College Act all community colleges must be supported by a local sponsor, which in the College’s case consists of the following twenty-two school districts (collectively, the “Local Sponsor”) located in Cumberland County, Dauphin County, Perry County, Schuylkill County and York County, Pennsylvania: Camp Hill, Carlisle Area, Central Dauphin, Cumberland Valley, Derry Township, East Pennsboro Area, Halifax Area, Greenwood, Harrisburg, Lower Dauphin, Mechanicsburg Area, Middletown Area, Millersburg Area, Newport, South Middleton, Steelton-Highspire, Susquehanna Township, Susquenita, Upper Dauphin Area, West Perry, West Shore and Williams Valley.

Capital Expenses: The Local Sponsor is obligated under the Community College Act to pay up to one-half of the College’s annual approved capital expenses (including debt service). The Commonwealth is also responsible for one-half of the annual capital expenses. See “Commonwealth Obligation” below.

See “HARRISBURG AREA COMMUNITY COLLEGE – Budgetary Procedures” herein for more specific information about local sponsoring school districts funding.

Taxing Power Regarding Community Colleges: The Community College Act authorizes, but does not require, the governing body of each School District or municipality comprising a local sponsor of a community college to levy taxes annually on subjects of taxation as prescribed by law in such School District or municipality for the purpose of establishing, operating and maintaining a community college. The tax levy authorized is in excess of and beyond the millage fixed or limited by law, subject to certain limiting provisions of the Community College Act. The applicable sponsoring school districts have not adopted or proposed to adopt such a tax. The College has no taxing power.

The College’s Harrisburg Campus’ operating budget is subject to approval by the member school districts constituting the Local Sponsor. Once approved, the budget obligates each of the member districts to comply with their operating and capital funding requirements under the Community College Act. The member districts are not legally obligated to appropriate such funds until a simple majority of the districts approve the budgets. There can be no assurance that the College’s budget will be approved by the member districts of the Local Sponsor. The budgets for the College’s other campuses are not approved by the member school districts.

Commonwealth Obligation

General: The Community College Act provides for reimbursement by the Commonwealth of a portion of annual operating costs and a portion of annual approved capital expenses of community colleges.

Capital Expenses: The Community College Act provides that the Commonwealth pay to a community college on behalf of the local sponsor on account of its capital expenses (including debt service) an amount equal to one-half of such college's annual capital expenses from funds appropriated for that purpose to the extent that said capital expenses have been approved for such reimbursement by the Department.

See "HARRISBURG AREA COMMUNITY COLLEGE – Budgetary Procedures" herein for more specific information about Commonwealth revisions to the College's funding formula.

All community college subsidies in the Commonwealth are subject to appropriation by the Pennsylvania General Assembly. Although the Constitution of the Commonwealth provides that "the General Assembly shall provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth," the General Assembly is not legally obligated to appropriate such subsidies and there can be no assurance that it will do so in the future. The allocation formula pursuant to which the Commonwealth distributes such subsidies to the various community colleges throughout the Commonwealth may be amended at any time by the Pennsylvania General Assembly. Moreover, the Commonwealth's ability to make such disbursements will be dependent upon its own financial condition. At various times in the past, the enactment of budget and appropriation laws by the Commonwealth has been delayed, resulting in interim borrowing by certain community colleges pending the authorization and payment of Commonwealth aid. Consequently, there can be no assurance that financial support from the Commonwealth of community colleges, either for capital projects or education programs in general, will continue at present levels or that moneys will be payable to a community college if indebtedness of such community college is not paid.

Direct Payment of Commonwealth Appropriations to Trustee

Provisions of the Community College Act require that, should any community college fail to make its required debt service payment with respect to a general obligation note such as the Note, the Secretary of Education of the Commonwealth is required to withhold from such community college out of any subsidy payment of any type due such community college from the Commonwealth, an amount equal to the debt service payment owed by such community college. Any amounts so withheld are payable to the Trustee under the Indenture. Based on the College's maximum annual debt service after issuance of the Bonds and the amount of Commonwealth operating and capital expense appropriations presently budgeted by the College for fiscal 2013-14, the Commonwealth coverage of the College's maximum anticipated debt service would currently be approximately 3 times.

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HARRISBURG AREA COMMUNITY COLLEGE

Introduction

The College is a public comprehensive, two year co-educational institution with its main campus located in an area of the City of Harrisburg, Pennsylvania known as Wildwood Park, on an attractive 215 acre wooded site just minutes north of the central business district of the City of Harrisburg, the Commonwealth's state capital. It is one of the 14 community colleges in the Commonwealth operating in accordance with the provisions of the Community College Act. The College's major service area consists of the three contiguous counties of Cumberland, Dauphin, and Perry, Pennsylvania with a combined population of 510,000 people. In addition, since the College has historically attracted a significant number of students from the counties of Lebanon, York, Adams, and Lancaster, Pennsylvania, it has established branch campuses in Lebanon, Lancaster, Gettysburg, and York, Pennsylvania.

The College, the first community college organized in the Commonwealth, commenced operation in the fall of 1964. The main campus of the College currently consists of twenty-two buildings containing 678,293 gross square feet with an appraised value exceeding $100 million. All buildings have been newly constructed since 1967.

Accredited by the Middle States Association of College and Secondary Schools since 1967, the College provides nearly 200 degree, certificate, and diploma programs to prepare students for immediate employment after graduation or for transfer to a four-year college or university.

The Harrisburg area is a growing metropolis. In addition to being the capital of the Commonwealth, it provides a concentration of shopping malls, hotels, motels, restaurants, churches, museums, theaters, and service facilities of all types. In the immediate area are four major military installations and major corporations, including Hershey Entertainment and Resorts, Hershey Foods Corporation, Tyco Electronics Corporation, Pennsylvania Blue Shield, Giant Food Stores, Excel Incorporated, Wal-Mart Associates, Fry Communications, Rite Aid Corporation, Capital Blue Cross, and Harsco.

The towns of Hershey, Pennsylvania and Carlisle, Pennsylvania are in the College's immediate service area and the cities of York, Lebanon, Gettysburg and Lancaster, Pennsylvania are less than 45 miles from the College.

The College has no relationship to, or reliance upon revenues, from the City of Harrisburg. (See "BOND RATINGS" herein.)

Mission Statement

Creating opportunities and transforming lives to shape the future – TOGETHER.

Vision Statement

The College will be the first choice for a quality and accessible higher education opportunity.

Core Values

Integrity

We behave in a manner consistent with our core values.
We are honest, open, and truthful in our statements and actions.
We strive to provide the most accurate information available in all communication.

Collegiality

We work in harmony with one another.
We respect the shared governance decision-making process.
We welcome and embrace individuals and groups of varied backgrounds. Excellence
We set high goals and achieve them.
We consistently perform above our own and others' expectations.
We provide exceptionally good service to all.

Trust

We provide a safe and encouraging environment.
We are fair and balanced in our interactions with others.
We respect and support one another despite difference of opinion.

Accreditation

The College is accredited by the Middle States Commission on Higher Education of the Middle States Association of Colleges and Schools. This commission granted initial accreditation in April 1967, and reaffirmation in 1977, 1987, 1996, and 2007. The Department has authorized the College to award the Associate degree, with specific programs receiving national accreditation.

The following programs have earned special accreditation by the agencies named:

• Accounting	Association of Collegiate Business Schools and Programs
• Automotive Technology	National Automotive Technicians Education Foundation (NATEF)
• Automotive Technology GM ASEP	National Automotive Technicians Education Foundation (NATEF)
• Business Administration	Association of Collegiate Business School and Programs
• Business Management	Association of Collegiate Business School and Programs
• Business Studies	Association of Collegiate Business School and Programs
• Cardiovascular Technology: Cardiac Sonography	Commission on Accreditation of Allied Health Programs (CAAHEP)
• Cardiovascular Technology: Invasive Cardiovascular Technology	Commission on Accreditation of Allied Health Programs (CAAHEP)
• Computer Information Systems	Association of Collegiate Business Schools and Programs
• Culinary Arts	American Culinary Federation Education Foundation Accreditation Commission
• Dental Hygiene	Commission on Dental Accreditation of the American Dental Association
• Dental Assistant	Commission on Dental Accreditation on the American Dental Association
• Diagnostic Medical Sonography	Commission on Accreditation of Allied Health Education Programs
• Early Childhood – Elementary Education	National Association for the Education of Young Children (NAEYC)
• Early Care and Education	National Association for the Education of Young Children (NAEYC)
• Hospitality Management	Association of Collegiate Business Schools and Programs
• Hotel & Lodging Management	Association of Collegiate Business Schools and Programs
• Human Services	Council for Standards in Human Service Education
• Marketing	Association of Collegiate Business Schools and Programs
• Medical Assisting (Certificate and Associate Degree)	Commission on Accreditation of Allied Health Education Programs
• Medical Laboratory Technology	National Accrediting Agency for Clinical Laboratory Sciences (NAACLS)
• Music Industry	Association of Collegiate Business Schools and Programs
• Nuclear Medicine Technology	Commission on Accreditation of Allied Health Education Programs (CAAHEP) Joint Review Committee on Education Programs in Nuclear Medicine Technology.
• Nursing	Pennsylvania State Board of Nursing: National League for Nursing Accrediting Commission
• Paralegal Studies	American Bar Association
• Paramedic - Emergency Medical Technician	Commission on Accreditation of Allied Health Education Programs (CAAHEP)
• Practical Nursing	Pennsylvania State Board of Nursing; National League for Nursing Accreditation Commission
• Radiologic Technology	Commission on Accreditation of Allied Health Education Programs (CAAHEP): Joint Review Committee on Education in Radiologic Technology (or its successor agency)
• Real Estate Marketing	Association of Collegiate Business Schools and Programs
• Respiratory Therapist	Commission on Accreditation for Respiratory Care (CoARC)
• Restaurant and Food Service Management	Association of Collegiate Business Schools and Programs
• Surgical Technology	Commission on Accreditation of Allied Health Education Programs
• Travel and Tourism	Association of Collegiate Business Schools and Programs.

On November 15, 2012, HACC was placed on warning by Middle States Commission on Higher Education (MSCHE) for being out of compliance with three of the fourteen standards for excellence in higher education. The College remains fully accredited; however, during the next two years the College must take appropriate action to bring the institution into compliance. On September 1, 2013, the College submitted a Monitoring Report to the Middle States Commission documenting progress to date. After the MSCHE's evaluation team’s visit September 23-25, 2013 the team established that HACC was in compliance with 2 of the 3 standards. In November 2013, the MSCHE continued HACC's warning and requested evidence of compliance with Standard 12 (General Education). On March 1, 2014, HACC submitted a second monitoring report to be substantiated by the MSCHE visiting team during their April 29 - May 1, 2014 visit. The College fully expects to meet all accreditation standards and be removed from the warning status by the end of the two year period.

Governing Structure

A nineteen member Board of Trustees governs the College's operations. Trustees are appointed to a six-year term by the representatives of the twenty-two sponsoring school districts (the "Delegate Body") and the College's Board of Trustees (the "Board of Trustees"). Each of the sponsoring school districts selects a member of its school board as a delegate to the Delegate Body. In addition to appointing trustees, the Delegate Body approves the College's Harrisburg Campus annual budget (see "Budgetary Procedures" herein). Trustees may serve more than one term upon reappointment by the Delegate Body and the Board of Trustees. Terms of Trustees and Board officers expire on June 30. Officers of the Board of Trustees are elected annually by their peers in June. New officers will be elected at the Board of Trustees meeting on June 3, 2014.

Employees and Enrollment

The College offered an early retirement and reduction in force incentive in May/June of 2012 to better align staffing with student enrollment. The College employs or has employed the following number of employees in each of the fiscal years set forth below:

Employees	2009-10	2010-11	2011-12	2012-13	2013-14
Faculty (Full-time)	347	365	370	328	327
% Tenured	60%	63%	68%	63%	73%
Faculty (Part-time)	1156	1059	1001	950	1,090
Administrators (Full-time)	77	81	76	59	60
Professionals (Full-time)	263	199	219	192	245
Professionals (Part-time)	12	12	12	13	13
Support Staff (Full-time)	378	389	385	340	299
Support Staff (Part-time)	71	68	68	57	57

Source: The College.

None of the College's employees are presently represented by a union and the College is not aware of any attempts by its employees to unionize. The College considers its employee relations to be good.

The College provides certain retirement benefits, including multiemployer contributory pension plans and postretirement health benefits, to its employees for which it has accrued liabilities at June 30, 2013. See Note 11 (Pension Benefits) and Note 12 (Postemployment Health Benefits) to the College's audited financial statements included in Appendix A hereto.

The College's enrollment for each of the fiscal years set forth below is or was as follows:

Fiscal Year	Credit	Noncredit	Total	FTE[(1)]
2004-05	19,807	44,088	63,895	13,898
2005-06	20,835	45,521	66,356	14,387
2006-07	25,974	41,710	67,684	14,846
2007-08	27,342	40,294	67,636	15,333
2008-09	28,145	48,026	76,171	16,686
2009-10	32,150	48,033	77,255	17,256
2010-11	32,768	43,611	76,379	20,321
2011-12	31,794	39,830*	71,624	17,224
2012-13	30,963	30,042	61,005	16,664
2013-14 (projected)	30,653	29,742	60,395	16,497

[(1)]Full-time equivalent.
*Reflects Elimination of Community Education Avocational/Recreational Course Offerings
Source: The College.

Budgetary Procedures

The College's annual operating and capital budget is prepared by the College's Vice President of Finance in consultation with the College's staff and College Compensation Advisory Committee, and then submitted to the Board of Trustees for approval. Once the Board of Trustees approves the budget, it is forwarded to the Delegate Body for approval. The Delegate Body meets in April for the purpose of approving the next fiscal year's budget. The three major sources of revenue to the budget are the Commonwealth, the Local Sponsor, and student tuition.

In 2006, the Commonwealth revised the community college funding formula and began to allocate the operating budget appropriation among the 14 Pennsylvania community colleges based on each college's share of total Full Time Equivalent ("FTE") enrollment generated in the prior fiscal year. The College had a guaranteed funding level of the prior fiscal year's base operating appropriation plus additional support for those programs determined to have a high priority need for training within the Commonwealth. Beginning in 2010, the Commonwealth's budget situation saw the community college operating appropriation frozen at the 2009 level with a portion of that appropriation replaced with American Recovery and Reinvestment Act ("ARRA") - State Fiscal Stabilization Funds ("SFSF"). The College's share of these ARRA funds was $3 million. When ARRA funding ended, the College's 2012 Commonwealth operating budget appropriation was reduced by $3 million. The Commonwealth also provided one half of approved capital costs.

The 22 local sponsoring school districts support the College's operating budget by funding a portion of the tuition for each resident attending the College. In FY 2012-13, these sponsored students represented 29% of total credit hour production college-wide with most of these students attending the College's Harrisburg Campus. While in the past the applicable school districts paid a flat amount for each credit hour taken by a sponsored student, beginning in FY 2008-09 an amended sponsorship agreement was reached which kept their operating budget support at the actual FY 2007-08 dollar amount. In FY 2008-09, FY 2009-10 and FY 2010-11, the applicable school districts contributed $11,488,603 in operating funds to the College. In an effort to assist the applicable school districts manage their budget crisis for FY 2011-12, the sponsorship agreement was modified to reduce the annual operating support by 30%. For FY 2011-12 & FY 2012-13 the College received $8,002,674 for operations from the sponsoring school districts. This agreement expired on June 30, 2013. It should be noted that this reduction in local sponsor operating support was offset by an equivalent increase to the sponsoring student tuition. The sponsoring student tuition rate plus the local sponsors contribution equals the nonsponsored student tuition rate.

A sub-committee of school district delegates, superintendents, and HACC representatives have negotiated another agreement to provide financial support to HACC. The expired agreement had the sponsors contributing approximately $8,000,000 to the operating budget and $1,000,000 to the capital budget. The new 4 year agreement, effective July 1, 2013, provides that the sponsoring school district operating budget support be reduced to approximately $4,000,000 and the capital budget support increased to approximately $1,500,000 by the 2016-17 fiscal year. For FY 2013-14, the agreed upon contribution will be flat with FY 2012-13 at $8,002,673, however starting in FY 2014-15 the College will begin to realize an even further reduction in funding. FY 2014-15 will decrease 25% to $6,002,674, while the following year (FY 2015-16) will then decrease to approximately $5M and the following year (FY 2016-17) will then decrease to the agreed upon $4M. HACC expects to increase tuition for students from the sponsoring districts to offset this loss of revenue. An initiative to evaluate each program (i.e.: nursing, dental hygiene, etc.) to establish applicable program fees for the remaining contribution are being evaluated in order to have a zero impact to the overall budget.

While the local sponsor operating support was held constant or reduced, the sponsorship agreement did provide for an annual increase in local sponsor capital funding. Prior to FY 2009-10, sponsoring school districts annually provided the College's Plant Fund with $200,000 total (each applicable school district's share of the capital costs is based on the appraised property value of their respective districts). Beginning in FY 2009-10, sponsoring school districts increased their capital contribution by $200,000 annually up to $1 million in FY 2012-13. This will increase, based on the new sponsorship agreement, to $1,500,000 in FY 2016-17. Additionally, during the 2012-13 fiscal year, $6,841,628 was received into the College's Plant Fund from investment earnings, capital outlay fees from nonsponsoring and out-of-state students, technology fees, grants and gifts.

Student tuition is set by the Board of Trustees and the Delegate Body. Under the Community College Act, no more than one-third of the College's operating expenses can be secured from student tuition. Sponsored students do not participate in funding the capital budget (see "Security and Source of Payment" herein). During the 2012-13 fiscal year, annual tuition (excluding fees) for 24 credit hours (1 FTE) was $3,348 for students from sponsoring school districts and $4,680 for students from nonsponsoring school districts.

Management of the College's approved budget as set forth by the Board of Trustees is the responsibility of the Vice President of Finance of the College as delegated by the President of the College.

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HARRISBURG AREA COMMUNITY COLLEGE
College-Wide Operating
BUDGET FY 2014-15

ENROLLMENTS					**Proposed vs Budget**		**Proposed vs Projection**	
Type	**Actual 2012-13**	**Approved 2013-14**	**Projected 2013-14**	**Proposed 2014-15**	**Variance Cr Hr**	**Variance %**	**Variance Cr Hr**	**Variance %**
Student Cr Hrs (Sponsored)	**117,653**	**126,052**	**111,680**	**107,400**	**(18,652)**	**14.8%**	**(4,280)**	**-3.8%**
Student Cr Hrs (Non Spon)................................	**261,636**	**262,148**	**254,024**	**263,881**	**1,733**	**0.7%**	**9,857**	**3.9%**
Student Cr Hrs (Out of State)............................	**9,578**	**9,389**	**9,388**	**9,919**	**530**	**5.6%**	**531**	**5.7%**
Student Cr Hrs College in the High School.......	**8,700**	**7,938**	**7,575**	**7,587**	**(351)**	**-4.4%**	**12**	**0.2%**
Subtotal Student Cr Hrs..................................	**397,566**	**405,527**	**382,667**	**388,787**	**(16,740)**	**-4.1%**	**6,120**	**1.6%**
REVENUES	**Actual 2012-13**	**Approved 2013-14**	**Projected 2013-14**	**Proposed 2014-15**	**Proposed vs Budget Variance $**	**Variance %**	**Proposed vs Projection Variance $**	**Variance %**
Tuition - Sponsored Students................................	$16,427,981	$17,932,206	$15,885,931	$16,344,038	($1,588,168)	-8.9%	$458,107	2.9%
Tuition - Nonsponsored Students..........................	51,760,738	52,599,102	51,084,090	54,426,786	1,827,684	3.5%	3,342,6*96	6.5%
Tuition - Out-of-State	2,942,078	2,802,978	2,910,780	3,048,608	245,630	8.8%	137,828	4.7%
Fees - College in the High School.........................	261,405	238,140	224,025	227,610	(10,530)	-4.4%	3,585	1.6%
Fees – Instructional...	8,632,021	11,008,979	10,519,981	10,609,710	(399,269)	-3.6%	89,729	0.9%
Noncredit Student Fees...	5,475,281	6,258,964	5,429,450	5,945,798	(313,166)	-5.0%	516,348	9.5%
Comm of PA [Incl. base FTE plus Stipends]	29,664,165	29,664,165	29,664,165	29,664,165	-	0.0%	-	0.0%
School Districts	8,002,674	8,002,673	8,002,673	6,002,674	(2,039,628)	-25.4%	(1,999,999)	-25.0%
Sales	13,756,189	12,117,536	12,117,536	12,476,183	(1,143,568)	-8.4%	358,647	3.0%
Other Income	8,006,346	7,841,198	7,841,198	7,591,434	(879,544)	-10.4%	(249,764)	-3.2%
Total Revenues Before Transfers In..................	144,928,878	150,637,565	143,679,829	146,337,006	(4,300,559)	-2.9%	2,657,177	1.8%
Transfers In								
ACA	18,127,459	20,534,913	20,534,913	21,735,084	1,200,171	5.8%	1,200,171	5.8%
Virtual Fund Balance Allocation	8,423,728	8,686,769	8,686,769	9,186,769	500,000	5.8%	500,000	5.8%
Bookstore/Harrisburg Allocation	500,000	-	-	600,000	600,000	n/a	600,000	n/a
Facilities Support Staff	-	-	-	35,000	35,000	n/a	35,000	n/a
Facilities Allocation..	357,592	350,989	350,989	346,459	(4,530)	-1.3%	(4,530)	-1.3%
Total Transfers In	27,408,779	29,572,671	29,572,671	31,903,312	2,330,641	7.9%	2,330,641	7.9%
Total Revenues and Transfers In......................	172,337,657	180,210,236	173,252,500	178,240,318	(1,969,918)	-1.1%	4,987,818	2.9%
EXPENDITURES								
Wages	72,489,557	77,707,539	74,110,852	76,892,762	(814,777)	-1.0%	2,781,910	3.8%
Fringes...	24,666,900	26,625,075	24,910,292	26,854,293	229,218	0.9%	1,944,001	7.8%
Total Payroll Expenditures	97,156,457	104,332,614	99,021,144	103,747,055	(585,559)	-0.6%	4,725,911	4.8%
Operating Expenditures								
Cost of Sales..	9,877,827	10,339,142	8,763,778	9,436,138	(903,004)	-8.7%	672,360	7.7%
Insurance	540,405	573,118	627,186	674,740	101,622	17.7%	47,554	7.6%
Mailing Costs	330,407	533,862	375,496	396,373	(137,489)	-25.8%	20,877	5.6%
Telecommunications...	534,134	574,947	561,325	466,889	(108,058)	-18.8%	(94,436)	-16.8%
Utilities...	3,933,360	4,462,138	4,074,360	4,038,236	(423,902)	-9.5%	(36,124)	-0.9%
Bad Debt...	2,167,550	1,791,000	2,052,000	1,760,400	(30,600)	-1.7%	(291,600)	-14.2%
Miscellaneous Expenses	967,422	954,126	959,821	823,849	(130,277)	-13.7%	(135,972)	-14.2%
Library Expense..	493,038	536,496	537,158	543,907	7,411	1.4%	6,749	1.3%
Supplies..	4,455,842	5,374,326	4,993,778	5,403,192	28,866	0.5%	409,414	8.2%
Purchased Services	1,939,989	2,438,649	2,470,003	2,231,450	(207,199)	-8.5%	(238,553)	-9.7%
Advertising...	572,632	814,106	889,439	1,082,279	268,173	32.9%	182,840	20.3%
Rentals/Leases..	5,643,931	4,815,025	4,672,576	3,793,015	(1,022,010)	-21.2%	(879,561)	-18.8%
Repair & Maintenance..	1,043,288	1,475,988	1,486,421	1,536,295	60,307	4.1%	49,874	3.4%
Professional Fees	2,312,158	1,892,291	2,339,812	1,817,971	(74,320)	-3.9%	(521,841)	-22.3%
Meeting & Travel/Conf. Expenses......................	1,440,813	1,915,604	1,667,334	1,922,539	6,935	0.4%	255,205	15.3%
Total Operating Expenditures..............................	36,252,796	38,490,818	36,480,487	35,927,273	(2,563,545)	-6.7%	(553,214)	-1.5%
Total Expenditures Before Transfers Out	133,409,253	142,823,432	135,501,631	139,674,328	(3,149,104)	-2.2%	4,172,697	3.1%
Operating Transfers Out								
ACA	18,127,459	20,534,913	20,534,913	21,735,084	1,200,171	5.8%	1,200,171	5.8%
Virtual Fund Balance Allocation	8,423,728	8,686,769	8,686,769	9,186,769	500,000	5.8%	500,000	5.8%
Facility Support Staff..	-	-	-	35,000	35,000	n/a	35,000	n/a
Facilities Allocation	357,592	350,989	350,989	346,459	(4,530)	-1.3%	(4,530)	-1.3%
Bookstore/Harrisburg Allocation	500,000	-	-	600,000	600,000	n/a	600,000	n/a
Total Operating Transfers Out.........................	27,408,779	29,572,671	29,572,671	31,903,312	2,330,641	7.9%	2,330,641	7.9%
Total Operating Expenditures & Transfers out	160,818,032	172,396,103	165,074,302	171,577,640	(818,463)	-0.5%	6,503,338	3.9%
Net Operating Increase (Decrease)...................	11,519,625	7,814,133	8,178,198	6,662,678	(1,151,455)		(1,515,520)	
Non Operating Transfers Out								
Debt Service	5,903,251	7,293,508	7,021,471	6,471,533	(821,975)	-11.3%	(549,938)	-7.8%
Plant Fund (Capital FF&E).................................	198,425	-	-	-	-	n/a	0	n/a
Total Non Operating Transfers Out	6,101,676	7,293,508	7,021,471	6,471,533	(821,975)	-11.3%	(549,938)	-7.8%
Prior Period Adjustment...................................	-	-	465,965	-		n/a	(465,965)	n/a
Net Change to Fund Balance.............................	5,417,949	520,625	690,762	191,145				
FUND BALANCE AT JULY 1	21,296,713	20,129,018	26,714,662	27,405,426				
FUND BALANCE AT JUNE 30	26,714,662	20,649,643	27,405,424	27,596,568				

Source: The College.

Accounting Matters

The College's financial statements are prepared in accordance with Government Accounting Standards Board (GASB) standards.

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.

Potential purchasers of the Bonds should read the College's audited financial statements for the year ended June 30, 2013 in their entirety for more complete information regarding the College's financial position, results of its operations and changes in its accounting and reporting methods. The report of the College's independent accountants, together with the College's financial statements as of June 30, 2013 and the related notes to financial statements is included in Appendix A of this Official Statement.

In the opinion of the administration of the College, there has been no material adverse change in the financial condition of the College since June 30, 2013, the most recent date of audited financial statements.

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Revenue and Expense Summary

The following tables set forth a summary of the College's enrollments, unrestricted current fund revenues expenditures and transfers for fiscal year ending June 30, 2013 and projections for fiscal year ending June 30, 2014 as compared to the College's Budget. For a more complete discussion of the College's financial position and results of operations at June 30, 2013 see "MANAGEMENT'S DISCUSSION AND ANALYSIS" included in the financial information included in Appendix A hereto.

HARRISBURG AREA COMMUNITY COLLEGE
MONTHLY FINANCIAL REPORT
AS OF JUNE 30, 2013

ENROLLMENTS	**FY 2012-13**				
Type	**Budget**	**Projection**	**Actual YTD**	**Actual vs Budget**	**Actual vs Budget %**
Student Cr Hrs (Sponsored)	138,067	117,649	117,653	(20,414)	85.2%
Student Cr Hrs (Non Spon)	267,698	261,642	261,635	(6,063)	97.7%
Student Cr Hrs (Out of State)	10,213	9,578	9,577	(636)	93.8%
Student Cr Hrs (College in the High School)	6,671	8,700	8,700	2,029	130.4%
Total Student Cr Hrs	422,649	397,568	397,565	(25,084)	94.1%
School District - Cr Hrs	138,067	117,649	117,653	(20,414)	85.2%
REVENUES	**Annual Budget**	**Projection**	**Actual YTD**	**Actual vs Budget $**	**Actual vs Budget %**
Tuition - Sponsored Students	19,230,775	16,427,981	16,427,981	(2,802,794)	85.4%
Tuition - Nonsponsored Students	52,009,557	51,769,771	51,760,738	(248,819)	99.5%
Tuition - Out-of-State	2,955,766	2,942,076	2,942,078	(13,688)	99.5%
Tuition - College in the High School	200,130	261,405	261,405	61,275	130.6%
Fees - Instructional	9,036,615	8,632,020	8,632,021	(404,594)	95.5%
Noncredit Student Fees	6,367,241	5,475,281	5,475,281	(891,960)	86.0%
Comm of PA [Incl. base FTE plus Stipends]	29,164,163	29,664,165	29,664,165	500,002	101.7%
School Districts	8,042,302	8,002,674	8,002,674	(39,628)	99.5%
Sales	15,093,696	13,649,658	13,756,189	(1,337,507)	91.1%
Other Income	9,207,867	8,048,054	8,006,346	(1,201,521)	87.0%
Total Revenues Before Transfers In	151,308,112	144,873,085	144,928,878	(6,379,234)	95.8%
Transfers In					
ACA	19,284,594	18,127,459	18,127,459	(1,157,135)	94.0%
Fund Balance Allocation from Virtual	8,423,728	8,423,728	8,423,728	0	100.0%
Bookstore Allocation	500,000	500,000	500,000	0	100.0%
Facilities Allocation (Noncredit, Bookstore)	339,322	357,592	357,592	18,270	105.4%
Transfers In	28,547,644	27,408,779	27,408,779	(1,138,865)	96.0%
Total Revenues & Transfers In	179,855,756	172,337,657	172,337,657	(7,518,099)	95.8%
EXPENDITURES					
Wages[Includes 26 of 26 (staff) and 19 of 19 (faculty) pays]	78,823,966	72,489,557	72,489,557	(6,334,409)	92.0%
Fringes	27,202,343	24,666,900	24,666,900	(2,535,443)	90.7%
Total Payroll Expenditures	106,026,309	97,156,457	97,156,457	(8,869,852)	91.6%
Operating Expenditures					
Cost of Sales	10,593,065	9,799,339	9,877,827	(715,238)	93.2%
Insurance	447,416	540,405	540,405	92,989	120.8%
Mailing Costs	574,805	330,407	330,407	(244,398)	57.5%
Telecommunications	591,909	534,134	534,134	(57,775)	90.2%
Utilities	4,747,361	3,933,360	3,933,360	(814,001)	82.9%
Bad Debt	1,192,000	2,167,550	2,167,550	975,550	181.8%
Miscellaneous Expenses (credit card fees, real estate taxes, etc.)	921,905	967,422	967,422	45,517	104.9%
Library Expense	533,141	493,483	493,038	(40,103)	92.5%
Supplies	5,423,638	4,455,842	4,455,842	(967,796)	82.2%
Purchased Services	2,391,937	1,939,989	1,939,989	(451,948)	81.1%
Advertising	1,019,129	572,632	572,632	(446,497)	56.2%
Rentals/Leases	6,146,020	5,643,931	5,643,931	(502,089)	91.8%
Repair & Maintenance	1,371,614	1,043,288	1,043,288	(328,326)	76.1%
Professional Fees	1,817,708	2,312,158	2,312,158	494,450	127.2%
Meeting & Travel/Conf. Expenses	1,988,064	1,440,813	1,440,813	(547,251)	72.5%
Total Operating Expenditures	39,759,712	36,174,753	36,252,796	(3,506,916)	91.2%
Total Expenditures Before Transfers Out	145,786,021	133,409,253	133,409,253	(12,376,768)	91.5%
Operating Transfers Out					
ACA	19,284,594	18,127,459	18,127,459	(1,157,135)	94.0%
Fund Balance Allocation (Virtual)	8,423,728	8,423,728	8,423,728	0	100.0%
Facilities Allocation	339,322	357,592	357,592	18,270	105.4%
Bookstore Allocation	500,000	500,000	500,000	0	100.0%
Operating Transfers Out	28,547,644	27,408,779	27,408,779	(1,138,865)	96.0%
Total Operating Expenditures & Transfers Out	174,333,665	160,818,032	160,818,032	(13,515,633)	92.2%
Net Operating Increase (Decrease)	5,522,091	11,519,625	11,519,625	5,997,534	
Non Operating Transfers Out					
Debt Service	5,684,761	5,903,251	5,903,251	218,490	103.8%
Plant Fund - Capital FF&E	195,000	198,425	198,425	3,425	101.8%
Total Non Operating Transfers Out	5,879,761	6,101,676	6,101,676	221,915	103.8%
Prior Period Adjustment	0	0	0	0	
Net Change to Fund Balance	(357,670)	5,417,948	5,417,948	5,775,618	
TOTAL FUND BALANCE AT BEGINNING OF FY	23,763,339	21,296,715	21,296,715		
TOTAL FUND BALANCE AT END OF FY	23,405,669	26,714,663	26,714,663		

Source: The College.

HARRISBURG AREA COMMUNITY COLLEGE
MONTHLY FINANCIAL REPORT
AS OF APRIL 30, 2014

ENROLLMENTS	**FY 2013-14***				
Type	**Budget**	**Projection**	**Actual YTD**	**Projection vs Budget**	**Projection vs Budget %**
Student Cr Hrs (Sponsored)	126,052	110,572	95,639	(15,480)	87.7%
Student Cr Hrs (Non Spon)	262,148	252,823	234,625	(9,325)	96.4%
Student Cr Hrs (Out of State)	9,389	9,300	8,785	(89)	99.1%
Student Cr Hrs (College in the High School)	7,938	7,686	7,366	(252)	96.8%
Total Student Cr Hrs	405,527	380,381	346,415	(25,146)	93.8%
School District - Cr Hrs					
REVENUES	**Annual Budget**	**Projection**	**Actual YTD**	**Projection vs Budget ($)**	**Projection vs Budget (%)**
Tuition - Sponsored Students	$17,932,206	$15,787,9971	$13,850,487	(2,144,209)	88.0%
Tuition - Nonsponsored Students	52,599,102	51,359,593	46,857,650	(1,239,509)	97.6%
Tuition - Out-of-State	2,802,978	2,943,609	2,765,721	140,631	105.0%
Tuition - College in the High School	238,140	224,785	224,785	(13,355)	94.4%
Fees - Instructional	11,008,979	10,699,441	9,615,590	(309,538)	97.2%
Noncredit Student Fees	6,258,964	4,939,177	4,464,037	(1,319,787)	78.9%
Comm of PA [Incl. base FTE plus Stipends]	29,664,165	29,664,165	22,248,124	0	100.0%
School Districts	8,042,302	8,002,622	4,123,165	(39,680)	99.5%
Sales	13,619,751	12,117,536	11,222,571	(1,502,215)	89.0%
Other Income	8,470,978	7,784,305	6,691,354	(686,673)	91.9%
Total Revenues Before Transfers In	150,637,565	143,523,230	12,2063,484	(7,114,335)	95.3%
Transfers In					
ACA	20,534,913	19,788,627	16,490,520	(746,286)	96.4%
Fund Balance Allocation from Virtual	8,686,769	8,686,769	7,238,970	0	100.0%
Bookstore Allocation	350,989	350,989	292,490	0	100.0%
Facilities Allocation (Noncredit, Bookstore)					
Transfers In	29,572,671	28,826,385	24,021,980	(746,286)	97.5%
Total Revenues & Transfers In	180,210,236	172,349,615	146,085,464	(7,860,621)	95.6%
EXPENDITURES					
Wages[Includes 26 of 26 (staff) and 19 of 19 (faculty) pays]	77,707,539	73,063,368	57,877,756	(4,644,171)	94.0%
Fringes	26,625,075	24,399,996	18,039,892	(2,225,079)	91.6%
Total Payroll Expenditures	104,332,614	97,463,364	75,917,648	(6,869,250)	93.4%
Operating Expenditures					
Cost of Sales	10,339,142	8,763,778	8,416,928	(1,575,364)	84.8%
Insurance	573,118	627,186	627,186	54,068	109.4%
Mailing Costs	533,862	307,091	174,488	(226,771)	57.5%
Telecommunications	574,947	509,232	414,426	(65,715)	88.6%
Utilities	4,462,138	4,040,546	3,101,797	(421,592)	90.6%
Bad Debt	1,791,000	2,052,000	1,539,000	261,000	114.6%
Miscellaneous Expenses (credit card fees, real estate taxes, etc.)	954,126	944,781	812,502	(9,345)	99.0%
Library Expense	536,496	507,776	425,415	(28,720)	94.6%
Supplies	5,374,326	4,940,509	3,836,140	(433,817)	91.9%
Purchased Services	2,438,649	2,324,155	1,564,945	(114,494)	95.3%
Advertising	814,106	885,629	554,693	71,523	108.8%
Rentals/Leases	4,815,025	4,581,142	4,154,446	(233,883)	95.1%
Repair & Maintenance	1,475,988	1,491,465	1,055,371	15,477	101.0%
Professional Fees	1,892,291	2,299,616	1,862,217	407,325	121.5%
Meeting & Travel/Conf. Expenses	1,915,604	1,463,004	1,020,993	(452,600)	76.4%
Total Operating Expenditures	38,490,818	35,737,910	29,560,547	(2,752,908)	92.8%
Total Expenditures Before Transfers Out	142,823,432	133,201,274	105,478,195	(9,622,158)	93.3%
Operating Transfers Out					
ACA	20,534,913	19,788,627	16,490,520	(746,286)	96.4%
Fund Balance Allocation (Virtual)	8,686,769	8,686,769	7,238,970	0	100.0%
Facilities Allocation	350,989	350,989	292,490	0	100.0%
Bookstore Allocation					
Operating Transfers Out	29,572,671	28,826,385	24,021,980	(746,286)	97.5%
Total Operating Expenditures & Transfers Out	172,396,103	162,027,659	129,500,175	(10,368,444)	94.0%
Net Operating Increase (Decrease)	7,814,133	10,321,956	16,585,289	2,507,823	
Non Operating Transfers Out					
Debt Service	7,293,508	6,993,034	6,970,333	(300,474)	95.9%
Plant Fund - Capital FF&E					
Total Non Operating Transfers Out	7,293,508	6,993,034	6,970,333	(300,474)	
Prior Period Adjustment	0	459,748	459,747	459,748	
Net Change to Fund Balance	520,625	2,869,174	9,155,208	2,348,549	
TOTAL FUND BALANCE AT BEGINNING OF FY	20,129,018	26,714,662	26,714,664		
TOTAL FUND BALANCE AT END OF FY	20,649,643	29,583,836	35,869,872		

*Projections as of April 30, 2014. Estimated and subject to change.
Source: The College.

Prior College Bonds

The Table below shows the bonds of the College that have been issued under the Indenture as of June 16, 2014 (the "Prior College Bonds").

HARRISBURG AREA COMMUNITY COLLEGE
DEBT STATEMENT
(As of June 16, 2014)*

	Gross Outstanding
College Revenue Bonds, Series of 2014	$22,510,000
College Revenue Bonds, Series of 2013	7,230,000
College Revenue Bonds, Series of 2012	14,305,000
College Revenue Bonds, Series of 2011	46,445,000
College Revenue Bonds, Series of 2010	15,265,000
College Revenue Bonds, Series A of 2009	7,510,000
College Revenue Bonds, Series A of 2008	20,250,000
TOTAL DEBT	$133,515,000

* Excludes capital leases, bank debt and the 2004, 2005 & 2009 Bonds being refunded by the Bonds.

Upon the issuance of the Bonds, the Bonds and each series of the Prior College Bonds will be equally and ratably secured and payable under the Indenture from loan payments of the College under the Loan Agreement and each note of the College issued in accordance therewith, including the Note, except with respect to any fund or account established thereunder solely for the benefit and security of a particularly series of bonds, or with respect to amounts due from any bond insurer or other source of credit enhancement securing or payable solely with respect to any particular series of bonds.

Debt Service Requirements

The table below presents the debt service requirements on the College's outstanding revenue bonds, including debt service on the Bonds.

Fiscal Year	Total Other	Series of 2014			Total
Ending 6/30	Debt*	Principal	Interest	Subtotal	Requirements
2014	$14,813,947	$0	$0	$0	$14,813,947
2015	11,105,435	620,000	557,730	1,177,730	12,283,164
2016	10,679,697	1,600,000	722,814	2,322,814	13,002,511
2017	10,672,955	1,645,000	682,139	2,327,139	13,000,094
2018	10,196,250	1,690,000	632,114	2,322,114	12,518,364
2019	10,188,256	1,755,000	571,664	2,326,664	12,514,920
2020	10,200,350	1,820,000	500,164	2,320,164	12,520,514
2021	9,440,472	1,900,000	425,764	2,325,764	11,766,236
2022	8,417,583	1,985,000	338,139	2,323,139	10,740,722
2023	8,350,216	2,065,000	260,636	2,325,636	10,675,852
2024	8,348,350	2,125,000	200,884	2,325,884	10,674,234
2025	8,348,102	1,265,000	150,034	1,415,034	9,763,136
2026	7,167,784	1,305,000	110,668	1,415,668	8,583,453
2027	7,166,213	1,345,000	68,421	1,413,421	8,579,634
2028	7,161,388	1,390,000	23,283	1,413,283	8,574,670
2029	7,167,907				7,167,907
2030	7,165,801				7,165,801
2031	6,071,309				6,071,309
2032	4,813,250				4,813,250
2033	1,023,844				1,023,844
Total	$168,499,106	$22,510,000	$5,244,452	$27,754,452	$196,253,558

*Includes the debt service on the Prior College Bonds.

Student Fees and Charges

The following table sets forth the fees, costs and charges paid by students of the College per semester, per credit hour, in each of the fiscal years set forth:

	2010-11	2011-12	2012-13	2013-14	2014-15
Tuition[(1)]	106.50	136.50	139.50	142.50	152.50
Tuition[(2)]	183.00	189.00	195.00	201.00	207.00
Tuition[(3)]	274.50	283.50	292.50	301.50	310.50
Activity Fee[(4)]	2.50	3.00	3.50	3.50	3.50
Campus Revitalization Fee[(4)]	0.50	0.50	0.50	0.50	0.50
Technology Fee[(4)]	10.00	15.00	15.00	20.00	22.00
Institutional Fee[(4)]	10.00	10.00	10.00	10.00	10.00
Capital Fee (Nonsponsor)[(4)]	5.00	5.00	5.00	5.00	5.00
Capital Fee (Out-of-State)[(4)]	10.00	10.00	10.00	10.00	10.00
Application Fee	35.00	35.00	35.00	35.00	35.00
Semester Fee (Sponsor)	1,554.00	1,980.00	2,022.00	2,118.00	2,238.00
Semester Fee (Nonsponsor)	2,532.00	2,670.00	2,748.00	2,880.00	2,952.00
Semester Fee (Out-of-State)	3,690.00	3,864.00	3,978.00	4,146.00	4,252.50

[(1)]Per credit hour for students from sponsoring school districts.
[(2)]Per credit hour for students from nonsponsoring school districts.
[(3)]Per credit hour for students out of state.
[(4)]Per credit hour.
Source: The College.

Financial Aid

Students of the College received the following grants, aid, loans and other financial aid in the fiscal years set forth below:

	2008-09	2009-10	2010-11	2011-12	2012-13
Total Grants and Scholarships	$24,469,000	$37,876,000	$44,366,000	$45,758,831	$44,462,080
Total Loans	52,167,000	80,097,000*	85,277,000	89,818,437	87,479,666
Total Employment	1,418,000	1,647,000	1,607,000	1,559,122	1,311,711
Total Financial Aid	$78,054,000	$119,620,000	$131,250,000	$137,136,390	$133,253,457
Total Number of Students Receiving Financial Aid	12,000	16,000	17,480	18,089	18,031

*Increase resulting from the College's conversion from the Stafford Loan to the Federal Direct Lending Program.
Source: The College.

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION

The Harrisburg Area Community College Foundation (the "Foundation") was established in 1985 to solicit support for College programs from the general public and the business community. The Foundation acts as an agent for the College, whereby the Foundation receives pledges and contributions made to the order of and benefit of the College. These contributions and pledges represent funding to the College for scholarships, grants, capital projects, and unrestricted contributions. The following table shows the annual support from the Foundation.

	2008-09	2009-10	2010-11	2011-12	2012-13
Annual Support to Harrisburg Area Community College*	$2,793,664	$2,892,185	$2,530,833	$2,540,841	$2,474,392

*Excludes capital campaign funds.
Source: The College.

SUMMARIES OF CERTAIN PROVISIONS OF THE ELEVENTH SUPPLEMENTAL LOAN AGREEMENT AND THE INDENTURE

The following are summaries of certain provisions of the Eleventh Supplemental Loan Agreement and the Indenture. These summaries do not purport to be and should not be regarded as complete statements of the terms of the Eleventh Supplemental Loan Agreement or the Indenture or as complete statements of the provisions summarized. Reference is made to the documents in their entirety, copies of which may be obtained from the Trustee, for a complete statement of the terms and conditions therein.

The Eleventh Supplemental Loan Agreement

In connection with the issuance of the Bonds, the Authority will enter into the Eleventh Supplemental Loan Agreement, pursuant to which the Authority will loan the proceeds of the Bonds to the College. The Eleventh Supplemental Loan Agreement requires the College to make loan repayments to the Authority in amounts sufficient to pay the debt service payments on the Bonds. The obligation of the College to the Authority under the Eleventh Supplemental Loan Agreement will be evidenced by the Note.

Source of Debt Service Payments. The debt service payments are payable by the College from its general revenues, from whatever source derived. The College covenants to include in its budget for each fiscal year during the term of the Eleventh Supplemental Loan Agreement the amount of loan payments required to be paid to the Authority with respect to the Note and the Eleventh Supplemental Loan Agreement in such fiscal year.

If the College defaults in its payments on the Note in any fiscal year because its revenues in such fiscal year are insufficient to pay its obligations as they become due and payable, the Authority shall notify the Secretary of the Department of such default and request that the Secretary of the Department withhold out of any appropriation due the College under the Community College Act an amount equal to the sum or sums owing by the College to the Authority, under the Eleventh Supplemental Loan Agreement and the Note, and to pay over to the Trustee, as sinking fund depository for the Note, the amount so withheld.

Assignment of the Eleventh Supplemental Loan Agreement. The Loan payments shall be paid by the College directly to the Trustee under an assignment by the Authority to the Trustee of such payments for the benefit and security of the Bondholders under the Indenture.

Unsecured General Obligation. Payment of the principal and redemption price of and interest due under the Note and Eleventh Supplemental Loan Agreement and all other sums payable under the Eleventh Supplemental Loan Agreement are the unsecured general obligations of the College. The payments are required to be made in full directly to the Trustee, as assignee, when due without delay or diminution for any cause whatsoever, including, without limitation, destruction of the College's facilities, and without right of set-off for default on the part of the Authority under the Eleventh Supplemental Loan Agreement. The College's obligations under the Eleventh Supplemental Loan Agreement and the Note are not secured by any mortgage or other lien on any real or personal property of the College. **The College has no taxing power.**

Annual Audit. The College covenants to keep accurate records and books of account with respect to the Project (as defined in the Eleventh Supplemental Loan Agreement) and shall furnish to the Authority a copy of its annual audited financial statements within 30 days of the availability of such statements, and copies of all financial statements required to be submitted by the College to the Department under the laws of the Commonwealth.

The Indenture

Limited Obligation of the Authority. **The Bonds are limited obligations of the Authority. Neither the principal or redemption price of the Bonds, nor the interest accruing thereon, shall constitute a general indebtedness of the Authority or an indebtedness of the Commonwealth or any political subdivision thereof within the meaning of any constitutional or statutory provision whatsoever, constitute or give rise to a general pecuniary liability of the Authority or a pecuniary liability of the Commonwealth or any political subdivision thereof, constitute a charge against the general credit of the Authority or the general credit or taxing power of the Commonwealth or any political subdivision thereof, or be deemed to be a general obligation of the Authority or an obligation of the Commonwealth or any political subdivision thereof. The Authority has no taxing power.**

Pledge of Certain Revenues. The Authority in the Eleventh Supplemental Indenture has pledged and assigned and granted to the Trustee a security interest in all loan payments, and other sums payable by the College under the Eleventh Supplemental Loan Agreement and the Note, for the benefit and security of the registered owners of the bonds issued under the Indenture.

Revenue Fund. All loan payments by the College under the Eleventh Supplemental Loan Agreement and Note are required to be deposited in the Revenue Fund established under the Indenture with the Trustee on or before the date of any required or permitted payment of principal of or interest on the Bonds. Moneys in the Revenue Fund established under the Indenture are required to be transferred by the Trustee at the times set forth in the Indenture to the various other funds established under the Indenture.

Project Fund. The Trustee shall transfer to the Project Fund established under the Indenture the amount designated for the purpose of the issue described herein.

Debt Service Fund. The Trustee shall transfer to the Debt Service Fund established under the Indenture from moneys in the Revenue Fund, moneys in an amount sufficient to make the interest payments and principal payments on the Bonds when due.

Rebate Fund. Under the Indenture a Rebate Fund is established. The Authority will periodically and upon retirement of the last of the Bonds determine the sum required to be deposited in the Rebate Fund, if any, and direct the Trustee to transfer such sum from other funds and accounts established under the Indenture. The Authority will direct the Trustee to pay to the United States Government the sums on deposit in the Rebate Fund at the times and in the amounts, if any, required by the Internal Revenue Code of 1986, as amended. Also, under the Eleventh Supplemental Loan Agreement the College is obligated to make rebate payments as required. All amounts in the Rebate Fund shall be held by the Trustee free and clear of the lien of the Indenture.

Investment of Funds. Moneys held in the funds and accounts established under the Indenture may, and upon instructions of the College shall, be wholly or partially deposited and redeposited by the Trustee in Investment Securities with any authorized depository, which deposits, to the extent not insured, shall be secured as provided by the Indenture, or invested or reinvested by the Trustee at the direction of the College solely in obligations which meet the requirements set forth in the Indenture, subject to limitations provided in the Indenture.

Additional Bonds. The Indenture permits the Authority to issue one or more series of Additional Bonds thereunder from time to time to: (i) pay the Costs of undertaking or completing any College project; and (ii) to pay the Cost of refunding all or a portion of bonds outstanding under the Indenture and issued on behalf of the College or any other obligation of the College.

Default and Remedies. The Act provides certain remedies to the Bondholders in the event of default or failure on the part of the Authority to fulfill its covenants under the Indenture.

Under the Indenture, upon the occurrence of an Event of Default (as defined therein) the Trustee may enforce, and upon the written direction of the Insurer (as defined in the Indenture) or the written request of the holders of 25% in principal amount of the bonds then outstanding, under the Indenture, accompanied by indemnity as provided in the Indenture, shall enforce for the benefit of all Bondholders all their rights to bringing suit, action or proceeding at law or in equity and of having a receiver appointed. For a more complete statement of rights and remedies of the Bondholders and of the limitations thereon, reference is made to the Indenture.

Annual Audit. The Authority covenants that it will keep proper books of record and account in which complete and correct entries shall be made of all transactions of the Authority and which, at all reasonable times, will be subject to the inspection of the Trustee or its representative duly authorized in writing.

Modifications and Amendments. Amendments to the Indenture are permitted without consent of Bondholders for certain purposes, including the imposition of additional restrictions and conditions respecting issuance of bonds, the addition of covenants and agreements by the Authority, the modification of the Indenture to conform the same with governmental regulations (so long as the rights of Bondholders are not adversely affected thereby), the curing of any ambiguity, defect or inconsistency in the Indenture, and the making of provision for matters which are necessary or desirable and which do not adversely affect the interests of Bondholders. Certain other modifications may be made to the Indenture, but only with the consent of the Insurer and owners of not less than 66 2/3% in principal amount of outstanding bonds issued under the Indenture.

CONTINUING DISCLOSURE

In accordance with the Securities and Exchange Commission Rule 15c2-12 (the "Rule"), the College will agree pursuant to a Continuing Disclosure Agreement between the College and the Trustee as dissemination agent (the "Dissemination Agent") to be delivered on the date of issuance of the Bonds, to cause the following information to be provided:

(i) to provide at least annually to the Municipal Securities Rulemaking Board (the "MSRB") Electronic Municipal Market Access ("EMMA") System, in such electronic format as is prescribed by the MSRB and accompanied by such identifying information as prescribed by the MSRB, the following annual financial information and operating data with respect to the College for each of its fiscal years, beginning with the calendar year ending June 30, 2014, within 180 days following the end of such fiscal year:

- the financial statements for the most recent calendar year, prepared in accordance with generally accepted accounting principles for local government units and audited in accordance with generally accepted auditing standards
- Employees and Enrollment
- Summary of the budget
- Financial Aid
- Audited Financial Statements: If not submitted as part of the annual financial information of the College in accordance with this paragraph (i), then when and if available, audited financial statements of the Issuer for the most recent fiscal year.

The College agrees to file with the MSRB, in a timely manner, notice of any failure to file any Annual Report on or before the date such Annual Report is to be filed in accordance with the provisions of this paragraph (i). Any such notice should indicate the date by which the subject Annual Report is expected to be completed and filed with the MSRB.

(ii) in a timely manner not in excess of ten business days after the occurrence of the event, to file with the MSRB, notice of the occurrence of any of the following events with respect to the Bond: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the College; (13) the consummation of a merger, consolidation, or acquisition involving the College or the sale of all or substantially all of the assets of the College, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(iii) in a timely manner, to provide to the EMMA, in such electronic format as is prescribed by the MSRB and accompanied by such identifying information as prescribed by the MSRB notice of a failure to provide required annual financial information, on or before the date specified above.

The College's obligations under the Continuing Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all the Bonds. In addition, the College's obligations to provide information and notices such as specified above shall terminate (i) at such other times as such information and notices (or any portion thereof) are no longer required to be provided by the Rule as it applies to the Bonds, (ii) in the event of a repeal or rescission of the Rule or (iii) upon a determination that the Rule is invalid or unenforceable.

The College and the Dissemination Agent, with the consent of the Authority, may amend the Continuing Disclosure Agreement and waive any of the provisions thereof, but no such amendment or waiver shall be executed and effective unless (i) the amendment or waiver is made in connection with a change in legal requirements, change in law or change in identity, nature or status of the College or the operations conducted by the College, (ii) the Continuing Disclosure Agreement as modified by the amendment or waiver, complies with the requirements of the Rule, and (iii) the amendment or waiver does not materially impair the interests of the registered owners of the Bonds. To the extent that the Rule requires or permits an approving vote of beneficial owners of the Bonds in connection with an amendment, the approving vote of the beneficial owners of Bonds constituting more than 50% of the aggregate principal amount of the then outstanding Bonds shall constitute such approval.

In the event of a breach or default by the College of its covenants to provide annual financial information and notices as provided above, the Dissemination Agent or any holder or beneficial owner of Bonds shall have the right to bring an action in a court of competent jurisdiction to compel specific performance by the College. A breach or default under the Continuing Disclosure Agreement shall not constitute an event of default under the Loan Agreement, the Indenture, the Bonds or any other agreement. The Dissemination Agent shall be under no obligation to enforce the Continuing Disclosure Agreement unless (i) directed in writing by the holders or beneficial owners of at least 25% of the outstanding principal amount of the Bonds and (ii) furnished with indemnity and security for expenses satisfactory to it.

The College has complied with all prior written undertakings under the Rule to provide timely ongoing disclosure of annual financial information and notice of material events as described in such written undertakings affecting its securities during the past five years.

LITIGATION

Generally

There is no controversy, investigation or litigation of any nature now pending or, to the knowledge of the College or the Authority, threatened against the College or the Authority, which seeks to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contests or affects the validity of the Bonds, the Indenture, the Loan Agreement, or the pledge or application of any moneys or security provided for the payment of the Bonds, or contesting the existence of the College or the Authority or their authority to undertake the Project.

The College, like other similar institutions, is subject to a variety of suits and proceedings. The College is vigorously defending all litigation. In the event of an adverse result, the College maintains liability insurance and, for matters not covered by insurance, the College had available cash as of April 30, 2014 of approximately $15 million, but available cash will vary from time to time based on the College's operations and financial results. In addition, the College has approximately $23.5 million in short term investments with maturities of 2 years or less and another $12 million in investments with maturities of 2-3 years. In the opinion of the College, no litigation, individually or in the aggregate, currently pending, or to the knowledge of the College threatened against it, will result in a material adverse effect on its financial condition.

Lancaster Campus

The College leased the Lancaster Campus from Redcay Development Companies/Pitney Road Partners LLC ("Pitney"), with an option to purchase. After several years of disputes regarding the amount of rent owed and the option to purchase, Pitney and the College proceeded to arbitration to resolve the disputes. The Panel ultimately issued a final award directing Pitney to transfer the property to the College for a total purchase price of $51,083,974. The parties proceeded to closing on December 15, 2011, although new disputes arose between the parties regarding various aspects of the purchase price, transfer taxes and rent. Although Pitney's position was that these disputes precluded closing from proceeding, the College obtained a Court Order to compel the closing to occur as scheduled, with the disputes to be resolved following closing. After additional litigation, there were two remaining disputes. For all practical purposes, all of Pitney's claims against the College have been resolved and paid by the College. The College's only additional costs relate to the construction of the right-turn lane, and the College will be able to recover at least some of that cost back from Pitney.

LEGALITY FOR INVESTMENTS

Under the Act, the Bonds are securities in which all officers of the Commonwealth and its political subdivisions and municipal officers and administrative departments, boards and commissions of the Commonwealth, all banks, savings banks, trust companies, savings and loan association, investment companies and other persons carrying on a banking business, all insurance companies, insurance associations and other persons carrying on an insurance business, and all administrators, executors, guardians, trustees and other fiduciaries, and all other persons who are authorized to invest in Bonds or other financial obligations of the Commonwealth may properly and legally invest any funds, including capital belonging to them or within their control, and the Bonds are securities which may properly and legally be deposited with and received by any Commonwealth and municipal officers or agency of the Commonwealth for any purpose for which the deposit of other bonds or other obligations of the Commonwealth is authorized by law.

TAX EXEMPTION AND OTHER TAX MATTERS

Federal Income Tax Matters

On the date of delivery of the Bonds, Rhoads & Sinon LLP, Harrisburg, Pennsylvania, as Bond Counsel to the Authority, will issue an opinion to the effect that under existing statutes, regulations and judicial decisions, interest on the Bonds is excludable from gross income for purposes of federal income taxation and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although such interest is taken into account in determining adjusted current earnings of corporations (as defined for federal income tax purposes) for purposes of such alternative minimum tax. This opinion of Bond Counsel will assume the accuracy of representations made by the Authority and the College and will be subject to the condition that the Authority and the College will comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. See the proposed text of the opinion of Bond Counsel appended to this Official Statement. The Authority and the College have covenanted to comply with all such requirements, which include, among others, restrictions upon the yield at which proceeds of the Bonds and other money held for the payment of the Bonds and deemed to be "proceeds" thereof may be invested and the requirement to calculate and rebate any arbitrage that may be generated with respect to investments allocable to the Bonds. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds.

Certain maturities of the Bonds may be sold to the public in the initial offering at a price less than the stated redemption price of such Bonds at maturity (that is, at less than par or the stated principal amount), the difference being "original issue discount". Generally, original issue discount accruing on a tax-exempt obligation is treated as interest excludable from gross income for federal income tax purposes. In addition, original issue discount that has accrued on a tax-exempt obligation is treated as an adjustment to the issue price of the obligation for the purpose of determining taxable gain upon sale or other disposition of such obligation prior to maturity. The Code provides specific rules for the accrual of original issue discount on tax-exempt obligations for federal income tax purposes. Prospective purchasers of Bonds being sold with original issue discount should consult their tax advisors for further information.

Bonds maturing on October 1 of the years 2014 through and including 2021 are being offered and sold to the public at a price in excess of the principal amount thereof (the "Premium Bonds"). Under the Code, the difference between the principal amount of a Premium Bond and the cost basis of such Premium Bond to an owner thereof is "bond premium." Bond premium is amortized over the term of a Premium Bond (i.e., the maturity date of a Premium Bond or its earlier call date) for federal income tax purposes. An owner of a Premium Bond is required to decrease the owner's basis in such Premium Bond by the amount of the amortizable bond premium attributable to each taxable year (or portion thereof) the owner owns such Premium Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate determined with respect to the yield on a Premium Bond compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain subchapter S corporations with substantial passive income and Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. Bond Counsel will express no opinion as to such collateral tax consequences, and prospective purchasers of the Bonds should consult their tax advisors.

No representation is made or can be made by the Authority and the College or any other party associated with the issuance of the Bonds as to whether or not any legislation now or hereafter introduced and enacted will be applied retroactively so as to subject interest on the Bonds to inclusion in gross income for Federal income tax purposes or so as to otherwise affect the marketability or market value of the Bonds. Enactment of any legislation that subjects the interest on the Bonds to inclusion in gross income for federal income tax purposes or otherwise imposes taxation on the Bonds or the interest paid thereon may have an adverse effect on the market value or marketability of the Bonds.

Proposed Changes in Federal Tax Laws

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Pennsylvania Tax Matters

On the date of delivery of the Bonds, Bond Counsel will issue an opinion to the effect that under the laws of the Commonwealth of Pennsylvania (the "Commonwealth") as presently enacted and construed, the Bonds are exempt from personal property taxes within the Commonwealth and the interest on the Bonds is exempt from the Commonwealth's Personal Income Tax and the Commonwealth's Corporate Net Income Tax. See the proposed text of the opinion of Bond Counsel appended to this Official Statement.

Profits, gains or income derived from the sale, exchange or other disposition of the Bonds are subject to state and local taxation within the Commonwealth, in accordance with Pennsylvania Act No. 1993-68.

Certain maturities of the Bonds may be sold to the public in the initial offering at a price less than their stated redemption price at maturity (that is, at an "original issue discount"). For Pennsylvania Personal Income Tax purposes, original issue discount on publicly offered obligations is treated under current regulations of the Pennsylvania Department of Revenue as interest and, for purposes of determining taxable gain upon sale or other disposition of an obligation the interest on which is exempt from income taxation by the Commonwealth, as an adjustment to basis. For Pennsylvania Corporate Net Income Tax purposes, original issue discount is to be accorded similar treatment, according to a Private Letter Ruling issued by the Office of the Chief Counsel of the Pennsylvania Department of Revenue dated December 2, 1993, but such Private Letter ruling may be relied upon only by the taxpayer to whom it was addressed.

Prospective purchasers of Bonds issued with original issue discount should consult with their tax advisors for further information and advice concerning the reporting of profits, gains or other income related to a sale, exchange or other disposition of such Bonds for Pennsylvania tax purposes.

No representation is made or can be made by the Authority and the College, or any other party associated with the issuance of the Bonds, as to whether or not any legislation now or hereafter introduced and enacted in the Commonwealth will be applied, either prospectively or retroactively, so as to subject interest on such Bonds to taxation in the Commonwealth or so as to otherwise affect the marketability or market value of such bonds. Enactment of any legislation that subjects the interest on such bonds to state or local taxes in the Commonwealth or otherwise imposes taxation on such Bonds may have an adverse effect on the market value or marketability of such bonds.

Federal Income Tax Interest Expense Deductions for Financial Institutions

Under the Code financial institutions are disallowed 100 percent of their interest expense deductions that are allocable, by a formula, to tax-exempt obligations acquired after August 7, 1986. An exception, which reduces the amount of the disallowance, is provided for certain tax-exempt obligations that are designated or "deemed designated" by the issuer as "qualified tax-exempt obligations" under Section 265 of the Code.

The Bonds have **not** been designated, or "deemed designated," as "qualified tax exempt obligations" for purposes and effect contemplated by Section 265 of the Code (relating to expenses and interest relating to tax exempt interest of certain financial institutions).

Financial institutions intending to purchase Bonds should consult with their professional tax advisors to determine the effect of the interest expense disallowance on their federal income tax liability.

CERTAIN LEGAL MATTERS

Purchase of the Bonds by the Underwriter is subject to the receipt of the approving legal opinion of Rhoads & Sinon LLP, Harrisburg, Pennsylvania, Bond Counsel, whose approving legal opinion will be delivered to the Underwriter at the time of the delivery of the Bonds. Certain legal matters will be passed upon by Barley Snyder LLP, Lancaster, Pennsylvania, Solicitor for the College, and for the Authority by Hartman Underhill & Brubaker, LLC, Lancaster, Pennsylvania.

FINANCIAL STATEMENTS

The financial statements of the College as of and for the year ended June 30, 2013 included in Appendix A have been audited by Smith Elliott Kearns & Company, LLC, independent auditors, as stated in its report appearing in Appendix A. In the opinion of the College there has been no material adverse change in the financial conditions of the College since June 30, 2013.

UNDERWRITING

The Underwriter has agreed to purchase the Bonds from the Authority, subject to certain conditions precedent, and will purchase all of the Bonds if any of such Bonds are purchased. The Bonds will be purchased for a purchase price of $23,246,981.10, equal to the par value of the Bonds plus a net original issue premium of $900,178.60, less an underwriter's discount of $163,197.50.

BOND RATINGS

Standard & Poor's Ratings Services has assigned an underlying rating of "A-" (stable outlook) to the Bonds. Standard & Poor's Rating Services is expected to assign its municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of principal of and interest on the Bonds will be issued by BAM. Such ratings reflect only the view of such organization and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following address: 55 Water Street, 38th Floor, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. The Authority and the College are not required to maintain any particular rating on the Bonds and shall have no liability if a rating is lowered, withdrawn or suspended.

Standard & Poor's Ratings Services released a bulletin dated October 13, 2011 stating the underlying rating on the College is unaffected by the City of Harrisburg's bankruptcy filing. As indicated in such bulletin, while the College receives financial support from the Commonwealth and 22 sponsoring school districts throughout the area, it does not receive any money from the City of Harrisburg itself.

FINANCIAL ADVISOR

The College has retained Public Financial Management, Inc., Harrisburg, Pennsylvania, as financial advisor (the "Financial Advisor") in connection with the preparation, authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

MISCELLANEOUS MATTERS

This Official Statement has been prepared under the direction of the College by Public Financial Management, Inc., Harrisburg, Pennsylvania, in its capacity as Financial Advisor to the College. The information set forth in this Official Statement has been obtained from the College and from other sources believed to be reliable. Insofar as any statement herein includes matters of opinion or estimates about future conditions, it is not intended as representation of fact, and there is no guarantee that it is, or will be, realized. Summaries or descriptions of provisions of the Bonds, the Indenture, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is hereby made to the complete documents, copies of which will be furnished by the College or the Financial Advisor upon request. The information assembled in this Official Statement is not to be construed as a contract with holders of the Bonds.

The Authority has no responsibility for the College's compliance with the Continuing Disclosure Agreement or for the contents of, or any omissions from, the financial information, operating data, or notices provided thereunder.

The references herein to the Indenture, the Loan Agreement, the Note, the Continuing Disclosure Agreement, the Act, the Community College Act and other materials are only brief outlines of certain provisions thereof and do not purport to summarize or describe all the provisions thereof, copies of which will be furnished by the Authority upon request.

The information contained in this Official Statement has been compiled or prepared from official and other sources deemed to be reliable and, although not guaranteed as to the completeness or accuracy, is believed to be correct as of this date. Statements involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The information contained in this Official Statement should not be construed as representing all the conditions affecting the Authority, the College, or the Bonds.

The Authority has not assisted in the preparation of this Official Statement, except for the statements under the sections, captioned "THE AUTHORITY" and, as it relates to the Authority, "LITIGATION", herein and, except for those sections, the Authority is not responsible for any statements made in this Official Statement. Except for the authorization, execution and delivery of documents required to affect the issuance of the Bonds, the Authority has not otherwise assisted in the public offer, sale or distribution of the Bonds. Accordingly, except as foresaid, the Authority assumes no responsibility for the disclosures set forth in this Official Statement.

STATE PUBLIC SCHOOL BUILDING AUTHORITY

By: /s/ Robert Baccon
Title: Executive Director

The College hereby approves the use and distribution of this Official Statement in connection with the issuance and the sale of the Bonds and hereby certifies that, as of the date hereof, the statements contained in this Official Statement relating to the College do not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

APPROVED:

HARRISBURG AREA COMMUNITY COLLEGE

By: /s/ John Eberly
Title: Vice President of Finance

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APPENDIX A

HARRISBURG AREA COMMUNITY COLLEGE
ANNUAL FINANCIAL REPORT
JUNE 30, 2013
INDEPENDENT AUDITOR'S REPORT

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Audited Financial Statement

June 30 2013

HACC

Founded in 1964

CENTRAL PENNSYLVANIA'S COMMUNITY COLLEGE

CONTENTS

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Harrisburg Area Community College
Harrisburg, Pennsylvania

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Harrisburg Area Community College (the College), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Harrisburg Area Community College Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

Board of Trustees
Harrisburg Area Community College

OPINIONS

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

EMPHASIS-OF-MATTER

As described in Note 1, the College has implemented a reporting model to account for deferred inflows, deferred outflows, net position, and items previously recorded as assets and liabilities required by the provisions of the Government Accounting Standards Board ("GASB") Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement 65, *Items Previously Recognized as Assets and Liabilities*, as of July 1, 2012. Our opinions were not modified with respect to this matter.

OTHER MATTERS

The financial statements of Harrisburg Area Community College as of June 30, 2012, were audited by other auditors whose report dated October 23, 2012, expressed an unmodified opinion on those statements. As discussed in Note 16, the College has restated its June 30, 2012 statements during the current year to properly account for direct loans and reclassify construction in progress, in accordance with accounting principles generally accepted in the United States of America. The other auditors reported on the June 30, 2012 financial statements before the restatement.

As part of our audit of the June 30, 2013 financial statements, we also audited the adjustments in Note 16 that were applied to restate the June 30, 2012 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the June 30, 2012 financial statements of Harrisburg Area Community College other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2012 financial statements as a whole.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 14 and the other post-employment benefit schedule of funding progress on page 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing

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

Board of Trustees
Harrisburg Area Community College

standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2013, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
October 16, 2013

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, 2013, with selected comparative information for the years ended June 30, 2012 and 2011. The purpose of the MD&A is to assist readers with understanding the accompanying financial statements by providing objective and understandable analysis of HACC's financial activities based on current known facts, decisions, and conditions. HACC management has prepared this analysis and is responsible for the completeness and fairness of the information contained within. This MD&A should be read in conjunction with the financial statements and notes.

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

Additionally, the College has implemented Government Accounting Standards Board Statement No. 61, "The Financial Reporting Entity". Pursuant to the criteria set forth in GASB 61, it was determined that the HACC Foundation is a component unit, whose sole purpose is to serve the institution by providing resources for scholarships and other college projects. The Foundation's financial statements for June 30, 2013 and 2012 are displayed in the financial statements section of the report and are not included in the MD&A discussions. Separately issued financial statements are available for the HACC Foundation by contacting Mr. John M. Eberly, Vice President of Finance and College Resources, Harrisburg Area Community College, One HACC Drive, Harrisburg, PA 17110-2999.

FINANCIAL HIGHLIGHTS

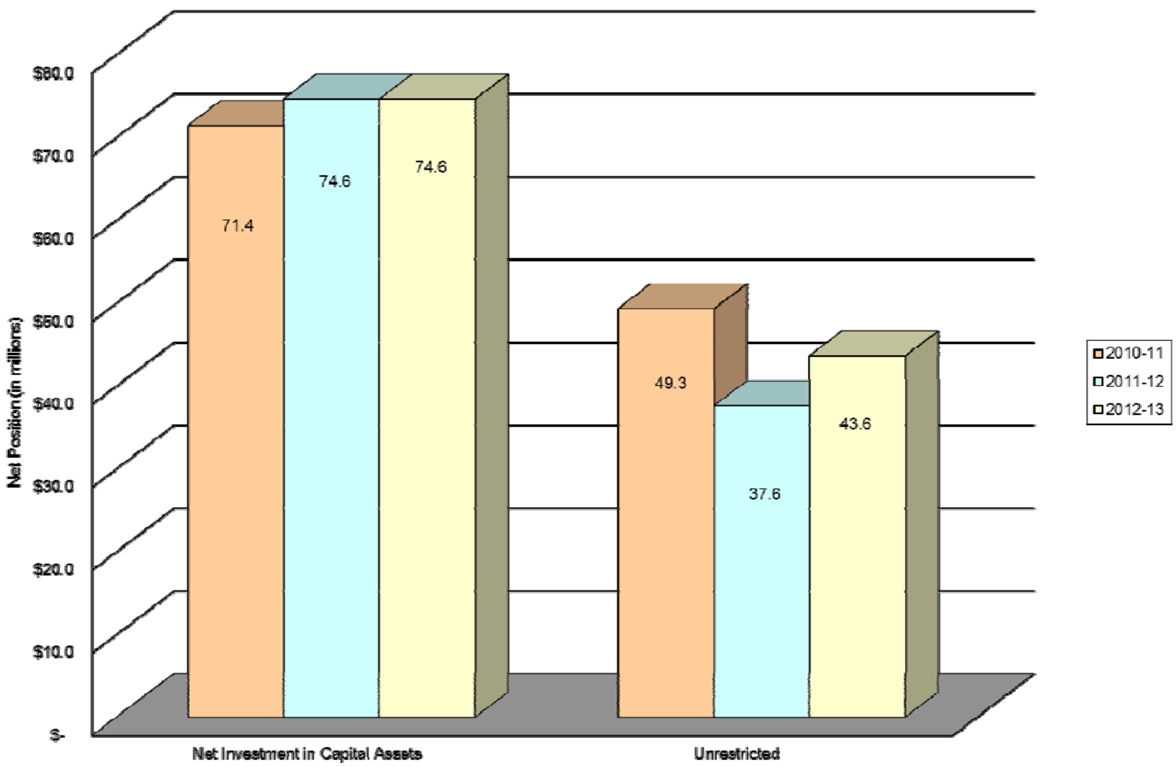
HACC's financial position continues to remain strong as of June 30, 2013. At June 30, 2013, HACC's assets of $286.7 million exceeded its liabilities of $168.5 million by $118.2 million, an increase over the prior year of $6.0 million. At June 30, 2012, assets of $272.0 million exceeded liabilities of $159.8 million by $112.2 million, a decrease compared to the prior year of $8.5 million.

The "Net Position", which represents the difference between total assets plus deferred outflows of resources and total liabilities, is divided into two major categories. The first category, net invested in capital assets, shows the College's equity in property, plant, and equipment that it owns. The second category, unrestricted net position, is available to use for any lawful purpose of the College. The following table and graph summarizes the College's statement of net position by category as of June 30, 2013, 2012, and 2011.

**Net Position
As of June 30
(In millions)**

	2013	2012	Increase (Decrease) 2013-2012	2011	Increase (Decrease) 2012-2011
Net Investment in Capital Assets	$74.6	$74.6	$0.0	$71.4	$2.8
Unrestricted	43.6	37.6	6.0	49.3	(11.3)
Total Net Position	$118.2	$112.2	$6.0	$120.7	($8.5)

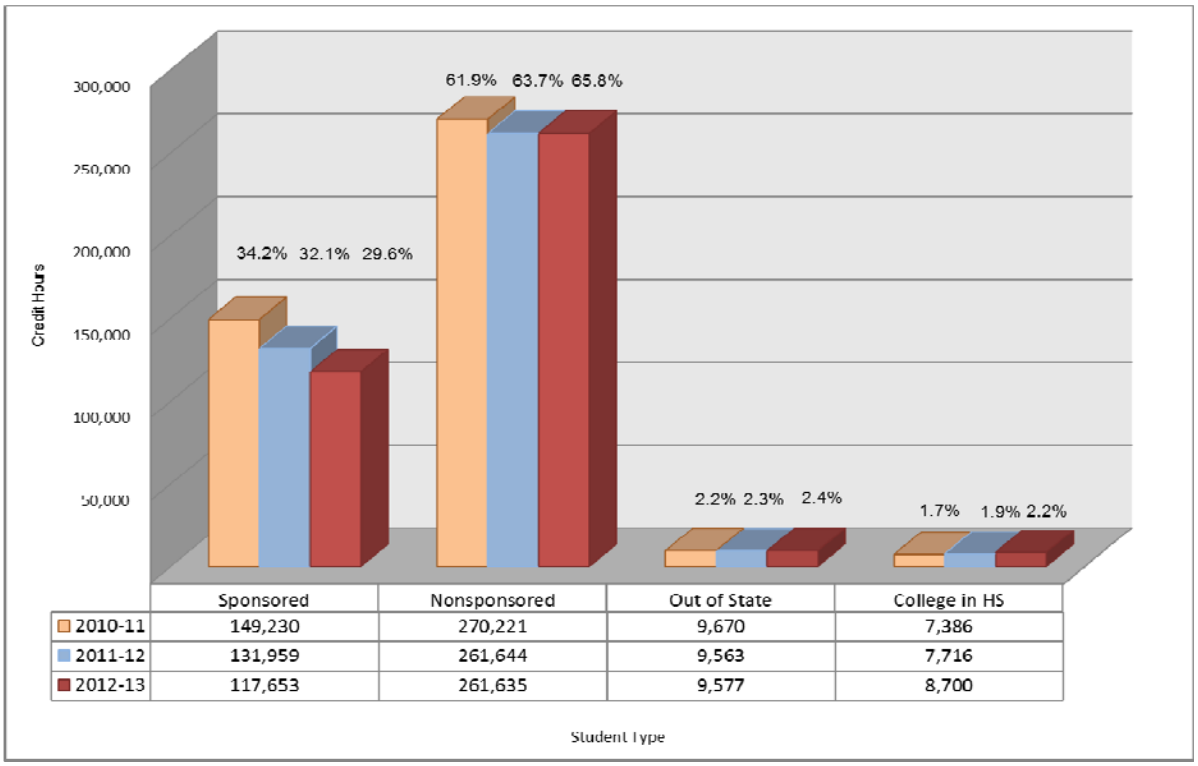
Comparison of Net Position Fiscal Years 2011, 2012, 2013



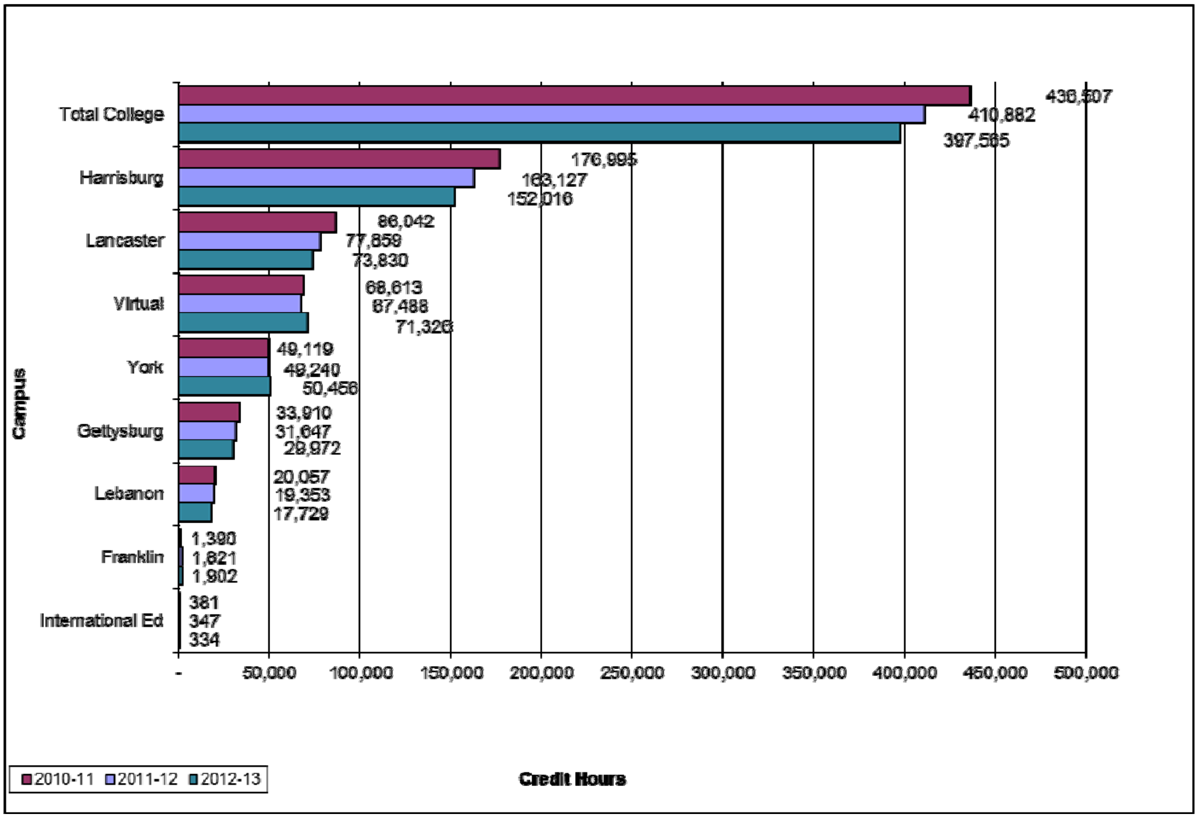
CREDIT HOUR PRODUCTION

The College experienced a decrease in enrollments of 3.2% (13,317 credit hours) in 2013 and 5.9% (25,625 credit hours) in 2012 due to the continuing effects of the economy. Total credit hours have gone from 436,507 in 2011 to 410,882 for 2012 and to 397,565 for 2013. In 2013, the College realized the percentage of non-sponsored student credit hours increase to 65.8% of total enrollments, up from 63.7% in 2012 and 61.9% in 2011 as compared to a decrease in the percentage of sponsoring student credit hours to 29.6% of total enrollments in 2013, down from 32.1% in 2012, and 34.2% in 2011. Each non-sponsored student paid tuition of $195.00 per credit hour in 2013, while a sponsored student paid $139.50 per credit hour and received local sponsoring school district support.

Credit Hour Production by Student Type



Credit Hour Production by Campus 2011, 2012, 2013



STATEMENTS OF NET POSITION

The statement of net position presents the assets, deferred outflows/inflows of resources, liabilities, and net position of the College as of the end of the June 30, 2013 fiscal year. This statement provides a snapshot of the financial condition of the College with unrestricted net position representing funds available to continue the operations of the institution. It presents the end-of-the-year data for current and noncurrent assets, deferred outflows/inflows of resources, current and noncurrent liabilities, and net position (assets plus deferred outflows minus liabilities and deferred inflows). Over periods of time, increases and decreases in net position may serve as a useful gauge of the College's financial position. As the following chart illustrates, the College is in a strong financial position with net position increasing over the past year due to savings in salary and benefits due to reduction in workforce, vacant positions, and alignment of operating costs with operating revenues.

Statements of Net Position
(In millions)

	2013	2012	Increase (Decrease) 2013-2012	2011	Increase (Decrease) 2012-2011
Assets					
Current Assets	$50.7	$66.1	($15.4)	$92.5	($26.4)
Noncurrent Assets	235.9	205.6	30.3	138.1	67.5
Total Assets	286.6	271.7	14.9	230.6	41.1
Deferred Outflows of Resources	0.1	0.3	(0.2)	-	0.3
Total Assets and Deferred Outflows of Resources	286.7	272.0	14.7	230.6	41.4
Liabilities					
Current Liabilities	28.8	34.2	(5.4)	25.7	8.5
Noncurrent Liabilities	139.7	125.6	14.1	84.1	41.5
Total Liabilities	168.5	159.8	8.7	109.8	50.0
Net Position					
Net Investment in Capital Assets	74.6	74.6	0.0	71.4	3.2
Unrestricted	43.6	37.6	6.0	49.3	(11.7)
Total Net Position	$118.2	$112.2	$6.0	$120.7	($8.5)

In 2013, current assets decreased by $15.4 million over 2012. During the year, cash and cash equivalents decreased by $5.6 million and short-term investments decreased by $11.6 million. The decrease is a result of $17.2 million invested in long-term instruments to obtain better interest rates. In addition, restricted cash and cash equivalents increased by a net $4.6 million due to the issuance of the 2013 bond for the renovation of the C. Ted Lick Wildwood Conference Center to house central administration. In 2013, the College incurred a decrease in accounts receivable by $2.2 million due to increased collection efforts and minor changes in financial aid disbursement practices, a $332,000 decrease in other assets due to reclassification of bond costs, a decrease in prepaid items, and a minor increase in bookstore inventory.

The noncurrent assets increased by $30.3 million in 2013 from the previous year. The increase is partially due to the purchase of the York Campus. In addition, $19.2 million of cash and cash equivalent and short-term investments were invested in long term instruments to obtain better interest rates. Deferred outflows of resources decreased by $176,000 due to reduction in deferred charges on bond refunding.

Current liabilities for 2013 decreased by $5.4 million due to decreases of $7.5 million in accrued expenses and an increase of $634,000 in unearned revenue representing an increase in paid tuition and fees toward Summer II and Fall 2013 semesters. Also, the current portion of long-term liabilities increased by $1.3 million with added debt for the 2012-2013 bond issues. Noncurrent liabilities for 2013 reflect an increase of $14.1 million in bonds payable as debt added during 2013 to purchase the York Campus.

Net position increased to $118.2 million as of June 30, 2013. The largest portion of these net assets, $74.6 million, reflects the College's net investment in capital assets. The College uses these capital assets to provide services to students, faculty, and staff and is not available for future spending. Therefore, resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities. The unrestricted net position balance of $43.6 million is available to use for any lawful purpose of the College.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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

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

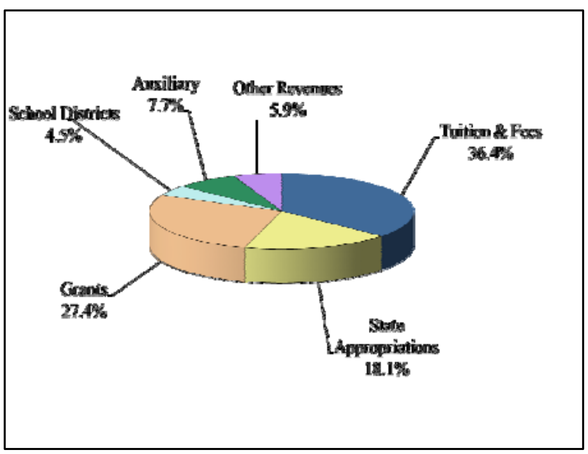
The following is a summarized version of the College's revenues, expenses, and changes in net position for years ending June 30, 2013, 2012, and 2011, as well as graphical representations of revenues and expenses by category.

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

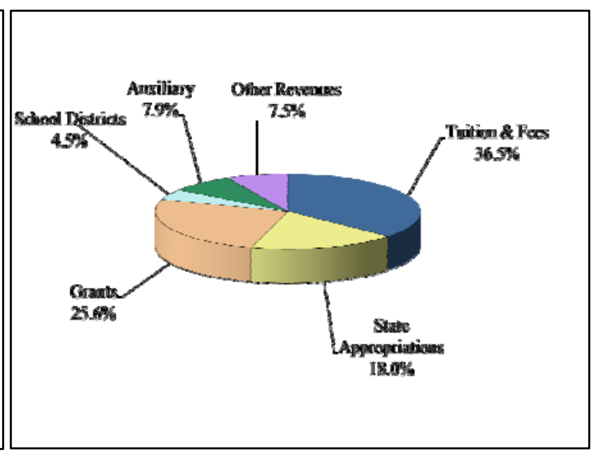
	2013	2012	Increase (Decrease) 2013-2012	2011	Increase (Decrease) 2012 - 2011
Operating Revenues	$138.8	$138.2	$0.6	$136.3	$1.9
Operating Expenses	178.8	195.1	(16.3)	182.9	12.2
Operating Income (Loss)	(40.0)	(56.9)	16.9	(46.6)	(10.3)
Nonoperating Revenues (Net)	36.3	39.4	(3.1)	43.9	(4.5)
Net Income (Loss) Before Capital Contributions	(3.7)	(17.5)	13.8	(2.7)	(14.8)
Capital Contributions	9.7	9.0	0.7	8.7	0.3
Increase (Decrease) in Net Position	$6.0	($8.5)	$14.5	$6.0	($14.5)

Total Operating and Non-Operating Revenues

2013



2012



Operating revenues of $138.8 million in 2013 were $624,000 greater than 2012. Total operating revenues in 2012 were $138.2 million, which was an increase of $1.9 million over 2011. In 2013, tuition and fees increased to $782,000 driven by increased tuition per credit hour (sponsored students $139.50 in 2013 versus $136.50 in 2012, non-sponsored students $195.00 in 2013 versus $189.00 in

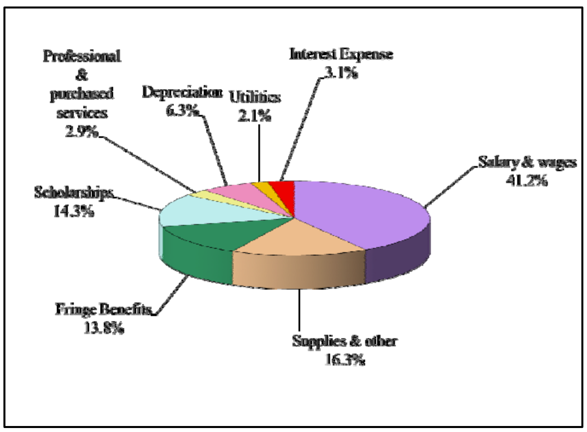
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)

Total Operating and Non-Operating Revenues (Continued)

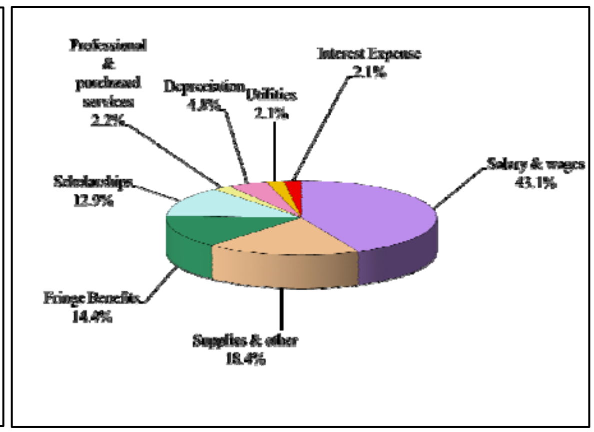
2012, and out-of-state students $292.50 in 2013 versus $283.50 in 2012) but scholarship allowances and discounts increased by $2.0 million resulting in a net tuition and fee decrease of $1.2 million. Also, the College experienced an overall increase of $2.7 million in grants and contracts mainly from additional federal grants and contracts. This was due to an increased number of participants receiving assistance. Other operating revenues decreased by $916,000 which includes income from institutional fees.

Total Operating Expenses by Natural Source

2013

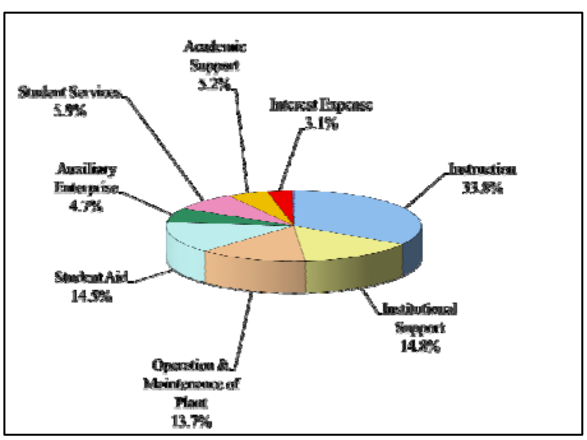


2012

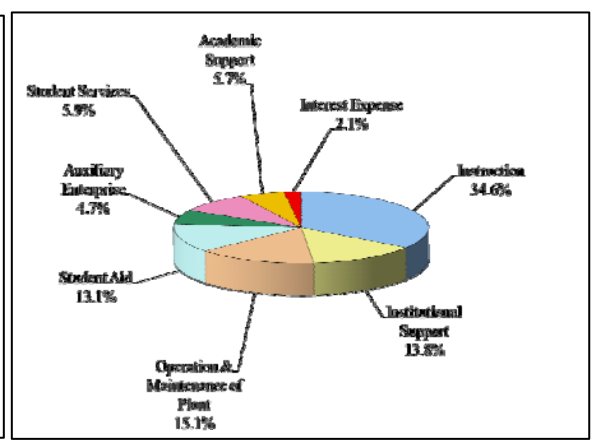


Total Operating Expenses by Function

2013



2012



STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)

Total Operating Expenses by Function (Continued)

Operating expenses decreased by $16.3 million in 2013. With the exception of scholarships and fellowships and depreciation and amortization, the College experienced a decrease in all expense categories in 2013 compared to 2012. The $657,000 increase in scholarships/fellowships reflects additional PELL awards and depreciation/amortization increased $2.1 million due to additional capitalized assets and change in expense recognition of bond insurance. Salary and fringe benefits decreased $13.4 million due to a reduction in workforce, college realignment, and vacant positions. Other changes in expenses include utilities decreasing by $232,000 due to energy efficient improvements, supplies and other expenses decreased by $4.6 million which is mainly due to savings of lease expenses when the College purchased the Lancaster Campus and overall decrease in operational supplies and instructional equipment not capitalized, and professional and purchased services were down $842,000 in all subcategories.

Non-operating revenues (expenses) decreased by $3.0 million which includes a decrease of $1.0 million in state appropriations and gifts, an increase in $1.4 million in interest expense, and a net decrease of $653,000 in other non-operating revenue. The increase of $1.4 million in interest expense is capital asset related debt, which includes interest payments on 2011, 2012, and 2013 bonds issued to purchase the Lancaster and York Campus and renovate the C. Ted Lick Wildwood Conference Center to facilitate Central Administration.

The total capital contributions for fiscal year 2013 amounted to $9.7 million. This was an increase of $759,000 compared to 2012 which includes an increase of $682,000 in state and local appropriations and an increase of $77,000 in grants and gifts.

The Statement of Revenues, Expenses, and Changes in Net Position reflects an overall increase of $6.0 million due to decreases in operating expenses.

STATEMENTS 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, 2013 had decreased $1.0 million compared to the prior year. The following is a summary of the statement of cash flows for the years ending June 30, 2013, 2012, and 2011.

Cash Flows
(In millions)

	2013	2012	Increase (Decrease) 2013-2012	2011	Increase (Decrease) 2012-2011
Cash Provided (Used) By:					
Operating Activities	($32.2)	($44.0)	$11.8	($35.1)	($8.9)
Noncapital Financing Activities	41.3	42.5	(1.2)	45.6	(3.1)
Capital Financing Activities	(2.6)	(16.3)	13.7	(17.3)	1.0
Investing Activities	(7.5)	(13.5)	6.0	6.3	(19.8)
Net Increase (decrease) in Cash and Cash Equivalents	(1.0)	(31.3)	30.3	(0.5)	(30.8)
Cash and Cash Equivalents - Beginning of Year	36.2	67.5	(31.3)	68.0	(0.5)
Cash and Cash Equivalents - End of Year	$35.2	$36.2	($1.0)	$67.5	($31.3)

CAPITAL ASSET AND DEBT ADMINISTRATION

During the year ended June 30, 2013, the College had total capital additions of approximately $33.6 million which included the purchase of the York Campus and numerous renovation projects at other campuses. Renovation projects included completion and placement in service of the newly constructed Law Enforcement Center (LEC) on the Harrisburg Campus and purchase of a new fire truck for Non-Credit, replacement of chiller on the Lancaster Campus, flood renovations at the Gettysburg Campus, and general renovations at the York Campus.

The College has several outstanding debt instruments which were issued to finance various construction projects and other improvements. These debts, including payment schedules are fully disclosed in greater detail within Notes 7 and 8 of the financial statements.

CAPITAL PLAN

For 2014, the College has a variety of capital projects that have been planned or are currently being planned based upon funding availability. The plan includes multiple projects on the Harrisburg Campus including renovating the C. Ted Lick Wildwood Conference Center to facilitate Central Administration (currently funded), seal coat roads and parking lots, and library window replacement on campus. There are plans to retro-commission buildings, resurface parking lots, and replacement of a multipurpose truck at the Lancaster Campus. The College plans to replace/install parking lot light fixtures and remodel several classrooms at the Gettysburg Campus.

Finally, the College is planning several renovation projects at the York Campus including door and window replacements, general purpose interior remodeling, interior and exterior thermal and moisture protection, and sidewalk replacements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

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

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

The College has undergone significant cultural and economic changes to remain fiscally sustainable by realigning the operating costs with the estimated revenues through organizational realignment and process improvements. The realignment included elimination of numerous vacant and open positions and a modest increase in student fees.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE (CONTINUED)

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

HARRISBURG AREA COMMUNITY COLLEGE
Statements of Net Position
June 30, 2013 and 2012

	2013	2012 (as restated)	2013	2012
	Primary Institution		Component Unit Foundation	
ASSETS				
Current Assets				
Cash and cash equivalents	$ 26,398,377	$ 31,987,515	$ 735,190	$ 1,260,072
Restricted cash and cash equivalents	8,811,535	4,202,914	-	-
Short-term investments	2,645,019	14,272,482	-	-
Accounts receivable, net	8,796,598	11,020,074	2,511,727	3,024,036
Loans receivable - current portion	5,122	22,431	-	-
Other assets	1,462,690	1,845,339	3,017	2,118
Inventories	2,485,362	2,458,959	-	-
Due from HACC Foundation	113,839	320,487	-	-
Total Current Assets	50,718,542	66,130,201	3,249,934	4,286,226
Noncurrent Assets				
Long-term investments	27,394,913	8,189,238	29,654,700	27,837,424
Loans receivable - long term portion	21,990	10,152	-	-
Capital assets, net of accumulated depreciation	208,526,144	197,381,794	-	-
Total Noncurrent Assets	235,943,047	205,581,184	29,654,700	27,837,424
Total Assets	286,661,589	271,711,385	32,904,634	32,123,650
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on bond refunding	118,416	294,592	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 286,780,005	$ 272,005,977	$ 32,904,634	$ 32,123,650
LIABILITIES				
Current Liabilities				
Due to HACC	$ -	$ -	$ 113,839	$ 320,487
Accounts payable and accrued expenses	12,313,198	19,862,356	113,665	-
Deposits held in custody for others	1,484,468	1,246,895	-	-
Unearned revenue	5,068,460	4,434,297	69,700	34,000
Current portion of long term liabilities	9,968,314	8,653,982	-	-
Total Current Liabilities	28,834,440	34,197,530	297,204	354,487
Noncurrent Liabilities				
Long-term liabilities	138,728,755	124,871,406	-	-
OPEB obligations	980,220	763,638	-	-
Total Noncurrent Liabilities	139,708,975	125,635,044	-	-
Total Liabilities	168,543,415	159,832,574	297,204	354,487
NET POSITION				
Net Investment in capital assets	74,615,956	74,631,915	-	-
Restricted - temporarily	-	-	13,840,387	14,222,661
Restricted - permanently	-	-	16,639,945	15,836,673
Unrestricted	43,620,634	37,541,488	2,127,098	1,709,829
Total Net Position	118,236,590	112,173,403	32,607,430	31,769,163
TOTAL LIABILITIES AND NET POSITION	$ 286,780,005	$ 272,005,977	$ 32,904,634	$ 32,123,650

HARRISBURG AREA COMMUNITY COLLEGE
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2013 and 2012

	2013	2012 (as restated)	2013	2012
	Primary Institution		Component Unit Foundation	
REVENUES				
Operating Revenues				
Student tuition and fees	$ 83,452,924	$ 82,671,106	$ -	$ -
Scholarship allowance and discounts	(18,212,000)	(16,260,834)	-	-
Federal grants	39,165,095	37,224,289	-	-
State and local grants	9,777,138	9,093,679	-	-
Nongovernmental grants	313,159	228,681	-	-
Sales and services of auxiliary enterprises	13,756,191	14,450,698	-	-
Other operating revenues	10,568,325	10,789,422	-	-
Contributions	-	-	3,138,850	2,904,193
Investment income, net of investment expenses of $ 118,054 - 2013 and $108,325 - 2012	-	-	714,516	638,321
Realized and unrealized gains (losses) on investments	-	-	2,186,013	(600,507)
Support fee	-	-	-	-
Total Operating Revenues	138,820,832	138,197,041	6,039,379	2,942,007
EXPENSES				
Operating Expenses				
Salaries and wages	75,682,933	85,880,566	772,127	291,311
Fringe benefits and payroll taxes	25,540,501	28,709,635	344,541	111,891
Supplies and other expense	30,115,092	34,742,366	2,898,537	1,099,974
Professional and purchased services	5,433,261	6,274,923	26,669	220,414
Utilities	3,933,362	4,165,248	-	-
Depreciation and amortization	11,709,138	9,597,052	-	-
Scholarships	26,395,431	25,738,609	940,092	823,054
Contributions and grants	-	-	219,146	489,559
Total Operating Expenses	178,809,718	195,108,399	5,201,112	3,036,203
Operating Income (Loss)	(39,988,886)	(56,911,358)	838,267	(94,196)
NON-OPERATING REVENUES (EXPENSES)				
State appropriations	32,390,178	32,783,585	-	-
Local appropriations	8,002,674	8,002,674	-	-
Gifts	1,556,434	2,136,037	-	-
Gain (loss) on sale of assets	2,336	(14,039)	-	-
Investment income, net of investment expenses of $15,640 - 2013 and $12,360 - 2012	82,564	751,386	-	-
Interest expense	(5,692,947)	(4,279,203)	-	-
Total Non-Operating Revenues, net	36,341,239	39,380,440	-	-
Net Income (Loss) Before Capital Contributions	(3,647,647)	(17,530,918)	838,267	(94,196)
CAPITAL CONTRIBUTIONS				
Capital appropriations - local sources	1,000,000	800,000	-	-
Capital appropriations - state sources	7,273,853	6,791,882	-	-
Capital grants and gifts	1,436,981	1,360,115	-	-
Total Capital Contributions	9,710,834	8,951,997	-	-
Increase (decrease) in Net Position	6,063,187	(8,578,921)	838,267	(94,196)
Net Position - Beginning of Year	112,173,403	120,752,324	31,769,163	31,863,359
Net Position - End of Year	$ 118,236,590	$ 112,173,403	$ 32,607,430	$ 31,769,163

HARRISBURG AREA COMMUNITY COLLEGE
Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012 (as restated)
	Primary Insitution	
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments received for tuition and fees	$ 66,146,324	$ 65,620,640
Payments received from grants and contracts	50,412,364	47,692,259
Payments received from auxiliary enterprise charges	13,739,960	14,452,424
Payments received from other revenues	10,354,354	10,838,875
Payments to and on behalf of employees	(105,125,269)	(114,104,633)
Payments to suppliers for goods and services	(41,356,062)	(42,726,895)
Payments for interest	-	-
Payments for contributions and grants	-	-
Payments for financial aid and scholarships	(26,389,336)	(25,757,685)
Net cash (used) by operating activities	(32,217,665)	(43,985,015)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	32,173,052	32,549,392
Local appropriations	7,552,567	7,836,783
Gifts received	1,611,284	2,095,200
Net cash provided by noncapital financing activities	41,336,903	42,481,375
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital debt financing	23,388,079	51,091,682
State and local appropriations	8,273,853	7,591,882
Capital grants and gifts received	1,436,981	1,360,115
Purchases of capital assets	(22,635,324)	(65,362,311)
Proceeds from sale of capital assets	2,336	-
Principal paid on debt and capital leases	(7,523,122)	(6,957,645)
Interest paid on debt and capital leases	(5,579,061)	(4,031,133)
Net cash provided by capital financing activities	(2,636,258)	(16,307,410)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(54,603,591)	(17,436,779)
Proceeds from sale/maturities of investments	47,025,381	3,194,813
Investment income	114,713	781,948
Net cash provided (used) by investing activities	(7,463,497)	(13,460,018)
Increase (decrease) in cash and cash equivalents	(980,517)	(31,271,068)
Cash and cash equivalents - beginning of year	36,190,429	67,461,497
Cash and cash equivalents - end of year	$ 35,209,912	$ 36,190,429
AS REPORTED ON STATEMENTS OF NET POSITION		
Cash and cash equivalents	$ 26,398,377	$ 31,987,515
Restricted cash and cash equivalents	8,811,535	4,202,914
Total cash and cash equivalents	$ 35,209,912	$ 36,190,429

HARRISBURG AREA COMMUNITY COLLEGE
Statements of Cash Flows (Continued)
Years Ended June 30, 2013 and 2012

	2013	2012 (as restated)
	Primary Insitution	
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES		
Operating income (loss)	$ (39,988,886)	$ (56,911,358)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation and amortization expense	11,709,138	9,597,052
Gain on disposal of capital assets	-	14,039
(Increase) Decrease in:		
Accounts receivable	2,221,386	(284,497)
Inventory	(26,403)	(260,811)
Other assets	45,158	743,814
Increase (Decrease) in:		
Unearned revenue	552,948	1,134,492
Accounts payable and accrued expense	(6,092,609)	3,016,862
Compensated absences	(184,241)	(656,404)
Other postemployment benefits	(216,582)	(236,158)
Deposits	(237,574)	(142,046)
Net cash (used) by operating activities	$ (32,217,665)	$ (43,985,015)
NONCASH INVESTING, CAPITAL AND FINANCING TRANSACTIONS		
Capital gifts of equipment and buildings	$ -	$ 13,785
Realized and unrealized gains (losses) on investments	$ (98,335)	$ 6,562

Note 1 Summary of Significant Accounting Policies

Organization

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

Measurement Focus and Basis of Accounting

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

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

Reporting Entity

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

Note 1 Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation

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

Net Position

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this statement is to enhance the usefulness of reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of net position. This standard establishes a framework detailing how these elements should be reported, which will result in standardizing the presentation of deferred balances and their effects on a government’s net position. The financial statements incorporate the changes required by Statement No. 63. Net position is classified in the following categories:

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

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

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

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

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

Note 1 Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

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

Management's Use of Estimates

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

Cash and Cash Equivalents

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

Restricted Cash and Cash Equivalents

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

Investments

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

Total Return Policy - HACC Foundation

The Foundation follows PA Act 141, "Investment of Trust Funds," and has adopted a total return policy for its permanently restricted endowment funds. Based on the PA Act 141 guidelines, the policy has been set into place where income for permanently restricted funds has been redefined to mean a percentage of the value of the trust. This percentage is determined annually by the Foundation Board and applied to the previous three years' average of the market value of the trust as a whole. The percentage must legally fall within the range of 2% to 7% and was approved to be 4% for the years ended June 30, 2013 and 2012. Actual investment return, net of the 4% spending policy, is added back to the permanently restricted corpus. The purpose of this policy is to smooth out the spending of the funds while maintaining the long term preservation of the fund as a whole under the assumption that in the long run, the actual income and growth of the fund will be greater than the spending of the fund.

Note 1 Summary of Significant Accounting Policies (Continued)

Inventories

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

Capital Assets

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

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

Deferred Outflows and Inflows of Resources

In March 2012, the GASB issued Statement No. 65, *Items Previously Recognized as Assets and Liabilities*. The objective of this statement is to enhance the guidance to determine which balances being reported as assets and liabilities should be reported as deferred outflows of resources or deferred inflows of resources. The financial statements incorporate the changes required by Statement No. 65.

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

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

Note 1 Summary of Significant Accounting Policies (Continued)

Long-Term Obligations

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

Income Taxes

The College is considered an activity of the Commonwealth of Pennsylvania and is tax-exempt. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The HACC Foundation 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 position.

Classification of Revenues

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

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

Note 1 Summary of Significant Accounting Policies (Continued)

Classification of Revenues (Continued)

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

Accounts Receivable

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

Allowance for Doubtful Accounts

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

Scholarship Allowances

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

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

Note 1 Summary of Significant Accounting Policies (Continued)

Pension Plans

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

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, 2013, $ 39,886,613 of the College's bank balance of $ 60,845,875 was exposed to custodial credit risk and as of June 30, 2012, $ 45,988,370 of the College's bank balance of $ 61,667,824 was exposed to custodial credit risk as follows:

	2013	2012
Uninsured and uncollateralized	$ -	$ -
Collateralized with securities held by the pledging financial institution	-	-
Uninsured and collateral held by the pledging bank's trust department but not in the College's name	39,886,613	45,988,370
	$ 39,886,613	$ 45,988,370

Included in investments on the statement of net position are CD's invested in the Pennsylvania School District Liquid Asset Fund (PSDLAF) and various financial institutions in the amount of $ 28,183,541 all with maturities of greater than three months, except for a CD in the amount of $ 2,000,000, as of June 30, 2013. At June 30, 2012, the College held CD's included in short term investments totaling $ 14,212,482. These are considered deposits for purposes of this disclosure.

Note 3 Investments

Credit Risk

Included on the statement of net position are pooled investments in the Pennsylvania School District Liquid Asset Fund (PSDLAF) of $ 1,004,475 (classified as cash equivalents). These funds are basically mutual funds that consist of short term money market instruments and seek to maintain a constant net asset value of $ 1 per share. At June 30, 2013, the College's investment in PSDLAF was rated AAAm by Standard and Poor's.

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.

Note 3 Investments (Continued)

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.

Investments of the College as of June 30, 2013 are comprised of the following:

	Cost	Fair Value	Unrealized Gains
Governmental Obligations - FHLB	$ 3,860,000	$ 3,860,695	$ 695

The College's governmental obligations are rated AAA by Moody's.

Investments of the HACC Foundation as of June 30, 2013 and 2012 are comprised of the following:

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

Note 4 Accounts Receivable (Continued)

	2012		
	Cost	Fair Value	Unrealized Gains (Losses)
Money market funds	$ 1,146,952	$ 1,146,952	$ -
Equities by industry:			
Consumer discretionary	612,931	775,328	162,397
Consumer staples	763,740	1,009,855	246,115
Energy	858,976	862,951	3,975
Exchange-traded fund	1,239,268	1,269,085	29,817
Financial	840,649	999,590	158,941
Health care	430,586	493,917	63,331
Industrials	986,257	1,340,387	354,130
Information technology	285,946	281,789	(4,157)
Materials	188,791	186,281	(2,510)
Telecommunication services	131,560	150,156	18,596
Utilities	105,809	112,640	6,831
Total equities	6,444,513	7,481,979	1,037,466
Mutual funds by type:			
Growth	1,596,531	1,746,723	150,192
Index	4,029,033	4,268,904	239,871
Value	1,709,952	1,738,165	28,213
International	2,295,342	2,111,593	(183,749)
Fixed income	8,131,655	8,198,679	67,024
Other	576,670	598,505	21,835
Total mutual funds	18,339,183	18,662,569	323,386
Government obligations	10,175	10,052	(123)
Corporate bonds	521,324	535,872	14,548
Total	$ 26,462,147	$ 27,837,424	$ 1,375,277

Accounts receivable consist of the following at June 30:

	College		Foundation	
	2013	2012	2013	2012
Student Tuition and fees	$ 6,664,371	$ 6,990,115	$ -	$ -
Allowance for doubtful accounts	(1,525,000)	(1,110,000)	-	-
Grants and contracts receivable	2,984,667	3,404,400	-	-
State appropriations receivable	-	-	-	-
Bookstore receivables	80,392	1,007,764	-	-
Other receivables	592,168	727,795	28,205	26,409
Pledges receivable (net)	-	-	2,483,522	2,997,627
Total	$ 8,796,598	$ 11,020,074	$ 2,511,727	$ 3,024,036

Bookstore receivables include $ 1,421,544 and $ 962,997 in vendor credit memos at June 30, 2013 and 2012, respectively.

Note 4 Accounts Receivable (Continued)

Pledges receivable of the Foundation, representing donor promises to give, have been discounted to their present value assuming their respective terms and a discount rate of 1.2% at June 30, 2013 and 1.0% at June 30, 2012. The unamortized discount was $ 68,721 and $ 156,439 at June 30, 2013 and 2012, respectively.

Note 5 Capital Assets

The following is a summary of capital asset transactions of the College for the years ended June 30, 2013 and 2012:

2013	Beginning Balance	Additions	Retirements	Ending Balance
Cost:				
Land (not being depreciated)	$ 9,761,938	$ 1,120,286	$ -	$ 10,882,224
Building	130,087,844	25,083,103	-	155,170,947
Improvements - land	3,759,236	3,074,054	-	6,833,290
Improvements - building	57,531,255	1,388,845	-	58,920,100
Improvements - leasehold	17,427,316	-	-	17,427,316
Instructional equipment	33,791,746	1,561,134	(16,466)	35,336,414
Non-instructional equipment	23,385,928	1,452,906	(5,000)	24,833,834
Construction in progress (not being depreciated)	14,188,154	2,638,098	(14,291,559)	2,534,693
Total cost	289,933,417	36,318,426	(14,313,025)	311,938,818
Less accumulated depreciation:				
Building	(31,943,381)	(3,122,453)	-	(35,065,834)
Improvements - land	(873,146)	(290,558)	-	(1,163,704)
Improvements - building	(16,260,291)	(2,749,446)	-	(19,009,737)
Improvements - leasehold	(4,687,498)	(849,013)	-	(5,536,511)
Instructional equipment	(19,971,379)	(1,682,314)	15,635	(21,638,058)
Non-instructional equipment	(18,815,928)	(2,187,902)	5,000	(20,998,830)
Total accumulated depreciation	(92,551,623)	(10,881,686)	20,635	(103,412,674)
Capital assets, net	$ 197,381,794	$ 25,436,740	$ (14,292,390)	$ 208,526,144

Note 5 Capital Assets (Continued)

	2012			
	Beginning Balance	**Additions**	**Retirements**	**Ending Balance**
Cost:				
Land (not being depreciated)	$ 4,608,961	$ 5,152,977	$ -	$ 9,761,938
Building	86,198,797	43,889,047	-	130,087,844
Improvements - land	2,494,479	1,264,757	-	3,759,236
Improvements - building	53,121,795	4,409,460	-	57,531,255
Improvements - leasehold	15,882,335	1,544,981	-	17,427,316
Instructional equipment	32,995,666	827,511	(31,431)	33,791,746
Non-instructional equipment	21,307,039	2,117,387	(38,498)	23,385,928
Construction in progress (not being depreciated)	4,538,409	14,188,154	(4,538,409)	14,188,154
Total cost	221,147,481	73,394,274	(4,608,338)	289,933,417
Less accumulated depreciation:				
Building	(29,399,392)	(2,543,989)	-	(31,943,381)
Improvements - land	(720,599)	(152,547)	-	(873,146)
Improvements - building	(14,012,446)	(2,247,845)	-	(16,260,291)
Improvements - leasehold	(3,891,554)	(795,944)	-	(4,687,498)
Instructional equipment	(18,244,763)	(1,756,411)	29,795	(19,971,379)
Non-instructional equipment	(16,814,630)	(2,027,393)	26,095	(18,815,928)
Total accumulated depreciation	(83,083,384)	(9,524,129)	55,890	(92,551,623)
Capital assets, net	$ 138,064,097	$ 63,870,145	$ (4,552,448)	$ 197,381,794

Note 6 Other Assets

Other assets of the College at June 30 consist of:

	2013	**2012**
Prepaid expenses	$ 533,259	$ 623,826
Prepaid bond insurance	1,299,596	1,678,938
Accumulated amortization - prepaid bond insurance	(370,165)	(457,425)
	$ 1,462,690	$ 1,845,339

Note 7 Long-Term Liabilities

Long-term liabilities had the following activity during the years ended June 30, 2013 and 2012:

2013

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

2012

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Long-term Portion
Leases and bonds/notes payable:						
Capital lease obligation	$ 46,047	$ -	$ (41,854)	$ 4,193	$ 4,193	$ -
Bonds and notes payable:						
Series of 2004	12,470,000	-	(1,745,000)	10,725,000	1,795,000	8,930,000
Series of 2005	2,390,000	-	(570,000)	1,820,000	585,000	1,235,000
Series of 2008	24,015,000	-	(1,200,000)	22,815,000	1,255,000	21,560,000
Series of 2009	17,385,000	-	(585,000)	16,800,000	805,000	15,995,000
Series of 2009A	11,380,000	-	(1,265,000)	10,115,000	1,285,000	8,830,000
Series of 2010	15,280,000	-	(5,000)	15,275,000	5,000	15,270,000
Series of 2011	-	51,010,000	(1,220,000)	49,790,000	1,650,000	48,140,000
Revolving Loan	464,721	-	(325,792)	138,929	138,929	-
Bond premium	34,985	219,327	(8,459)	245,853	13,130	232,723
Bond discount	(512,561)	-	30,971	(481,590)	(30,971)	(450,619)
Total leases and bonds/notes payable	82,953,192	51,229,327	(6,935,134)	127,247,385	7,505,281	119,742,104
Other liabilities:						
Compensated absences:						
Vacation leave	3,692,130	274,439	(829,839)	3,136,730	342,198	2,794,532
Sick leave	3,232,630	402,233	(949,482)	2,685,381	350,611	2,334,770
Early retirement payable	-	455,892	-	455,892	455,892	-
Total other liabilities	6,924,760	1,132,564	(1,779,321)	6,278,003	1,148,701	5,129,302
Total long-term liabilities	$ 89,877,952	$ 52,361,891	$ (8,714,455)	$ 133,525,388	$ 8,653,982	$ 124,871,406

Note 7 Long-Term Liabilities (Continued)

Bonds Payable

Revenue bonds payable to the State Public School Building Authority (SPSBA) at June 30, 2013 and 2012 consist of the following:

	2013	2012
2004, issued $ 26,530,000 in July 2004; at a fixed rate of 2.25% - 5.25%; interest and principal payable semi-annually through April 2024.	$ 8,930,000	$ 10,725,000
2005, issued $ 5,435,000 in July 2005; at a fixed rate of 3.00% - 4.00%; interest and principal payable semi-annually through April 2015.	1,235,000	1,820,000
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.	21,560,000	22,815,000
2009, issued $ 17,390,000 in May 2009; at a fixed rate of 2.00 - 4.50%; interest and principal payable semi-annually through October 2027.	15,995,000	16,800,000
2009A, issued $12,160,000 in November 2009; at a fixed rate of 2.00%-4.00%; interest and princpal payable semi-annually through October 2027	8,830,000	10,115,000
2010, issued $15,280,000 in May 2010; at a fixed rate of 3.00%-4.00%; interest and principal payable semi-annually through October 2030	15,270,000	15,275,000
2011, issued $51,010,000 in December 2011; at a fixed rate of 2.00%-5.00%; interest and princpal payable semi-annually through October 2031	48,140,000	49,790,000
2012, issued $14,860,000 in October 2012; at a fixed rate of 0.90%-3.75%; interest and principal payable semi-annually through October 2032	14,860,000	-
2013, issued $8,185,000 in April 2013; at a fixed rate of 1.00%-2.25%; interest and principal payable semi-annually through October 2021	8,185,000	-
Total bonds payable	$ 143,005,000	$ 127,340,000

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

Note 7 Long-Term Liabilities (Continued)

Note Payable

The revolving loan note payable of $ 0 and $138,929 for the years ended June 30, 2013 and 2012, respectively, 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. The balance was paid off during the current year.

Future Maturities

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

Year ending	State Share		College Share		Total	Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Total
2014	$ 3,529,087	$ 1,792,570	$ 5,610,913	$ 3,881,376	$ 9,140,000	$ 5,673,946	$ 14,813,946
2015	3,199,250	1,746,562	5,505,750	3,630,523	8,705,000	5,377,085	14,082,085
2016	2,971,750	1,647,906	4,928,250	3,457,263	7,900,000	5,105,169	13,005,169
2017	3,074,250	1,548,138	5,105,750	3,274,238	8,180,000	4,822,376	13,002,376
2018	3,016,750	1,440,414	4,988,250	3,076,214	8,005,000	4,516,628	12,521,628
2019-2023	14,668,750	5,562,087	25,751,250	12,248,399	40,420,000	17,810,486	58,230,486
2024-2028	12,296,250	2,885,358	24,333,750	6,674,068	36,630,000	9,559,426	46,189,426
2029-2033	7,991,250	704,269	16,033,750	1,512,871	24,025,000	2,217,139	26,242,139
Total	$ 50,747,337	$ 17,327,303	$ 92,257,663	$ 37,754,951	$ 143,005,000	$ 55,082,254	$ 198,087,254

Note 8 Leases

Operating Leases

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

2014	$ 4,848,374
2015	3,272,034
2016	2,982,068
2017	2,741,039
2018	2,627,805
2019-2022	10,500,000
Total minimum lease payments	$ 26,971,320

The total rent under operating leases for the years ended June 30, 2013 and 2012 was $ 5,713,121 and $ 7,552,357, respectively.

Note 9 Due to the Commonwealth of Pennsylvania

Included in accounts payable and accrued expenses are amounts due to the Commonwealth of Pennsylvania as of June 30, representing the outstanding deficiency of reimbursable operating and capital expenditures compared to the advances received from the Commonwealth. The outstanding amounts due to the Commonwealth are $ 78,364 and $ 264,662 as of June 30, 2013 and 2012, respectively.

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

Note 10 Risk Management

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

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

The College is self-insured for dental coverage and a prescription drug plan. The liability for estimated claims at June 30, 2013 and 2012 represents three months of claims paid. Changes in the College's claims liability amount for the years ended June 30 were:

	2013	2012
Beginning balance	$ 341,286	$ 312,232
Claims made/Changes in estimates	1,520,318	2,791,782
Claims paid	(1,717,843)	(2,762,728)
Ending balance	$ 143,761	$ 341,286

Note 11 Pension Benefits

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

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

Note 11 Pension Benefits (Continued)

PSERS Plan Description

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

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

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

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

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

Funding Policy

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

Contribution rates

Member Contributions **–**

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

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

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

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

Note 11 Pension Benefits (Continued)

The contribution rate for the College is an actuarially determined rate. The rate at June 30, 2013, 2012, and 2011 was 6.18, 4.325, and 2.82 percent of annual covered payroll, respectively. The College's contributions to PSERS for the years ended June 30, 2013, 2012, and 2011, were $ 263,731, $ 221,346, and $ 131,830, 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 Commonwealth of Pennsylvania reimburses the College approximately one-half of the contributions to PSERS.

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 8.43 percent for Class A, 10.51 percent for Class AA, and 7.29 percent for Class A-3 and A-4 for the year ended June 30, 2013, and 4.83 percent for Class A-3 and 6.99 percent for Class AA for the year ended June 30, 2012, respectively. There were no eligible employees for Class A for the year ended June 30, 2012. The College's contributions to SERS for the years ended June 30, 2013, 2012, and 2011, were $ 672,241, $ 565,062, and $ 221,951, 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, 2013, 2012, and 2011 was 10 percent of qualifying compensation. In addition, employees may contribute to TIAA-CREF through the Supplemental Retirement Annuity.

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

	2013	2012	2011
College	$ 4,462,741	$ 5,338,446	$ 4,925,211
Employees	4,305,022	4,583,429	4,325,163

Note 12 Postemployment Healthcare Plan

Plan Description

The College has a healthcare plan for retired employees, which is a single employer defined benefit healthcare plan administered by the College. The plan provides medical and prescription drug coverage for both retiree and family. To continue coverage upon retirement, the retiree must reimburse the College 100% of the College's cost of coverage. After age 65, the coverage shall change to a Medicare Supplement Plan with a Medicare Part D Prescription Drug rider or with the plan prescription drug at an adjusted premium.

Funding Policy

The contribution requirements of plan members and the College are established and may be amended by the College. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the College. For fiscal years 2013 and 2012, the estimated contributions were $ 86,281 and $ 70,576 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 $ 250,394 for 2013 and $ 270,691 for 2012, 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:

	2013	2012
Annual required contribution	$ 315,380	$ 315,380
Interest on net OPEB obligation	34,364	23,737
Adjustments to ARC	(46,881)	(32,383)
Annual OPEB cost	302,863	306,734
Employer contributions made (estimated)	(86,281)	(70,576)
Increase in net OPEB obligation	216,582	236,158
Net OPEB obligation - beginning of year	763,638	527,480
Net OPEB obligation - end of year	$ 980,220	$ 763,638

Note 12 Postemployment Healthcare Plan

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	June 30 Net OPEB Obligation
2013	$ 302,863	28.49%	$ 980,220
2012	306,734	23.01%	763,638
2011	267,379	28.80%	527,480

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan had the following funding status and progress:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/11	$ -	$ 1,694,666	$ 1,694,666	0.00%	$ 52,739,477	3.21%

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, 2011 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 4.25-7%, and an annual healthcare cost trend rate of 8 percent in 2011, decreasing 0.5 percent to an ultimate rate of 5.5% in 2016 and later. The actuarial value of assets was based on the fair value of assets, of which there are none. The UAAL is being amortized based on a level dollar 30 year open amortization period.

Note 13 Contingencies and Commitments

Contingencies

The nature of the educational industry is such that, from time to time, the College is exposed to various risks of loss related to torts; alleged negligence; acts of discrimination; breach of contract; labor disputes; disagreements arising from the interpretation of laws or regulations; theft of, damage to and/or destruction of assets; errors and omissions; injuries to employees and natural disasters. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system. Management does not expect that the resolution of any 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 paid in August 2007, and recorded as 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.

On June 14, 2011, the arbitrators issued an interim award. The arbitrators awarded Pitney most of the additional construction costs Pitney incurred, and they also reaffirmed HACC's contractual right to purchase the Campus. The arbitrators concluded that HACC should have been able to purchase the property as of January 1, 2010. The arbitrators requested additional submissions from the parties regarding calculation of purchase price and other miscellaneous issues.

Note 13 Contingencies and Commitments (Continued)

Lancaster Campus Phase II Construction Disputes (Continued)

On September 29, 2011 the arbitrators issued a final award which allowed HACC to purchase the Campus with a settlement date of December 5, 2011. The final purchase price determined by arbitrators was $51,083,974. Subsequent to the final award, additional disputes arose between the parties regarding various aspects of the purchase price, transfer taxes and rent. Although Pitney's position was that these disputes precluded closing from proceeding, the College obtained a Court Order to compel the closing to occur as scheduled, with the disputes to be resolved following closing. The College purchased the property through bond funding of $51,010,000 with the remaining funds provided through an escrow account held for the purchase of the Campus.

Closing occurred on December 15, 2011, mid-month. The College took the position that it has paid rent for the month of December at the beginning of the month. Since the lease was terminated mid-month, the College took the position that it was entitled to a credit for roughly 50% of December's rent, an amount the College calculated to be $ 142,699. Pitney disputed the College's claim for rent proration. The College agreed to place an additional sum of $ 142,699 into an escrow account. It was determined that this matter should be returned to the Arbitration Panel for clarification. In addition, Pitney asserted in its own claim with respect to rent to contend that since the College's rent was in effect covering Pitney's debt service, rent was being paid a month in arrears. Under this theory, the College would still owe rent for at least one-half of December 2011. Pitney also contends that the College was responsible for all debt service related to Pitney's bond refinancing that did not occur until January 2012, resulting in additional debt service for Pitney. Pitney calculates the amount of additional debt service costs incurred to be approximately $ 750,000. This matter was also referred to the Arbitration Panel.

In addition, plans for construction of the Lancaster Campus included certain improvements to public roads immediately adjacent to the Lancaster Campus. During the planning phase and construction phase of the Lancaster Campus, various agreements were entered into between Pitney and East Lampeter Township regarding these road improvements. For various reasons, the road improvements were never completed while Pitney owned the property. However, Pitney had posted performance bonds in the amount slightly in excess of $ 250,000. The road improvement issues were only indirectly raised during the primary arbitration. More recently, East Lampeter Township demanded payment under the performance bonds. Pitney challenged the actions of East Lampeter Township, contending that the bonds were no longer enforceable, and that Pitney was not responsible for the road improvements sought by East Lampeter Township. The Township then approached the College, essentially requesting that the College undertake the road improvements. The College's position is that the obligation is Pitney's and not the College's. This matter was referred to the same Arbitration Panel as previously noted.

A decision from the Arbitration Panel is expected before the end of the calendar year 2013 for both of these matters.

Note 13 Contingencies and Commitments (Continued)

Commitments

As of June 30, 2013, the College had commitments for the following projects:

	Total Estimated Costs	Total Costs Paid as of June 30, 2013
Central Renovations - Wildwood Center	$ 7,132,952	$ 2,223,620
Gettysburg paving	1,002,904	809,911
	$ 8,135,856	$ 3,033,531

Note 14 State Appropriations

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

	2013	2012
Included in non-operating revenue:		
Social security reimbursement	$ 2,726,013	$ 3,119,417
Tuition reimbursement	29,664,165	29,664,168
Sub-total	32,390,178	32,783,585
Included in capital contributions:		
Debt reimbursement	5,014,951	3,964,866
Lease reimbursement	2,258,902	2,827,016
Sub-total	7,273,853	6,791,882
Total	$ 39,664,031	$ 39,575,467

Note 15 Net Position

College

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

	2013	2012
Capital assets, net	$ 208,526,144	$ 197,381,794
Bonds and notes payable, net	(142,721,723)	(126,948,600)
Capital lease payable	-	(4,193)
Unspent bond proceeds	8,811,535	4,202,914
Total	$ 74,615,956	$ 74,631,915

The remaining net position of the College is considered unrestricted.

Note 15 Net Position (Continued)

HACC Foundation:

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

	2013	2012
Designated for endowment purposes	$ 1,074,906	$ 976,555
Undesignated	1,052,192	733,274
	$ 2,127,098	$ 1,709,829

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

	2013	2012
Scholarships and awards	$ 3,701,826	$ 3,529,626
Adcademic support	2,114,255	2,549,796
Capital improvements	7,079,706	7,524,366
Other	944,600	618,873
	$ 13,840,387	$ 14,222,661

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

	2013	2012
Scholarships and awards	$ 13,942,143	$ 13,586,514
Academic support	234,142	216,624
Other	2,463,660	2,033,535
	$ 16,639,945	$ 15,836,673

Note 16. Restatement

A restatement was necessary to reclassify construction in progress from other assets to capital assets as of June 30, 2012. There was also a restatement necessary to remove the federal direct loan program from the revenues and expenses that were previously reported and resulted in a duplication of tuition revenue and operating expenses.

	Net Position	Capital Assets	Other Assets
As originally stated, June 30, 2012	$ 112,173,403	$ 196,881,781	$ 2,345,352
Restatement to reclassify capital assets	-	500,013	(500,013)
As restated, June 30, 2012	$ 112,173,403	$ 197,381,794	$ 1,845,339

	Change in Net Position	Revenue Direct Loan Program	Expenses Direct Loan Program
As originally stated, year ended June 30, 2012	$ (8,578,921)	$ 89,753,813	$ 89,753,813
Restatement to remove federal direct loan program	-	(89,753,813)	(89,753,813)
As restated, year ended June 30, 2012	$ (8,578,921)	$ -	$ -

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
07/01/11	$ -	$ 1,694,666	$ 1,694,666	0.00%	$ 52,739,477	3.21%
07/01/09	$ -	$ 1,400,030	$ 1,400,030	0.00%	$ 48,710,163	2.87%
07/01/07	$ -	$ 1,488,936	$ 1,488,936	0.00%	$ 41,908,646	3.55%

OTHER SUPPLEMENTARY INFORMATION

HARRISBURG AREA COMMUNITY COLLEGE
Schedules of Expenses by Functional Classification - Primary Institution
Years Ended June 30, 2013 and 2012

2013

Functional Classification	Natural Classification							
	Salaries and Wages	**Fringe Benefits**	**Supplies & Other Expense**	**Professional & Purchased Services**	**Utilities**	**Depreciation**	**Scholarships**	**Total**
Instruction	$ 45,108,181	$ 11,587,846	$ 4,081,088	$ 1,372,145	$ 127,616	$ 0	$ 161,709	$ 62,438,585
Research	0	0	889	0	0	0	0	889
Public Support	469,819	39,835	61,468	0	0	0	0	571,122
Academic Support	6,068,047	2,051,152	1,251,323	162,843	0	0	0	9,533,365
Student Services	9,657,247	3,937,525	555,853	965,510	0	0	6,940	15,123,075
Institutional Support	9,421,408	5,749,870	7,106,409	1,888,926	1,454	2,885,354	0	27,053,421
Operation and Maintenance of Plant	3,198,703	1,601,532	6,849,950	1,012,497	3,721,499	8,823,784	0	25,207,965
Student Aid	445,378	0	45,549	0	0	0	26,226,782	26,717,709
Auxiliary Enterprises	1,314,150	572,741	10,162,563	31,340	82,793	0	0	12,163,587
Total operating expenses	$ 75,682,933	$ 25,540,501	$ 30,115,092	$ 5,433,261	$ 3,933,362	$ 11,709,138	$ 26,395,431	$ 178,809,718
Interest expense								5,692,947
Total expenses								$ 184,502,665

2012

Functional Classification	Natural Classification							
	Salaries and Wages	Fringe Benefits	Supplies & Other Expense	Professional & Purchased Services	Utilities	Depreciation	Scholarships	Total
Instruction	$ 49,926,742	$ 13,547,109	$ 3,669,338	$ 1,519,246	$ 137,577	$ 0	$ 175,849	$ 68,975,861
Research	0	0	4,111	0	0	0	0	4,111
Public Support	66,813	0	27,714	200	0	0	0	94,727
Academic Support	6,968,201	2,538,501	1,664,831	261,456	0	0	0	11,432,989
Student Services	11,980,475	4,876,657	572,196	846,141	0	0	500	18,275,969
Institutional Support	11,138,119	5,208,677	6,689,381	2,277,624	236	2,153,780	0	27,467,817
Operation and Maintenance of Plant	3,848,905	1,970,538	11,538,756	1,264,772	3,941,614	7,443,272	0	30,007,857
Student Aid	484,016	0	44,903	0	0	0	25,562,260	26,091,179
Auxiliary Enterprises	1,467,295	568,153	10,531,136	105,484	85,821	0	0	12,757,889
Total operating expenses	$ 85,880,566	$ 28,709,635	$ 34,742,366	$ 6,274,923	$ 4,165,248	$ 9,597,052	$ 25,738,609	$ 195,108,399
Interest expense								4,279,203
Total expenses								$ 199,387,602

HARRISBURG AREA COMMUNITY COLLEGE
Schedules Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Cash Receipts	Accrual Basis Expenditures
DEPARTMENT OF EDUCATION			
Student Financial Aid			
Cluster:			
FSEOG Program	84.007	$ 494,798	$ 489,269
FWS Program	84.033	409,251	467,629
PELL Program	84.063	33,731,763	34,160,976
Direct Student Loan Program	84.268	87,695,860	87,479,666
Total cluster		122,331,672	122,597,540
Gear Up Grants	84.334	126,292	124,211
Total student financial aid		122,457,964	122,721,751
Passed through Pennsylvania Department of Education			
Adult Basic Education	84.002	88,674	88,674
Vocational Educational Grants Perkins III	84.048	702,016	658,037
Total passed through Pennsylvania Department of Education		790,690	746,711
Passed through Tri-County Opportunities Industrialization Center, Inc.			
Adult Basic Education	84.002	3,705	-
Total passed through Tri-County Opportunities Industrialization Center, Inc.		3,705	-
Total Department of Education		123,252,359	123,468,462
UNITED STATES TREASURY			
Americorp	94.006	34,562	36,298
DEPARTMENT OF LABOR			
Trade Adjustment Assistance Community College and Career Training	17.282	606,942	633,232
Passed through Southcentral Workforce Investment Board (SCWIB)			
WIA Cluster:			
Title I Adult Program Services and Activities	17.258	831,619	846,188
Title I Dislocated Worker Program Serivces and Activities	17.278	846,607	764,206
Title I Youth Year Round Program Services and Activities	17.259	12,720	16,750
Title I Youth Literacy	17.259	4,184	-
Total WIA Cluster passed through SCWIB		1,695,130	1,627,144
Other:			
ARRA - Upskilling Green Labor and Industry	17.275	85,815	67,513
Total Department of Labor		2,387,887	2,327,889
NATIONAL ENDOWMENT FOR THE ARTS			
Passed through Mid-Atlantic Arts Foundation			
MAAF - Ron Carter Trio	45.025	2,120	2,120
MAAF - Lulu Washington Dance Company	45.025	5,900	5,900
Total National Endowment for the Arts		8,020	8,020
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Child Care Consultants, Inc.			
PA Keys ECE Credential Program	93.575	106,630	124,090
Total passed through Child Care Consultants, Inc.		106,630	124,090
Passed through InspiriTec Corporation			
Keystone education yields success (KEYS)	93.558	357,941	356,924
Total passed through InspiriTec Corporation		357,941	356,924
Total Department of Health and Human Services		464,571	481,014

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Cash Receipts	Accrual Basis Expenditures
DEPARTMENT OF HOMELAND SECURITY			
Passed through Pennyslvania Emergency Management Agency			
PEMA Emergency Assistance - Disaster Recovery	97.036	48,625	10,304
Total passed through Pennsylvania Emergency Management Agency		48,625	10,304
Passed through the City of Philadelphia			
PA Urban Search and Rescue Task Force	97.025	402,035	571,122
Total passed through the City of Philadelphia		402,035	571,122
Passed through Lancaster/Lebanon IU			
Citizenship Grant	97.010	5,081	5,177
Total passed through Lancaster/Lebanon IU		5,081	5,177
Total Department of Homeland Security		455,741	586,603
ENVIRONMENTAL PROTECTION AGENCY			
Brownfield Job Training Agreement	66.815	56,262	28,605
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Passed through Dickinson College			
Cooling the Liberal Arts Cirriculum	43.AAA	5,316	8,892
Total federal financial assistance		$ 126,664,718	$ 126,945,783

Note 1 General Information

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

Note 2 Relationship to Basic Financial Statements

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

Note 3 Basis of Presentation/Accounting

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

Note 4 Administrative Expenses

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

Note 5 Grant from Multiple Sources

The Adult Basic Education Grant (CFDA Number 84.002) was received from two different funding sources as summarized below:

	Cash Receipts	Accrual Basis Expenditures
Adult Basic Education (passed through PA Department of Education)	$ 88,674	$ 88,674
Adult Basic Education (passed through Tri-County Opportunities Industrialization Center, Inc.)	3,705	0
Total Adult Basic Education - CFDA Number 84.002	$ 92,379	$ 88,674

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

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

Board of Trustees
Harrisburg Area Community College
Harrisburg, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the business-type activities and the discretely presented component unit of Harrisburg Area Community College as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Harrisburg Area Community College's basic financial statements, and have issued our report thereon dated October 10, 2013. The financial statements of Harrisburg Area Community College Foundation were not audited in accordance with *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 2013-01 through 2013-03 to be material weaknesses.

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*.

HARRISBURG AREA COMMUNITY COLLEGE'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

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

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
October 16, 2013

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

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

Board of Trustees
Harrisburg Area Community College
Harrisburg, Pennsylvania

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Harrisburg Area Community College's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Harrisburg Area Community College's major federal programs for the year ended June 30, 2013. Harrisburg Area Community College's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

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

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

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, Harrisburg Area Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Board of Trustees
Harrisburg Area Community College

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

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

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
October 16, 2013

I. Summary of Auditor's Results:

Financial Statements:

(i)	Type of auditor's report issued:	**Unmodified**	
(ii)	Internal control over financial reporting:		
	Material weakness(es) identified?	__X__ yes	____ 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:	**Unmodified**	
(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
	Student Financial Aid Cluster:
84.007	FSEOG Program
84.063	PELL Program
84.033	FWS Program
84.268	Direct Student Loan Program
84.048	Vocational Education Grant Perkins III

(viii)	Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,183,984	
(ix)	Auditee qualified as low-risk auditee?	____ yes	__X__ no

Section II – Financial Statement Findings

A. Material Weaknesses in Internal Control

2013-01 **Proper Approval of Wire Transfers**

Condition: There is a lack of segregation of duties related to wire transfers that can be made from the College's bank accounts.

Criteria: There should be approval by someone other than the individual making the wire transfer from any of the College's bank accounts.

Cause: Currently, one individual has the ability to authorize and make wire transfers.

Effect: There could be wire transfers made in the incorrect amount or to an incorrect account without proper authorization by someone other than the individual making the wire transfer.

Recommendation: We recommend that all wire transfers be approved by someone other than the individual making the wire transfer prior to each transfer being made. This approval should be documented in writing.

Response: Management agrees with the finding and is reviewing the current wire transfer process, modifying the process where appropriate to ensure all wire transfers are created and approved by separate College staff, while assuring the approval is documented in writing.

2013-02 **Receipts – Welcome Center**

Condition: There is a lack of segregation of duties related to receipts at the welcome centers of each campus.

Criteria: Any individual taking receipts should not also have the ability to make changes to a student's account. In addition, any individual who opens the mail should not also have the ability to record the receipt into the system. Finally, all deposits should be made on a timely basis.

Cause: The cashiers at each campus have the ability to post charges and reverse charges while taking payments from students. The person who typically opens the mail also enters the receipt into the cash receipts system. In addition, if a receipt is received and the code is unknown to the cashier, the check is placed in a vault until the coding is known.

Effect: Receipts could be kept by the cashier and not properly deposited or entered into the general ledger system. Also, checks could be misplaced if not entered on a regular basis, which would also lead to not being properly deposited into the College's account or entered into the general ledger system.

Section II – Financial Statement Findings (Continued)

Recommendation: We recommend the cashiers receiving cash and checks not have the ability to make changes to a student's account. Also, for any cashier that opens the mail, the deposit should be made by another individual. Finally, all checks received should be deposited on the same day.

Response: Management agrees with the finding and is reviewing the current organizational structure to segregate the cashiering process from the Welcome Center, and separating the function of opening the mail and depositing receipts. The enhanced process will assure that all checks are deposited within 24 hours of receipt.

2013-03 **Preparation of Bank Reconciliations**

Condition: Bank reconciliations were not performed timely throughout the year.

Criteria: A bank reconciliation should be performed shortly after each month's bank statement is received from each respective bank.

Cause: Due to staff turnover throughout the year, bank reconciliations were not performed timely at the end of each month.

Effect: Numerous reconciling items were noted on each of the general operating account reconciliations performed. Since these were not properly cleared each month, the reconciliations were unnecessarily complex and financial statement errors may have gone unnoticed. In addition, there were entries identified to be made that were not by year-end.

Recommendation: We recommend that bank reconciliations be performed within two weeks of receiving the bank statement from the financial institution. This reconciliation should result in making any necessary entries to the general ledger system at that time, rather than include a listing on the bank reconciliation of items requiring adjustment.

Response: Management agrees with the finding and is reviewing the current bank reconciliation process to ensure all bank accounts are reconciled within 30 days of receiving the bank statement from the financial institution.

B. Compliance Findings

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

Section III – Federal Findings and Questioned Costs

A. Significant Deficiencies in Internal Control

None noted

B. Compliance Findings

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

Findings related to federal awards:

2012-02 **Notification of Disbursement of Loan Proceeds**

Condition: The College did not properly provide one student with a notification of disbursement of loan proceeds.

Status: There were no findings related to this matter identified in the current year.

2012-03 **Vendor Verification of Suspended or Debarred**

Condition: The College did not properly verify that a vendor was not suspended or debarred from receiving federal funds.

Status: There were no findings related to this matter identified in the current year.

2012-04 **Deficiencies in Keystone Education Yields Success Program**

Condition: The College had deficiencies in six of nine program performance requirement areas for this program as determined during an annual technical assistance visit.

Status: There were no findings related to this matter identified in the current year.

Employees and Enrollment

The College employs or has employed the following number of employees in each of the fiscal years set forth below:

Employees	2009-10	2010-11	2011-12	2012-13	2013-14
Faculty (Full-time)	347	365	370	328	327
% Tenured	60%	63%	68%	63%	73%
Faculty (Part-time)	1156	1059	1001	950	1090
Administrators (Full-time)	77	81	76	59	62
Professionals (Full-time)	263	199	219	192	245
Professionals (Part-time)	12	12	12	13	13
Support Staff (Full-time)	378	389	385	340	299
Support Staff (Part-time)	71	68	68	57	57

Source: The College.

None of the College's employees are presently represented by a union and the College is not aware of any attempts by its employees to unionize. The College considers its employee relations to be good.

The College provides certain retirement benefits, including multiemployer contributory pension plans and postretirement health benefits, to its employees for which it has accrued liabilities at June 30, 2011. See Note 11 (Pension Benefits) and Note 12 (Postemployment Health Benefits) to the College's audited financial statements included in Appendix A hereto.

The College's enrollment for each of the fiscal years set forth below is or was as follows:

Fiscal Year	Credit	Noncredit	Total	FTE[(1)]
2004-05	19,807	44,088	63,895	13,898
2005-06	20,835	45,521	66,356	14,387
2006-07	25,974	41,710	67,684	14,846
2007-08	27,342	40,294	67,636	15,333
2008-09	28,145	48,026	76,171	16,686
2009-10	32,150	48,033	77,255	17,256
2010-11	32,768	43,611	76,379	20,321
2011-12...	31,794	39,830*	71,624	17,224
2012-13...	30,963	30,042	61,005	16,664
2013-14 (projected)	30,653	29,742	60,395	16,497

[(1)]Full-time equivalent.
*Reflects Elimination of Community Education Avocational/Recreational Course Offerings
Source: The College.

Financial Aid

Students of the College received the following grants, aid, loans and other financial aid in the fiscal years set forth below:

	2008-09	2009-10	2010-11	2011-12	2012-13
Total Grants and Scholarships	$24,469,000	$37,876,000	$44,366,000	$45,758,831	$44,462,080
Total Loans.....................................	52,167,000	80,097,000*	85,277,000	89,818,437	87,479,666
Total Employment	1,418,000	1,647,000	1,607,000	1,559,122	1,311,711
Total Financial Aid	$78,054,000	$119,620,000	$131,250,000	$137,136,390	133,253,457
Total Number of Students Receiving Financial Aid.............	12,000	16,000	17,480	18,089	18,031

*Increase resulting from the College's conversion from the Stafford Loan to the Federal Direct Lending Program.
Source: The College.

HACC
COLLEGE OPERATING
BUDGET FY 2013-14

ENROLLMENTS					Proposed vs Budget		Proposed vs Projection	
Type	Actual 2011-12	Approved 2012-13	Projected 2012-13	Proposed 2013-14	Variance Cr Hr	Variance %	Variance Cr Hr	Variance %
Student Cr Hrs (Sponsored)	131,118	138,067	123,555	126,052	(12,015)	-8.7%	2,497	2.0%
Student Cr Hrs (Non Spon)	262,477	267,698	259,961	262,148	(5,550)	-2.1%	2,187	0.8%
Student Cr Hrs (Out of State)	9,643	10,213	9,435	9,389	(824)	-8.1%	(46)	-0.5%
Student Cr Hrs College in the High School	7,725	6,671	8,747	7,938	1,267	19.0%	(809)	-9.2%
Subtotal Student Cr Hrs	410,963	422,649	401,698	405,527	(17,122)	-4.1%	3,829	1.0%
School District - Cr Hrs	131,118	138,067	123,555	126,052	(12,015)	-8.7%	2,497	2.0%

REVENUES	Actual 2011-12	Approved 2012-13	Projected 2012-13	Proposed 2013-14	Proposed vs Budget Variance $	Proposed vs Budget Variance %	Proposed vs Projection Variance $	Proposed vs Projection Variance %
Tuition - Sponsored Students	$18,027,527	$19,230,775	$17,047,139	$17,932,206	($1,298,569)	-6.8%	$885,067	5.2%
Tuition - Nonsponsored Students	49,996,585	52,009,557	51,148,276	52,599,102	589,545	1.1%	1,450,826	2.8%
Tuition - Out-of-State	2,884,535	2,955,766	2,897,839	2,802,978	(152,788)	-5.2%	(94,861)	-3.3%
Fees - College in the High School	231,720	200,130	264,660	238,140	38,010	19.0%	(26,520)	-10.0%
Fees - Instructional	8,678,303	9,036,615	8,643,084	11,008,979	1,972,364	21.8%	2,365,895	27.4%
Noncredit Student Fees	4,967,701	6,367,241	5,333,417	6,258,964	(108,277)	-1.7%	925,547	17.4%
Comm of PA [Incl. base FTE plus Stipends]	29,664,165	29,164,163	29,664,165	29,664,165	500,002	1.7%	-	0.0%
School Districts	8,002,674	8,042,302	8,042,302	8,042,302	-	0.0%	-	0.0%
Sales	14,450,695	15,093,696	14,492,296	13,619,751	(1,473,945)	-9.8%	(872,545)	-6.0%
Other Income	9,913,967	9,207,867	9,020,738	8,470,978	(736,889)	-8.0%	(549,760)	-6.1%
Total Revenues Before Transfers In	146,817,872	151,308,112	146,553,916	150,637,565	(670,547)	-0.4%	4,083,649	2.8%
EXPENDITURES								
Wages	82,960,635	78,823,966	74,955,691	77,707,539	(1,116,427)	-1.4%	2,751,848	3.7%
Fringes	27,806,522	27,202,343	26,525,095	26,625,075	(577,268)	-2.1%	99,980	0.4%
Total Payroll Expenditures	110,767,157	106,026,309	101,480,786	104,332,614	(1,693,695)	-1.6%	2,851,828	2.8%
Operating Expenditures								
Cost of Sales	10,139,583	10,593,065	10,476,045	10,339,142	(253,923)	-2.4%	(136,903)	-1.3%
Insurance	397,339	447,416	540,865	573,118	125,702	28.1%	32,253	6.0%
Mailing Costs	477,730	574,805	561,955	533,862	(40,943)	-7.1%	(28,093)	-5.0%
Telecommunications	541,238	591,909	575,722	574,947	(16,962)	-2.9%	(775)	-0.1%
Utilities	4,165,249	4,747,361	4,483,463	4,462,138	(285,223)	-6.0%	(21,325)	-0.5%
Bad debt	1,690,440	1,192,000	1,792,000	1,791,000	599,000	50.3%	(1,000)	-0.1%
Miscellaneous Expenses	1,278,567	921,905	1,086,785	954,126	32,221	3.5%	(132,659)	-12.2%
Library Expense	596,360	533,141	511,641	536,496	3,355	0.6%	24,855	4.9%
Supplies	4,868,156	5,423,638	5,287,617	5,374,326	(49,312)	-0.9%	86,709	1.6%
Purchased Services	1,942,330	2,391,937	2,533,484	2,438,649	46,712	2.0%	(94,835)	-3.7%
Advertising	857,477	1,019,129	810,507	814,106	(205,023)	-20.1%	3,599	0.4%
Rentals/Leases	7,385,301	6,146,020	5,761,245	4,815,025	(1,330,995)	-21.7%	(946,220)	-16.4%
Repair & Maintenance	1,216,866	1,371,614	1,346,515	1,475,988	104,374	7.6%	129,473	9.6%
Professional Fees	2,073,962	1,817,708	2,372,128	1,892,291	74,583	4.1%	(479,837)	-20.2%
Meeting & Travel/Conf. Expenses	1,678,438	1,988,064	1,985,976	1,915,604	(72,460)	-3.6%	(70,372)	-3.5%
Total Operating Expenditures	39,309,056	39,759,712	40,125,948	38,490,818	(1,268,894)	-3.2%	(1,635,130)	-4.1%
Total Expenditures Before Transfers Out	150,076,213	145,786,021	141,606,734	142,823,432	(2,962,589)	-2.0%	1,216,698	0.9%
Net Operating Increase (Decrease)	(3,258,341)	5,522,091	4,947,182	7,814,133	2,292,042		2,866,951	
Non Operating Transfers Out								
Debt Service	5,187,938	5,684,761	5,916,452	7,293,508	1,608,747	28.3%	1,377,056	23.3%
Plant Fund (Capital FF&E)	-	195,000	198,425	-	(195,000)	-100.0%	(198,425)	-100.0%
Total Non Operating Transfers Out	5,187,938	5,879,761	6,114,877	7,293,508	1,413,747	24.0%	1,178,631	19.3%
Prior Period Adjustment	1,118,130	-	-	-	-	n/a	-	n/a
Net Change to Unrestricted Fund Balance	(9,457,858)	(357,670)	(774,246)	520,625	-	-	-	-
Net Change to Temporarily Restricted Fund Balance	(106,551)	-	(393,449)	-	-	-	-	-
Net Change to Fund Balance	(9,564,409)	(357,670)	(1,167,695)	520,625	-	-	-	-
Fund Balance - Unrestricted at July 1	30,361,124	23,763,339	20,903,266	20,129,020	-	-	-	-
Fund Balance - Temporarily Restricted at July 1	500,000	261,430	393,449	-	-	-	-	-
Fund Balance - Total at July 1	30,861,124	23,763,339	21,296,715	20,129,020	-	-	-	-
Fund Balance - Unrestricted at June 30	20,903,266	23,144,239	20,129,020	20,649,645	-	-	-	-
Fund Balance - Temporarily Restricted at June 30	393,449	261,430	-	-	-	-	-	-
Fund Balance - Total at June 30	21,296,715	23,405,669	20,129,020	20,649,645	-	-	-	-

12/20/2013

APPENDIX B

HARRISBURG AREA COMMUNITY COLLEGE

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") is dated as of June 30, 2014, and is made between the HARRISBURG AREA COMMUNITY COLLEGE (the "College") and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as dissemination agent (the "Dissemination Agent").

WITNESSETH:

WHEREAS, pursuant to a Bond Purchase Contract, dated June 16, 2014, among Boenning & Scattergood, Inc. (the "Underwriter"), the State Public School Building Authority (the “Authority”), and the College, the Authority has agreed to sell $22,510,000 aggregate principal amount of its College Revenue Bonds (Harrisburg Area Community College Refunding Project), Series of 2014 (the "Bonds") to the Underwriter; and

WHEREAS, the proceeds of the Bonds are being loaned to the College by the Authority pursuant to a Loan Agreement, dated as of June 15, 1995, between the Authority and the College, as previously supplemented and as further supplemented by a Eleventh Supplemental Loan Agreement, dated as of June 30, 2014, between the Authority and the College (as so supplemented, the "Loan Agreement"); and

WHEREAS, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"), provides that a Participating Underwriter (as defined in the Rule) shall not purchase or sell municipal securities in connection with an Offering (as defined in the Rule) unless the Participating Underwriter has reasonably determined that an issuer of municipal securities, or an obligated person for whom financial or operating data is presented in the final official statement, has undertaken, either individually or in combination with other issuers of such municipal securities or obligated persons, in a written agreement or contract for the benefit of holders of such securities, to provide, either directly or indirectly through an indenture trustee or a designated agent, certain specified financial information and operating data and notices of certain material events; and

WHEREAS, the College is the only "obligated person" with respect to the Bonds for purposes of the Rule; and

WHEREAS, in order to induce the Underwriter to purchase the Bonds, the College desires to undertake to provide the information and notices required by the Rule.

NOW, THEREFORE, in consideration of the premises, the parties hereto, intending to be legally bound hereby, agree as follows:

Section 1. Definitions. In addition to the terms defined in the above recitals, the following terms shall have the meanings specified below:

"Annual Financial Information" shall mean the annual financial information to be provided annually containing the information specified in Schedule 1 hereto, as such schedule may be amended as provided herein.

"EMMA" shall mean the Electronic Municipal Market Access System of the MSRB as provided at http://www.emma.msrb.org or any similar system that is acceptable to or as may be specified by the Securities and Exchange Commission from time to time.

"Fiscal Year" shall mean, in the case of College, the fiscal year of the College as determined from time to time by the College (currently the College's Fiscal Year begins on July 1 of each calendar year and ends on June 30 of the following calendar year).

"Indenture" shall mean the Trust Indenture, dated as of June 15, 1995 between the Authority and The Bank of New York Mellon Trust Company N.A., as successor trustee, as previously supplemented and as further supplemented by an Eleventh Supplemental Indenture of Trust, dated the date hereof, pursuant to which the Bonds are being issued.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Owner" shall mean the holders and/or beneficial owners from time to time of the Bonds.

"Reportable Event" shall mean any of the events listed on Schedule 2 hereto with respect to the Bonds.

"Trustee" shall mean The Bank of New York Mellon Trust Company, NA., as successor trustee under the Indenture.

Section 2. Covenants of the College. The College covenants to comply with all requirements of the Rule. In furtherance of the foregoing, and without limiting the generality thereof, the College agrees to provide to EMMA and to the Dissemination Agent, the Annual Financial Information within 180 days following the end of each Fiscal Year of the College beginning with the Fiscal Year ending June 30, 2014 and to provide notice after the occurrence of any Reportable Event, in a timely manner not in excess of ten (10) business days, to EMMA, In addition, the College covenants to provide notice in a timely manner to EMMA of a failure by the College to provide the Annual Financial Information as and when specified in the preceding sentence. At the same time that the College provides any Annual Financial Information or any notice to EMMA, the College shall provide a copy to the Trustee. Financial statements will be prepared in accordance with generally accepted accounting principles. In the event that audited financial statements for any Fiscal Year are not available within 180 days after the end of such Fiscal Year, the College shall provide its unaudited financial statements for such Fiscal Year and shall provide the audited financial statements as soon as practicable after they become available for distribution.

The College represents and warrants that it has complied with its continuing disclosure obligations under the Rule with respect to obligations issued on its behalf prior to the date hereof.

Section 3. Duties of Dissemination Agent; Fees and Expenses.

(a) If, within 15 days prior to the applicable date specified in Section 2 hereof, the Dissemination Agent has not received a copy of the applicable Annual Financial Information, the Dissemination Agent shall notify the College of such fact. The

Dissemination Agent shall also notify the College within two business days of the occurrence of any event of which the Dissemination Agent's corporate trust office in Pittsburgh, Pennsylvania has actual knowledge and which, if material in the opinion of the College, could constitute a Reportable Event.

(b) The Dissemination Agent shall have no responsibility or liability in connection with the College's filing obligations under this Disclosure Agreement, and it shall have no responsibility to review, and shall not be responsible for, the contents of any Annual Financial Information or Reportable Events report filed hereunder. The Dissemination Agent shall have only those duties specifically set forth in this Disclosure Agreement and no other duties shall be implied. Anything in this Disclosure Agreement to the contrary notwithstanding, in no event shall the Dissemination Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Dissemination Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

(c) The College agrees to pay the Dissemination Agent from time to time reasonable compensation for services provided by the Dissemination Agent under this Disclosure Agreement and to pay or reimburse the Dissemination Agent upon request of all reasonable expenses, disbursements and advances incurred or made in accordance with this Disclosure Agreement (including reasonable compensation and the expenses and disbursements of its counsel and all agents and other persons regularly in its employ) or as a result of the Dissemination Agent’s duties and obligations hereunder, or as a result of the College’s failure to perform its obligations hereunder.

This Section 3 shall survive the termination of this Disclosure Agreement or the removal or resignation of the Dissemination Agent or the College.

Section 4. Termination of Reporting Obligations. The College’s obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the College’s obligations under the Loan Agreement are assumed in full by some other entity and the College has been released from its obligations under the Loan Agreement with respect to the Bonds in connection therewith, such other entity shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the College and the College shall have no further responsibility hereunder. In addition, the College’s obligation to provide information and notices as specified in Section 2 hereof shall terminate at such other times as such information and notices (or any portion thereof) are no longer required to be provided by the Rule as it applies to the Bonds.

Section 5. Amendment. The College and the Dissemination Agent may amend this Disclosure Agreement, including amendments deemed necessary or appropriate in the judgment of the College (whether to reflect changes in the availability of information or in accounting standards or otherwise), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the undertakings of the College contained in Section 2 hereof or to Schedule 1 hereto, such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the College or the type of business or operations conducted by the College;

(b) The undertakings contained in this Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners of the Bonds or the Dissemination Agent.

The College shall provide notice of any amendment to this Disclosure Agreement to EMMA in a timely manner. Before being required to execute any proposed amendment to this Disclosure Agreement, the Dissemination Agent shall be provided with an opinion of counsel reasonably satisfactory to it to the effect that such proposed amendment is permitted under this Section 5.

Section 6. <u>Remedies for Default.</u> In the event of a breach or default by the College of its covenants to provide Annual Financial Information and notices as provided in Section 2 hereof, the Dissemination Agent or any Owner of Bonds shall have the right, but not the obligation, to bring an action in a court of competent jurisdiction to compel specific performance by the College. No monetary damages may be recovered under any circumstances for any breach or default by the College of its covenants hereunder. A breach or default under this Disclosure Agreement shall not constitute an event of default under any other agreement.

Section 7. <u>Miscellaneous.</u>

(a) <u>Binding Nature of Agreement.</u> This Disclosure Agreement shall be binding upon the College, the Authority and the Dissemination Agent and inure to the benefit of the parties hereto and their respective successors and assigns.

(b) <u>Notices.</u> All notices and other communications required or permitted under this Disclosure Agreement shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee) or when deposited in the United States mails, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

i) If to the Authority:

State Public School Building Authority
1035 Mumma Road
Wormleysburg, PA 17043
Attention: Executive Director

ii) If to the Dissemination Agent:

The Bank of New York Mellon
Trust Company, N.A.
525 William Penn Place, 38th Floor
Pittsburgh, PA 15259
Attention: Public Finance

iii) If to the College:

Harrisburg Area Community College
One HACC Drive
Harrisburg, PA 17110-2999
Attention: Vice President of Finance and
College Resources

Any party may alter the address to which communications are sent by giving notice of such change of address in conformity with the provision of this Section for the giving of notice.

(c) Execution in Counterparts. This Disclosure Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument, This Disclosure Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories,

(d) Controlling Law. This Disclosure Agreement and all questions relating to its validity, interpretation, performance and enforcement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania and the Rule (including any successor rule or regulation thereto).

(e) Resignation. The Dissemination Agent may resign and thereby become discharged from the duties as such under this Disclosure Agreement by notice given in accordance with subsection (b) above, such resignation to become effective on the earlier of the tenth day following the College's receipt of such notice (or at such different date as stated in such notice) or the effective date of the College's appointment of a new Dissemination Agent under this Disclosure Agreement.

(f) Successor Dissemination Agent. Any corporation or association into which the Dissemination Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Dissemination Agent in its individual capacity shall be a party, or any corporation or association to which all or substantially all the corporate trust business of the Dissemination Agent in its individual capacity may be sold or otherwise transferred, shall be the Dissemination Agent hereunder without further act, provided that the Dissemination Agent shall provide the Authority and the College with at least 30 days prior written notice of such merger, conversion, consolidation or sale.

(g) The Authority shall not have any responsibility or liability in connection with the College's compliance with the Rule, its filing or other obligations under this Disclosure Agreement, or in connection with the contents of any such filings. The College covenants and agrees to indemnify and save the Authority, its members, officers, employees and agreements, harmless against any loss, expense (including reasonable attorneys' fees) or liability arising out of (i) any breach by the College of its obligations under this Disclosure Agreement, or (ii) any Annual Report or notices or other information provided under this Disclosure Agreement or any omissions therefrom.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first written above.

HARRISBURG AREA COMMUNITY COLLEGE

By: ______________________________
Authorized Officer

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By: ______________________________
Authorized Officer

<u>Schedule 1</u>

<u>Annual Financial Information</u>

The College will provide financial and operating data, including audited financial statements, generally consistent with the following information contained in Appendix A of the Official Statement dated June 16, 2014, relating to the Bonds (the "Official Statement") within 180 days following the end of each Fiscal Year of the College beginning with the Fiscal Year ending June 30, 2014, including:

- Employment and Enrollment
- Summary of the Budget
- Financial Aid

Schedule 2

Reportable Events

The following events with respect to the Bonds shall constitute Reportable Events:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(7) modifications to rights of holders of the Bonds, if material;

(8) bond calls (other than mandatory sinking fund redemptions), if material, and tender offers;

(9) defeasance of the Bonds;

(10) release, substitution or sale of property securing repayment of the Bonds, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the College;

(13) the consummation of a merger, consolidation, or acquisition involving the College or the sale of all or substantially all of the assets of the College other than in the ordinary course of business, or the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement, if material;

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material; and

(15) failure to provide annual financial information as required.

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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FILE NO: 12488/3

[Date of Closing]

OPINION

Re: $22,510,000 State Public School Building Authority
College Revenue Bonds
(Harrisburg Area Community College Refunding Project)
Series of 2014

We have acted as Bond Counsel to the State Public School Building Authority (the "Authority") of the Commonwealth of Pennsylvania (the "Commonwealth") in connection with the issuance and sale of its College Revenue Bonds (Harrisburg Area Community College Refunding Project) Series of 2014, in the aggregate principal amount of $22,510,000 (the "Bonds"), being issued under the provisions of the State Public School Building Authority Act of 1947, P.L. 1217, as supplemented and amended (the "Act"), of the Commonwealth, and pursuant to a Trust Indenture, dated as of June 15, 1995, as amended and supplemented, *inter alia*, by an Eleventh Supplemental Trust Indenture, dated as of June 30, 2014 (collectively, the "Indenture") from the Authority to The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

The Bonds are being issued for the purpose of providing funds to: (1) refund the Authority's College Revenue Bonds (Harrisburg Area Community College Project) Series of 2004, (2) refund the Authority's College Revenue Bonds (Harrisburg Area Community College Project) Series of 2005, (3) refund the Authority's College Revenue Bonds (Harrisburg Area Community College Project) Series of 2009, and (4) pay related costs and expenses, including the costs of issuance of the Bonds and the related General Obligation Note, Series of 2014 (the "Note") of the Harrisburg Area Community College (the "College").

The proceeds of the Bonds are being loaned by the Authority to the College pursuant to a Loan Agreement, dated as of June 15, 1995, as amended and supplemented, *inter alia*, by an Eleventh Supplemental Loan Agreement, dated as of the date hereof, between the Authority and the College (collectively, the "Loan Agreement"), pursuant to which the College is delivering to the Authority the Note under which the College is required to make payments in the amounts and on the dates required for the payment of principal of and interest on the Bonds. Under the Indenture, the Authority has pledged and assigned to the Trustee as security for the payment of the Bonds all revenues of the Authority derived from, and all right, title, and interest of the

Authority in and to, the Loan Agreement and the Note (except certain rights to indemnification and to the payment of the Authority's fees and expenses thereunder).

As Bond Counsel to the Authority, we have examined certified copies of the proceedings of the Authority relative to the issuance of the Bonds, an executed counterpart of the Indenture, an executed counterpart of the Loan Agreement, the executed Note, a joint non-arbitrage certificate of the Authority and the College, and usual closing certificates and documents, together with such statutes and other materials as we have deemed necessary and appropriate to render the opinion set forth herein. In rendering such opinion, we have examined and relied upon the opinion of Barley Snyder LLP, Lancaster, Pennsylvania, as Solicitor to the College, with respect to the due execution and delivery by the College of the Loan Agreement and the Note and the valid and binding effect of the Loan Agreement and the Note on the College and the opinion of Hartman Underhill & Brubaker, LLC, Lancaster, Pennsylvania, as counsel to the Authority, with respect to the due execution and delivery by the Authority of the Loan Agreement, the Indenture, and the Bonds and the valid and binding effect of the Loan Agreement, the Indenture, and the Bonds on the Authority.

We have further relied upon covenants of the Authority and the College set forth in the Indenture and the Loan Agreement, respectively, wherein the Authority and the College agree to comply with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations in effect thereunder, in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds.

We have also examined a specimen of an executed Bond, and we assume that all the Bonds have been similarly executed and that all Bonds will be issued in registered form as required by the Indenture.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based upon the foregoing, we are of the opinion that:

1. The Authority is a body corporate and politic, is validly existing under the laws of the Commonwealth and has the corporate power and lawful authority (a) to execute and deliver the Indenture and the Loan Agreement, and (b) to issue and deliver the Bonds.

2. The Indenture and the Loan Agreement have been duly executed and delivered by the Authority and, assuming due authorization, execution and delivery of the Indenture by the Trustee and the Loan Agreement and the Note by the College, are legal, valid, and binding obligations of the Authority enforceable against it in accordance with its terms.

3. The issuance and sale of the Bonds have been duly authorized by the Authority, and the Bonds have been duly executed and delivered by the Authority. Assuming their due authentication by the Trustee, the Bonds are valid, binding, and enforceable obligations of the

Authority and are entitled to the benefit and security of the Indenture, to the extent indicated therein.

4. The Indenture creates the valid pledge it purports to create with respect to the revenues of the Authority payable by the College under the Note and the Loan Agreement.

5. Under the laws of the Commonwealth as presently enacted and construed, the Bonds are exempt from personal property taxes in the Commonwealth and interest on the Bonds is exempt from the Commonwealth's Personal Income Tax and the Commonwealth's Corporate Net Income Tax.

6. Interest on the Bonds is excluded from gross income for purposes of federal income taxation under existing statutes, regulations, and judicial decisions and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations under existing statutes, regulations, and judicial decisions, although it should be noted that in the case of corporations (as defined for federal income tax purposes) such interest is taken into account in determining adjusted current earnings for purposes of such alternative minimum tax. The opinions expressed in this paragraph are subject to the further condition that the Authority and the College comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continues to be, excluded from gross income for federal income tax purposes, as the Authority and the College have covenanted to do in the Indenture and other aforementioned documents. Failure to comply with certain of such requirements may cause the inclusion of interest (and any properly allocable original issue discount) on the Bonds in gross income retroactive to the date of issuance of the Bonds.

We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

It is to be understood that rights of holders of the Bonds and the enforceability thereof and of the other documents mentioned herein may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering the foregoing opinions, we advise you that the Bonds do not pledge the general credit of the Authority or the credit or taxing power of the Commonwealth or of any political subdivision thereof, for the payment of the principal of, premium, if any, or interest on the Bonds, nor shall the Bonds be deemed obligations of the Commonwealth or of any political subdivision thereof.

Very truly yours,

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APPENDIX D
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $_________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

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