$19,965,000 Aggregate Principal Amount • State Public School Building Authority • Commonwealth of Pennsylvania • College Revenue Bonds (Harrisburg Area Community College Refunding Project), Series of 2015 and Series A of 2015

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.

$19,965,000
STATE PUBLIC SCHOOL BUILDING AUTHORITY
(Commonwealth of Pennsylvania)
$5,720,000 College Revenue Bonds (Harrisburg Area Community College Refunding Project), Series of 2015
$14,245,000 College Revenue Bonds (Harrisburg Area Community College Refunding Project), Series A of 2015

Dated: Date of Delivery
Interest Due: April 1 and October 1
Principal Due: October 1, as shown on inside front cover
First Interest Payment: October 1, 2015

The bonds described herein are in the combined aggregate principal amount of $19,965,000 and consist of two series, the $5,720,000 College Revenue Bonds (Harrisburg Area Community College Refunding Project), Series of 2015 (the "2015 Bonds") and the $14,245,000 College Revenue Bonds (Harrisburg Area Community College Refunding Project), Series A of 2015 (the "2015A Bonds"). The 2015 Bonds and the 2015A Bonds are collectively referred to as the "Bonds". The Bonds 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, 2015, 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 a Twelfth 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" or "HACC") under a Loan Agreement, dated as of June 15, 1995, as previously supplemented, and as shall be further supplemented by a Twelfth Supplemental Loan Agreement, dated as of the dated date of the Bonds (the "Loan Agreement") between the Authority and the College.

The 2015 Bonds are being issued by the Authority to (1) currently refund the Authority's College Revenue Bonds (Harrisburg Area Community College Project), Series A of 2009 (the "2009A Bonds") and (2) pay the costs and expenses of issuing the 2015 Bonds.

The 2015A Bonds are being issued by the Authority to (1) currently refund the Authority's College Revenue Bonds (Harrisburg Area Community College Project), Series of 2010 (the "2010 Bonds") and (2) pay the costs and expenses of issuing the 2015A 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 ASSURED GUARANTY MUNICIPAL CORP (AGM).

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. Certain legal matters will be passed upon for Janney Montgomery Scott LLC (the "Underwriter") by its counsel, Dilworth Paxson LLP, Philadelphia, 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 February 25, 2015.

Official Statement Dated: January 21, 2015

$19,965,000
STATE PUBLIC SCHOOL BUILDING AUTHORITY
(Commonwealth of Pennsylvania)
Consisting of:

$5,720,000 College Revenue Bonds (Harrisburg Area Community College Refunding Project) Series of 2015

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

Principal Due: October 1, as shown on below
First Interest Payment: October 1, 2015

Maturity Date (October 1)	Principal Amount	Interest Rate	Yield	Price
2015	$655,000	2.000%	0.300%	101.018
2016	935,000	3.000	0.500	103.978
2017	490,000	4.000	0.930	107.867
2018	505,000	4.000	1.180	109.909
2019	530,000	5.000	1.470	115.644
2020	470,000	5.000	1.700	117.554
2021	495,000	5.000	1.920	119.005
2022	520,000	5.000	2.110	120.193
2023	555,000	5.000	2.330	120.696
2024	565,000	2.375	2.460	99.275

$14,245,000 College Revenue Bonds (Harrisburg Area Community College Refunding Project) Series A of 2015

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

Principal Due: October 1, as shown on below
First Interest Payment: October 1, 2015

Maturity Date (October 1)	Principal Amount	Interest Rate	Yield	Price
2016	$170,000	3.000%	0.500%	103.978
2017	760,000	4.000	0.930	107.867
2018	785,000	4.000	1.180	109.909
2019	830,000	5.000	1.470	115.644
2020	870,000	5.000	1.700	117.554
2021	915,000	5.000	1.920	119.005
2022	955,000	5.000	2.110	120.193
2023	1,010,000	5.000	2.330	120.696
2024	1,045,000	2.375	2.460	99.275
2025	1,075,000	2.500	2.650	98.620
2026	1,100,000	2.625	2.780	98.470
2027	1,130,000	2.750	2.890	98.528
2028	1,165,000	3.000	3.010	99.887
2029	1,200,000	3.000	3.070	99.179
2030	1,235,000	3.000	3.110	98.646

STATE PUBLIC SCHOOL BUILDING AUTHORITY
COMMONWEALTH OF PENNSYLVANIA

MEMBERS OF THE AUTHORITY

Honorable Thomas W. Wolf*
Governor of the Commonwealth of Pennsylvania .... Board Member

Honorable Lloyd K. Smucker
Designated by the President Pro Tempore of the Senate .... Board Member

Honorable Andrew E. Dinniman
Designated by the Minority Leader of the Senate .... Vice President

Honorable Robert M. McCord
State Treasurer .... Treasurer

Honorable Mike Turzai
Speaker of the House of Representatives .... Board Member

Honorable Curt Topper
Acting Secretary of General Services .... Board Member

Honorable Anthony M. DeLuca
Designated by the Minority Leader of the House of Representatives .... Board Member

Honorable Eugene A. DePasquale
Auditor General .... Board Member

Honorable Pedro Rivera
Acting Secretary of Education .... Board Member

*Assumed office on January 20, 2015

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
JANNEY MONTGOMERY SCOTT LLC
Philadelphia, 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
JANNEY MONTGOMERY SCOTT LLC
Philadelphia, 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.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "Bond Insurance" and "Appendix D - Specimen Municipal Bond Insurance Policy".

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STATE PUBLIC SCHOOL BUILDING AUTHORITY
(Commonwealth of Pennsylvania)
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$14,245,000 College Revenue Bonds (Harrisburg Area Community College Refunding Project), Series A of 2015

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 $19,965,000 combined aggregate principal amount of college revenue bonds to be issued by the Authority consisting of two series, the $5,720,000 College Revenue Bonds (Harrisburg Area Community College Refunding Project), Series of 2015 (the "2015 Bonds") and the $14,245,000 College Revenue Bonds (Harrisburg Area Community College Refunding Project), Series A of 2015 (the "2015A Bonds"). The 2015 Bonds and the 2015A Bonds are collectively referred to as 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 November 13, 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 October 23, 2012 (the "Ninth Supplemental Indenture"), a Tenth Supplement Trust Indenture, dated as of April 3, 2013 (the "Tenth Supplemental Indenture"), an Eleventh Supplemental Trust Indenture, dated as of June 30, 2014 (the "Eleventh Supplemental Indenture") and a Twelfth Supplemental Trust Indenture, dated February 25, 2015 (the "Twelfth 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, the Eleventh Supplemental Indenture, and the Twelfth 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" or "HACC") 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, and Arts and Humanities. In fiscal year 2014, the College's enrollment was 58,702, 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 2015 Bonds are being issued by the Authority to (1) currently refund the Authority's College Revenue Bonds (Harrisburg Area Community College Project) Series A of 2009 (the "2009A Bonds") and (2) pay the costs and expenses of issuing the 2015 Bonds.

The 2015A Bonds are being issued by the Authority to (1) currently refund the Authority's College Revenue Bonds (Harrisburg Area Community College Project) Series of 2010 (the "2010 Bonds") and (2) pay the costs and expenses of issuing the 2015A 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 2009A Bonds and the 2010 Bonds, which will be used to redeem the 2009A Bonds and the 2010 Bonds at a redemption price of 100% of principal amount plus accrued interest, pursuant to the optional redemption provisions applicable to the 2009A Bonds and the 2010 Bonds, on or about February 25, 2015, and April 1, 2015, respectively.

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	**2015 Bonds**	**2015A Bonds**	**Total**
Par Amount	$5,720,000.00	$14,245,000.00	$19,965,000.00
Net Original Issue Premium	607,712.85	918,905.75	1,526,618.60
Total Sources of Funds	$6,327,712.85	$15,163,905.75	$21,491,618.60
USE OF FUNDS			
Amount to Call 2009A Bonds	$6,241,680.00	$0.00	$6,241,680.00
Amount to Call 2010 Bonds	0.00	14,920,856.25	14,920,856.25
Cost of Issuance(1)	86,032.85	243,049.50	329,082.35
Total Uses of Funds	$6,327,712.85	$15,163,905.75	$21,491,618.60

(1)Includes legal, financial advisor, printing, rating, municipal bond insurance premium, underwriter's discount, trustee, redemption fee 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, 2015 (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 October 23, 2012 (the "Ninth Supplemental Loan Agreement"), a Tenth Supplemental Loan Agreement, dated as of April 3, 2013 (the "Tenth Supplemental Loan Agreement"), an Eleventh Supplemental Loan Agreement, dated as of June 30, 2014 (the "Eleventh Supplemental Loan Agreement") and a Twelfth Supplemental Loan Agreement, dated as of the dated date of the Bonds (the "Twelfth 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, the Eleventh Supplemental Loan Agreement and the Twelfth 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, 2024, are subject to redemption prior to maturity, at the option of the Authority at the direction of the College, in whole or, from time to time in part, on and after October 1, 2023, 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. 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, Assured Guaranty Municipal Corp. ("AGM") 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.

ASSURED GUARANTY MUNICIPAL CORP.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”)and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM 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 relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On November 13, 2014, KBRA assigned an insurance financial strength rating of “AA+” (stable outlook) to AGM. AGM can give no assurance as to any further ratings action that KBRA may take.

On July 2, 2014, S&P issued a credit rating report in which it affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On July 2, 2014, Moody’s issued a rating action report stating that it had affirmed AGM’s insurance financial strength rating of “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Capitalization of AGM

At September 30, 2014, AGM's policyholders' surplus and contingency reserve were approximately $3,683 million and its net unearned premium reserve was approximately $1,810 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (filed by AGL with the SEC on February 28, 2014);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014 (filed by AGL with the SEC on May 9, 2014);

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014 (filed by AGL with the SEC on August 8, 2014); and

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2014 (filed by AGL with the SEC on November 7, 2014).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Bonds or any uninsured bonds offered under this Official Statement and such purchases may constitute a significant proportion of the bonds offered. AGM or such affiliate may hold such Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "BOND INSURANCE".

SOURCE OF PAYMENT AND SECURITY FOR THE BONDS

College Loan Payments

The College will deliver to the Authority promissory notes dated the date of delivery thereof (the "Notes"), 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 Twelfth Supplemental Loan Agreement and the Notes, 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 Twelfth Supplemental Loan Agreement pursuant to which the Authority will, among other things, lend the proceeds of the Bonds to the College.

Under the Twelfth 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 Notes to the Authority evidencing its obligations under the Twelfth Supplemental Loan Agreement with respect to the Bonds. The payment obligations of the College under the Twelfth Supplemental Loan Agreement and the Notes 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 Notes and the Twelfth 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 Twelfth Supplemental Loan Agreement and the Notes 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 Third Supplemental Indenture (the "2005 Bonds"), the bonds issued pursuant to the Fourth Supplemental Indenture (the "2008 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"), the bonds issued pursuant to the Tenth Supplemental Indenture (the "2013 Bonds"), and the bonds issued pursuant to the Eleventh Supplemental Indenture (the "2014 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 TWELFTH SUPPLEMENTAL LOAN AGREEMENT AND THE INDENTURE – The Indenture" herein.

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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 Notes, the Secretary of Education 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 2014-15, the Commonwealth coverage of the College's maximum anticipated debt service would currently be approximately 4.5 times.

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 Town of Hershey and the Borough of 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:

PROGRAM	AGENCY
• 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)
• 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)
• Human Services	Council for Standards in Human Service Education
• 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)
• Municipal Police Academy (ACT 120)	Municipal Police Officers Education & Tr6 Commission (MPOETC)
• 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)
• Respiratory Therapist	Commission on Accreditation for Respiratory Care (CoARC)
• Surgical Technology	Commission on Accreditation of Allied Health Education 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 remained fully accredited; however, the College had to 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 visit September 23-25, 2013 the team established that HACC was in compliance with 2 of the 3 standards. In November 2013, the Middle States Commission on Higher Education 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 most recent Middle States Commission action was on June 26, 2014. MSCHE accepted the monitoring report and noted the visit by the Commission's representatives; and removed the warning status. HACC is now in compliance with Standard 12 (General Education) and the College’s accreditation was reaffirmed. The Middle States Commission requested a progress report, due March 1, 2016. This report must include the assessment of general education outcomes. It must show that the College is using assessment results to improve teaching and learning (Standard 12); and the next evaluation visit is scheduled for 2017-2018.

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 2, 2015.

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	2010-11	2011-12	2012-13	2013-14	2014-15*
Faculty (Full-time)	365	370	328	327	337
% Tenured	63%	68%	63%	73%	76%
Faculty (Part-time)	1059	1001	950	1090	1105
Administrators (Full-time)	81	76	59	62	68
Professionals (Full-time)	199	219	192	245	186
Professionals (Part-time)	12	12	13	13	10
Support Staff (Full-time)	389	385	340	299	319
Support Staff (Part-time)	68	68	57	57	47

*As of October 1, 2014
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, 2014. 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]
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	29,063	29,639	58,702	15,878
2014-15 (projected flat enrollment)	29,063	29,639	58,702	15,878

(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 2013-14, 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, began 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 was flat with FY 2012-13 at $8,002,673, however starting in FY 2014-15 HACC 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 $5,000,000 and the following year (FY 2016-17) will then decrease to the agreed upon $4,000,000. 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 2013-14 fiscal year, $6,407,065 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 2013-14 fiscal year, annual tuition (excluding fees) for 24 credit hours (1 FTE) was $3,420 for students from sponsoring school districts and $4,824 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, 2014 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, 2014 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, 2014, the most recent date of audited financial statements.

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, 2014 and projections for fiscal year ending June 30, 2015 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, 2014 see "MANAGEMENT'S DISCUSSION AND ANALYSIS" included in the financial information included in Appendix A hereto.

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

ENROLLMENTS	FY 2013-14			
Type	**Budget**	**Actual YTD**	**Actual vs Budget**	**Actual YTD vs Budget**
Student Cr Hrs (Sponsored)	126,052	108,001	(18,051)	85.7%
Student Cr Hrs (Non Spon)	262,148	253,040	(9,108)	96.5%
Student Cr Hrs (Out of State)	9,389	9,370	(19)	99.8%
Student Cr Hrs (College in the High School)	7,938	7,504	(434)	94.5%
Total Student Cr Hrs	405,527	377,915	(27,612)	93.2%
REVENUES	**Annual Budget**	**Actual YTD**	**Actual vs Budget $**	**Actual YTD vs Budget**
Tuition - Sponsored Students	$17,932,206	$15,366,131	($2,566,075)	85.7%
Tuition - Nonsponsored Students	52,599,102	51,323,930	(1,275,172)	97.6%
Tuition - Out-of-State	2,802,978	2,974,325	171,347	106.1%
Tuition - College in the High School	238,140	224,965	(13,175)	94.5%
Fees	11,008,979	10,642,293	(366,686)	96.7%
Noncredit Student Fees	6,258,964	5,233,070	(1,025,894)	83.6%
Comm of PA [Incl. base FTE plus Stipends]	29,664,165	29,664,165	-	100.0%
School Districts	8,042,302	8,002,674	(39,628)	99.5%
Sales	13,619,751	12,463,376	(1,156,375)	91.5%
Other Income	8,470,978	7,845,182	(625,796)	92.6%
Total Revenues Before Transfers In	150,637,565	143,740,111	(6,897,454)	95.4%
Transfers In				
ACA	20,534,913	19,271,334	(1,263,579)	93.8%
Fund Balance Allocation from Virtual	8,686,769	8,686,769	-	100.0%
Facilities Allocation (Noncredit, Bookstore)	350,989	350,989	-	100.0%
Transfers In	29,572,671	28,309,092	(1,263,579)	95.7%
Total Revenues & Transfers In	180,210,236	172,049,203	(8,161,033)	95.5%
EXPENDITURES				
Wages [Includes 26 of 26 (staff) and 19 of 19 (faculty) pays]	77,707,539	72,869,800	(4,837,739)	93.8%
Fringes	26,625,075	24,220,283	(2,404,792)	91.0%
Total Payroll Expenditures	104,332,614	97,090,083	(7,242,531)	93.1%
Operating Expenditures				
Cost of Sales	10,339,142	8,988,255	(1,350,887)	86.9%
Insurance	573,118	623,606	50,488	108.8%
Mailing Costs	533,862	225,807	(308,055)	42.3%
Telecommunications	574,947	490,280	(84,667)	85.3%
Utilities	4,462,138	3,771,960	(690,178)	84.5%
Bad Debt	1,791,000	2,041,348	250,348	114.0%
Miscellaneous Expenses (credit card fees, real estate taxes, etc.)	954,126	984,880	30,754	103.2%
Library Expense	536,496	499,125	(37,371)	93.0%
Supplies	5,374,326	4,538,636	(835,690)	84.5%
Purchased Services	2,438,649	2,287,826	(150,823)	93.8%
Advertising	814,106	736,565	(77,541)	90.5%
Rentals/Leases	4,815,025	4,467,436	(347,589)	92.8%
Repair & Maintenance	1,475,988	1,264,454	(211,534)	85.7%
Professional Fees	1,892,291	2,496,421	604,130	131.9%
Meeting & Travel/Conf. Expenses	1,915,604	1,289,149	(626,455)	67.3%
Total Operating Expenditures	38,490,818	34,705,748	(3,785,070)	90.2%
Total Expenditures Before Transfers Out	142,823,432	131,795,831	(11,027,601)	92.3%
Operating Transfers Out				
ACA	20,534,913	19,271,334	(1,263,579)	93.8%
Fund Balance Allocation (Virtual)	8,686,769	8,686,769	-	100.0%
Facilities Allocation	350,989	350,989	-	100.0%
Operating Transfers Out	29,572,671	28,309,092	(1,263,579)	95.7%
Total Operating Expenditures & Transfers Out	172,396,103	160,104,923	(12,291,180)	92.9%
Net Operating Increase (Decrease)	7,814,133	11,944,280	4,130,147	
Non Operating Transfers Out				
Debt Service	7,293,508	6,999,572	(293,936)	96.0%
Plant Fund - Capital FF&E	-	500,000	500,000	100.0%
Total Non Operating Transfers Out	7,293,508	7,499,572	206,064	102.8%
Prior Period Adjustment	-	459,747	459,747	
Net Change to Unrestricted Fund Balance	**520,625**	**4,471,700**	**3,951,075**	
Net Change to Temporarily Restricted Fund Balance	-	(486,739)	(486,739)	
Net Change to Fund Balance	520,625	3,984,961	3,464,336	
Unrestricted Fund Balance at July 1, 2013	20,129,018	26,227,923		
Temporarily Restricted Fund Balance at July 1, 2013	-	486,739		
TOTAL FUND BALANCE AT JULY 1, 2013	20,129,018	26,714,662		
Unrestricted Fund Balance at June 30, 2014	20,649,643	30,699,623		
Temporarily Restricted Fund Balance at June 30, 2014	-	-		
TOTAL FUND BALANCE AT JUNE 30, 2014	20,649,643	30,699,623		

Source: The College.

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

ENROLLMENTS			**FY 2014-15**		
Type	**Budget**	**Projection***	**Actual YTD**	**Projection vs Budget**	**Projection vs Budget %**
Student Cr Hrs (Sponsored)	107,400	100,917	42,090	(6,483)	94.0%
Student Cr Hrs (Non Spon)	263,881	249,076	124,157	(14,805)	94.4%
Student Cr Hrs (Out of State)	9,919	9,039	4,870	(880)	91.1%
Student Cr Hrs (College in the High School)	7,587	8,404	4,709	817	110.8%
Total Student Cr Hrs	388,787	367,436	175,826	(21,351)	94.5%
REVENUES	**Annual Budget**	**Projection***	**Actual YTD**	**Projection vs Budget $**	**Projection vs Budget %**
Tuition - Sponsored Students	$16,344,038	$15,381,720	$6,745,477	($962,318)	94.1%
Tuition - Nonsponsored Students	54,426,786	51,554,339	24,644,136	(2,872,447)	94.7%
Tuition - Out-of-State	3,048,608	2,786,615	1,510,069	(261,993)	91.4%
Tuition - College in the High School	227,610	253,471	142,590	25,861	111.4%
Fees - Instructional	10,609,710	10,620,614	4,787,145	10,904	100.1%
Noncredit Student Fees	5,945,798	5,925,798	2,299,436	(20,000)	99.7%
Comm of PA [Incl. base FTE plus Stipends]	29,664,165	30,153,518	7,538,380	489,353	101.6%
School Districts	6,002,674	6,002,674	1,536,870	-	100.0%
Sales	12,476,183	12,177,183	5,419,235	(299,000)	97.6%
Other Income	7,591,434	7,294,026	2,217,343	(297,408)	96.1%
Total Revenues Before Transfers In	146,337,006	142,149,958	56,840,680	(4,187,048)	97.1%
Transfers In					
ACA	21,735,084	21,735,084	9,056,285	-	100.0%
Fund Balance Allocation from Virtual	9,186,769	9,186,769	3,827,820	-	100.0%
Harrisburg Allocation	600,000	600,000	250,000	-	100.0%
Facilities Allocation (Noncredit, Bookstore)	346,459	346,459	144,358	-	100.0%
Facilities Support Staff Allocation	35,000	35,000	14,583	-	100.0%
Transfers In	31,903,312	31,903,312	13,293,047	-	100.0%
Total Revenues & Transfers In	178,240,318	174,053,270	70,133,727	(4,187,048)	97.7%
EXPENDITURES					
Wages [Includes 8 of 26 (staff) and 5 of 19 (faculty) pays]	76,892,762	75,904,798	28,659,467	(987,964)	98.7%
Fringes	26,854,293	26,236,391	8,812,613	(617,902)	97.7%
Total Payroll Expenditures	103,747,055	102,141,189	37,472,080	(1,605,866)	98.5%
Operating Expenditures					
Cost of Sales	9,436,138	9,202,739	3,920,889	(233,399)	97.5%
Insurance	674,740	718,357	675,294	43,617	106.5%
Mailing Costs	396,373	385,889	106,297	(10,484)	97.4%
Telecommunications	466,889	464,145	168,681	(2,744)	99.4%
Utilities	4,038,236	3,738,886	1,232,449	(299,350)	92.6%
Bad Debt	1,760,400	1,855,400	375,000	95,000	105.4%
Miscellaneous Expenses (credit card fees, real estate taxes, etc.)	823,849	823,849	810,535	371,177	(13,314)
Library Expense	543,907	540,569	328,065	(3,338)	99.4%
Supplies	5,403,192	5,291,088	2,402,098	(112,104)	97.9%
Purchased Services	2,231,450	2,291,364	589,272	59,914	102.7%
Advertising	1,082,279	1,082,279	213,578	-	100.0%
Rentals/Leases	3,793,015	3,809,765	1,887,399	16,750	100.4%
Repair & Maintenance	1,536,295	1,530,695	828,819	(5,600)	99.6%
Professional Fees	1,817,971	1,864,871	741,706	46,900	102.6%
Meeting & Travel/Conf. Expenses	1,922,539	1,875,465	380,908	(47,074)	97.6%
Total Operating Expenditures	35,927,273	35,462,047	14,221,632	(465,226)	98.7%
Total Expenditures Before Transfers Out	139,674,328	137,603,236	51,693,712	(2,071,092)	98.5%
Operating Transfers Out					
ACA	21,735,084	21,735,084	9,056,285	-	100.0%
Fund Balance Allocation (Virtual)	9,186,769	9,186,769	3,827,820	-	100.0%
Facilities Allocation	346,459	346,459	144,358	-	100.0%
Facilities Support Staff Allocation	35,000	35,000	14,583		100.0%
Harrisburg Allocation	600,000	600,000	250,000	-	100.0%
Operating Transfers Out	31,903,312	31,903,312	13,293,047	-	100.0%
Total Operating Expenditures & Transfers Out	171,577,640	169,506,548	64,986,759	(2,071,092)	98.8%
Net Operating Increase (Decrease)	6,662,678	4,546,722	5,146,968	(2,115,956)	
Non Operating Transfers Out					
Debt Service	6,471,533	5,177,154	5,156,520	(1,294,379)	80.0%
Total Non Operating Transfers Out	6,471,533	5,177,154	5,156,520	(1,294,379)	80.0%
Net Change to Unrestricted Fund Balance	191,145	(466,485)	61,236	(657,630)	
Net Change to Temporarily Restricted Fund Balance	-	-	(163,947)	(70,789)	(163,947)
Net Change to Fund Balance	191,145	(630,432)	(9,552)	(821,577)	
Unrestricted Fund Balance at July 1, 2014	27,408,124	30,699,880	30,699,880		
Temporarily Restricted Fund Balance at July 1, 2014	-	-	163,947	163,947	
TOTAL FUND BALANCE AT JULY 1, 2014	27,408,124	30,863,827	30,863,827		
Unrestricted Fund Balance at June 30, 2015	27,599,269	30,233,395	30,761,116		
Temporarily Restricted Fund Balance at June 30, 2015	-	-	0	93,159	
TOTAL FUND BALANCE AT JUNE 30, 2015	27,599,269	30,233,395	30,854,275		

*Projections as of November 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 and are outstanding under the Indenture as of January 21, 2015 (the "Prior College Bonds").

HARRISBURG AREA COMMUNITY COLLEGE
DEBT STATEMENT
(As of January 21, 2015)*

	Gross Outstanding
College Revenue Bonds, Series of 2015	$5,720,000
College Revenue Bonds, Series A of 2015	14,245,000
College Revenue Bonds, Series of 2014	21,890,000
College Revenue Bonds, Series of 2013	6,260,000
College Revenue Bonds, Series of 2012	13,740,000
College Revenue Bonds, Series of 2011	44,700,000
College Revenue Bonds, Series A of 2008	18,885,000
TOTAL DEBT	$125,440,000

* Excludes capital leases, bank debt and the 2009A and 2010 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	Total Other	Series of 2015			Series A of 2015			Total
Year	Debt	Principal	Interest	Subtotal	Principal	Interest	Subtotal	Requirements
2015	$11,880,208*	$0	$0	$0	$0	$0	$0	$11,880,208
2016	10,604,280	655,000	238,606	893,606	0	567,098	567,098	12,064,984
2017	10,607,894	935,000	195,744	1,130,744	170,000	512,994	682,994	12,421,631
2018	10,596,714	490,000	171,919	661,919	760,000	495,244	1,255,244	12,513,876
2019	10,599,064	505,000	152,019	657,019	785,000	464,344	1,249,344	12,505,426
2020	10,598,564	530,000	128,669	658,669	830,000	427,894	1,257,894	12,515,126
2021	9,934,286	470,000	103,669	573,669	870,000	385,394	1,255,394	11,763,348
2022	8,904,197	495,000	79,544	574,544	915,000	340,769	1,255,769	10,734,509
2023	8,842,408	520,000	54,169	574,169	955,000	294,019	1,249,019	10,665,595
2024	8,832,434	555,000	27,294	582,294	1,010,000	244,894	1,254,894	10,669,621
2025	7,930,936	565,000	6,709	571,709	1,045,000	207,234	1,252,234	9,754,879
2026	7,326,972	0	0	0	1,075,000	181,388	1,256,388	8,583,359
2027	7,325,459	0	0	0	1,100,000	153,513	1,253,513	8,578,971
2028	7,320,226	0	0	0	1,130,000	123,538	1,253,538	8,573,764
2029	5,910,494	0	0	0	1,165,000	90,525	1,255,525	7,166,019
2030	5,909,013	0	0	0	1,200,000	55,050	1,255,050	7,164,063
2031	4,813,634	0	0	0	1,235,000	18,525	1,253,525	6,067,159
2032	4,813,250	0	0	0	0	0	0	4,813,250
2033	1,023,844	0	0	0	0	0	0	1,023,844
Total	$153,773,873	$5,720,000	$1,158,340	$6,878,340	$14,245,000	$4,562,420	$18,807,420	$179,459,633

*Includes the debt service on the 2009A and 2010 Bonds being refunded by the 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:

	2011-12	2012-13	2013-14	2014-15	2015-16
Tuition(1)	136.5	139.5	142.5	152.5	172.5
Tuition(2)	189	195	201	207	213
Tuition(3)	283.5	292.5	301.5	310.5	319.5
Activity Fee(4)	3.0	3.5	3.5	3.5	3.5
Campus Revitalization Fee(4)	0.5	0.5	0.5	0.5	0.5
Technology Fee(4)	15	15	20	22	22
Institutional Fee(4)	10	10	10	10	10
Capital Fee (Nonsponsor)(4)	5	5	5	5	5
Capital Fee (Out-of-State)(4)	10	10	10	10	10
Application Fee	35	35	35	35	35
Semester Fee (Sponsor)	1,980.00	2,022.00	2,118.00	2,238.00	2,262.00
Semester Fee (Nonsponsor)	2,670.00	2,748.00	2,880.00	2,952.00	2,976.00
Semester Fee (Out-of-State)	3,864.00	3,978.00	4,146.00	4,252.50	4,278.00

(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:

	2009-10	2010-11	2011-12	2012-13	2013-14
Total Grants and Scholarships	$37,876,000	$44,366,000	$45,758,831	$44,462,080	$46,637,092
Total Loans	80,097,000	85,277,000	89,818,437	87,479,666	76,536,861
Total Employment	1,647,000	1,607,000	1,559,122	1,311,711	1,314,246
Total Financial Aid	$119,620,000	$131,250,000	$137,136,390	$133,253,457	$124,488,199
Total Number of Students Receiving Financial Aid	16,000	17,480	18,089	18,031	17,243

Source: The College.

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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.

	2009-10	2010-11	2011-12	2012-13	2013-14
Annual Support to Harrisburg Area Community College*	$2,892,185	$2,530,833	$2,540,841	$2,474,392	$2,458,557

*Excludes capital campaign funds.
Source: The College.

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

The following are summaries of certain provisions of the Twelfth 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 Twelfth 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 Twelfth Supplemental Loan Agreement

In connection with the issuance of the Bonds, the Authority will enter into the Twelfth Supplemental Loan Agreement, pursuant to which the Authority will loan the proceeds of the Bonds to the College. The Twelfth 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 Twelfth Supplemental Loan Agreement will be evidenced by the Notes.

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 Twelfth Supplemental Loan Agreement the amount of loan payments required to be paid to the Authority with respect to the Notes and the Twelfth Supplemental Loan Agreement in such fiscal year.

If the College defaults in its payments on the Notes 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 Twelfth Supplemental Loan Agreement and the Notes, and to pay over to the Trustee, as sinking fund depository for the Notes, the amount so withheld.

Assignment of the Twelfth 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 Notes and Twelfth Supplemental Loan Agreement and all other sums payable under the Twelfth 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 Twelfth Supplemental Loan Agreement. The College's obligations under the Twelfth Supplemental Loan Agreement and the Notes 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 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 Twelfth 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 Twelfth Supplemental Loan Agreement and the Notes, 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 Twelfth Supplemental Loan Agreement and Notes 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 Twelfth 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, 2015, within 270 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.

Existing Continuing Disclosure Filing History

The College has previously entered into Continuing Disclosure Agreements with respect to each one of its previously issued bond issues that are currently outstanding. The College's filing history of its annual financial and operating information during the past five (5) years is outlined in the table below.

Fiscal Year	Filing	Financial Statements		Budget		Operating Data	
Ending	Deadline [1]	Filing Date	EMMA ID [2]	Filing Date	EMMA ID [2]	Filing Date	EMMA ID [2]
6/30/2010	12/27/2010	11/23/2010	EA390933	Not Required		4/19/2010	[3]
6/30/2011	12/27/2011	12/12/2011	ER461752	Not Required		12/12/2011	[3]
6/30/2012	12/27/2012	12/18/2012	ER529467	Not Required		12/18/2012	ER529467
6/30/2013	12/27/2013	12/26/2013	ER597913	12/26/2013	ER597913	12/26/2013	ER597913
6/30/2014	12/27/2014	12/22/2014	ER661351	12/22/2014	ER661351	12/22/2014	ER661351

__Notes__

[1] *For these purposes, assumes the shortest filing deadline of the College's previous Continuing Disclosure Agreements*

[2] *Submission ID is the EMMA Submission ID for each filing. To access a filing, insert the Submission ID to the end of the web address below: http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=*

[3] *Submitted as part of an Official Statement posted to the "Official Statement" tab on EMMA.*

Based on the information above, the College's annual financial and operating filing history over the past five (5) years can be summarized as follows:

For fiscal year ending June 30, 2010 through June 30, 2014, the College's annual financial and operating information was posted in a timely fashion.

Bond Insurance Rating Downgrades and Upgrades by S&P and/or Moody's

Some of the College's bond issues that have been outstanding during the past five (5) years have been insured by various bond insurance companies that have received rating downgrades and upgrades by both S&P and Moody's. This information was publicly available from widely accepted information sources at the time of their respective downgrades or upgrades. For informational purposes, the College has recently filed a summary of rating upgrades and downgrades relating to certain bond insurance companies.

Underlying Rating Downgrade

The College received an underlying rating downgrade from "A" to "A-" from Standard & Poor's Rating Service on February 27, 2013; however, a Notice of Material Event was not posted to EMMA by the College until January 15, 2015.

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 November 30, 2014 of approximately $17 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 $28 million in short term investments with maturities of 2 years or less and another $9 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.

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 2015 through and including 2023 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. Certain legal matters will be passed upon for Janney Montgomery Scott LLC (the "Underwriter") by its counsel, Dilworth Paxson, LLP, Philadelphia, Pennsylvania.

FINANCIAL STATEMENTS

The financial statements of the College as of and for the year ended June 30, 2014 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, 2014.

UNDERWRITING

The Underwriter has agreed to purchase the 2015 Bonds from the Authority, subject to certain conditions precedent, and will purchase all of the 2015 Bonds if any of such 2015 Bonds are purchased. The 2015 Bonds will be purchased for a purchase price of $6,295,379.22, equal to the par value of the 2015 Bonds plus a net original issue premium of $607,712.85, less an underwriter's discount of $32,333.63.

The Underwriter has agreed to purchase the 2015A Bonds from the Authority, subject to certain conditions precedent, and will purchase all of the 2015A Bonds if any of such 2015A Bonds are purchased. The 2015A Bonds will be purchased for a purchase price of $15,040,509.88, equal to the par value of the 2015A Bonds plus a net original issue premium of $918,905.75, less an underwriter's discount of $123,395.87.

BOND RATINGS

Standard & Poor's Ratings Services has assigned an underlying rating of "A-" to the Bonds. Standard & Poor's Rating Services has assigned a long term rating of "A" to the Bonds reflecting the additional security provided by the Pennsylvania State Aid Intercept Program. 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 AGM. 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

APPENDIX A

HARRISBURG AREA COMMUNITY COLLEGE
ANNUAL FINANCIAL REPORT
JUNE 30, 2014
INDEPENDENT AUDITOR'S REPORT

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Audited Financial Statements

June 30, 2014

HACC

Founded in 1964

CENTRAL PENNSYLVANIA'S COMMUNITY COLLEGE

CONTENTS

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Harrisburg Area Community College
Harrisburg, Pennsylvania

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Harrisburg Area Community College (the College), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Required Supplementary Information

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

Other Information

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

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

OTHER REPORTING REQUIRED BY **GOVERNMENT AUDITING STANDARDS**

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

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
October 16, 2014

INTRODUCTION

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

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

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

FINANCIAL HIGHLIGHTS

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

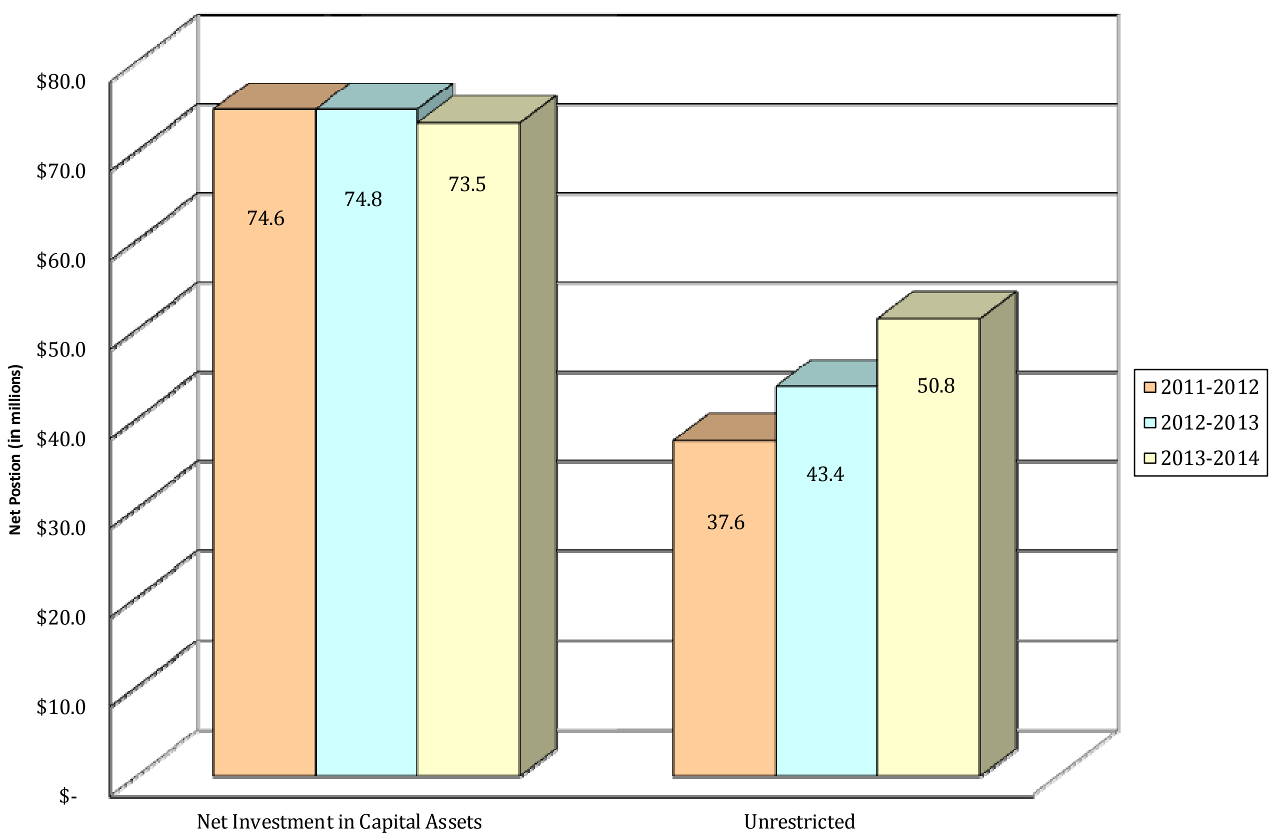
The "Net Position", which represents the difference between total assets plus deferred outflows of resources and total liabilities, are divided into two major categories. The first category, net invested in capital assets, shows the College's equity in property, plant, and equipment that it owns. The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

FINANCIAL HIGHLIGHTS (CONTINUED)

Net Position
As of June 30
(In millions)

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

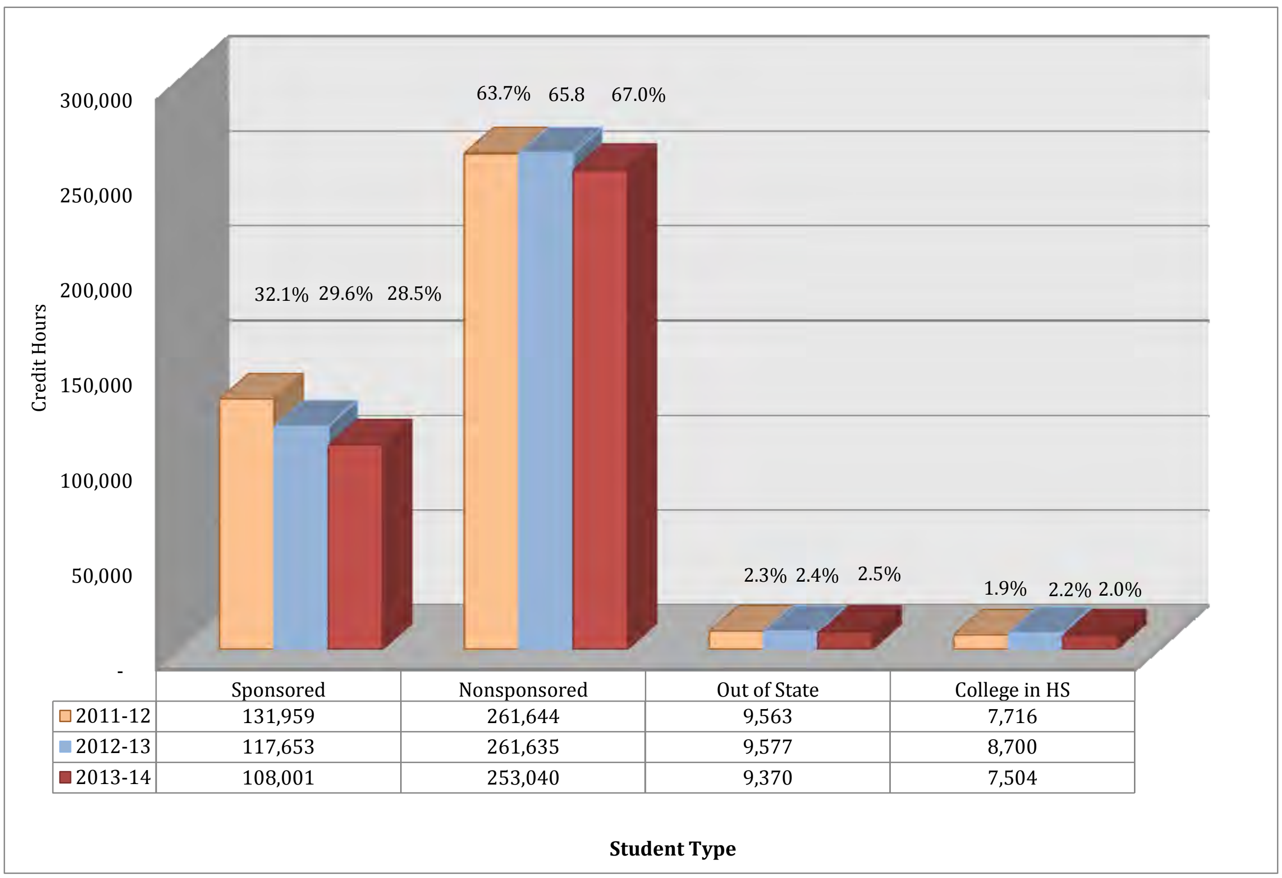
Comparison of Net Position Fiscal Years 2012, 2013, 2014



CREDIT HOUR PRODUCTION

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

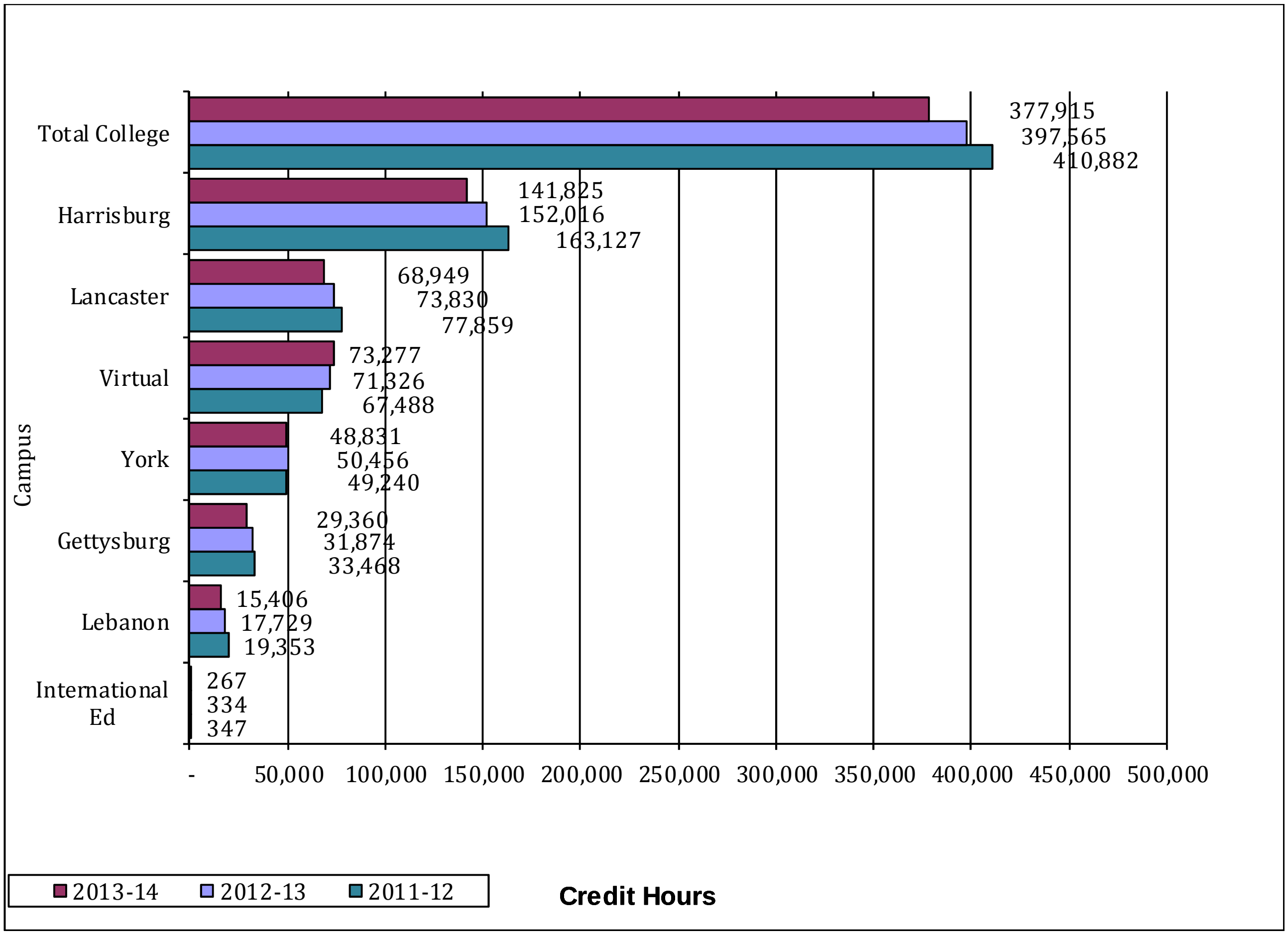
Credit Hour Production by Student Type



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

CREDIT HOUR PRODUCTION (CONTINUED)

Credit Hour Production by Campus 2012, 2013, 2014



STATEMENT OF NET POSITION

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

STATEMENT OF NET POSITION (CONTINUED)

Statement of Net Position
(In millions)

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

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

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

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

STATEMENT OF NET POSITION (CONTINUED)

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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

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

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

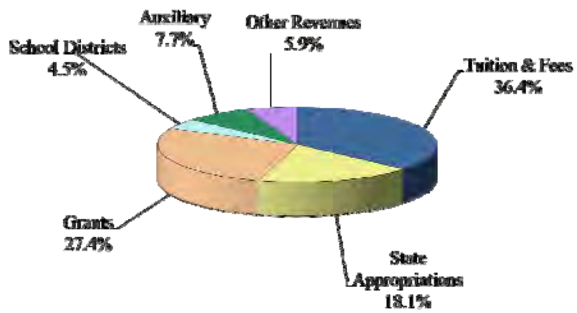
Revenues, Expenses and Changes in Net Position
(In millions)

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

TOTAL OPERATING AND NON-OPERATING REVENUES

2014

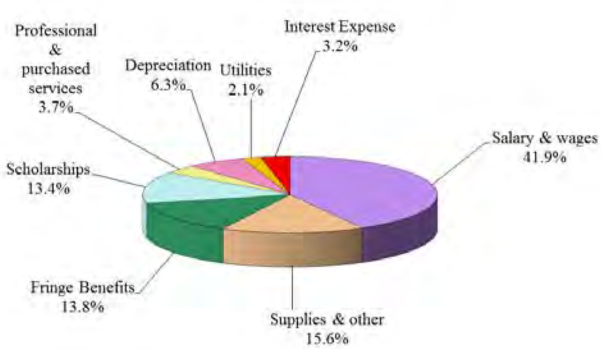
2013



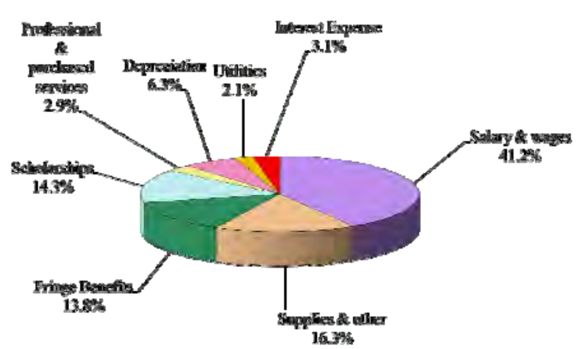
Operating revenues of $133.5 million in 2014 were $5.3 million less than 2013. Total operating revenues in 2013 were $138.8 million, which was an increase of $624,000 over 2012. In 2014, tuition and fees decreased by $1.5 million driven by a decrease in student enrollment of 4.9% despite an increase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

TOTAL OPERATING EXPENDITURES BY NATURAL SOURCE

2014

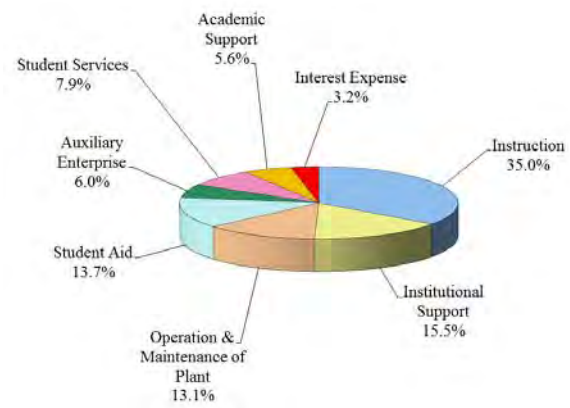


2013

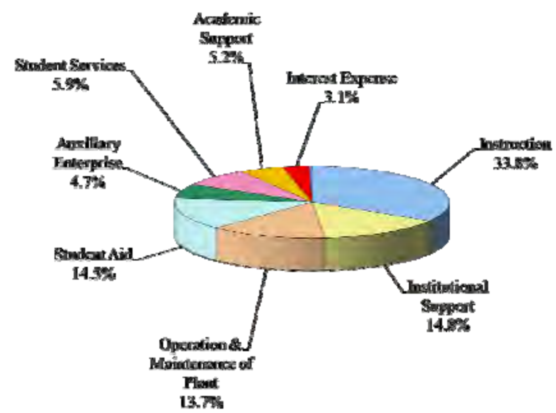


TOTAL OPERATING EXPENDITURES BY FUNCTION

2014



2013



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

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

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

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

STATEMENT OF CASH FLOWS

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

Cash Flows
(In millions)

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

CAPITAL ASSET AND DEBT ADMINISTRATION

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

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

CAPITAL PLAN

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

ECONOMIC FACTORS THAT WILL IMPACT THE FUTURE

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

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

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

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

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

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Measurement Focus and Basis of Accounting

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

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

Reporting Entity

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

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

Net Position

Net position is classified in the following categories:

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

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

Management's Use of Estimates

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

Cash and Cash Equivalents

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

Restricted Cash and Cash Equivalents

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

Investments

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

Total Return Policy - HACC Foundation

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

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

Capital Assets

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

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

Deferred Outflows and Inflows of Resources

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations

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

Income Taxes

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

Compensated Absences

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

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

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

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

Classification of Revenues

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Revenues (Continued)

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

Accounts Receivable

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

Allowance for Doubtful Accounts

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

Scholarship Allowances

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension Plans

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

Reclassification of Prior Year Financial Statements

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

NOTE 2 CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Deposits

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

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

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

NOTE 3 INVESTMENTS

Credit Risk

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

NOTE 3 INVESTMENTS (CONTINUED)

Interest Rate Risk

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

HACC Foundation Investments

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

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

NOTE 3 INVESTMENTS (CONTINUED)

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

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

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

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

NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)

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

NOTE 5 CAPITAL ASSETS

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

2014

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

NOTE 5 CAPITAL ASSETS (CONTINUED)

2013

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

NOTE 6 OTHER ASSETS

Other assets of the College at June 30 consist of:

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

NOTE 7 LONG-TERM LIABILITIES

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

2014

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

2013

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

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Bonds Payable

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

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

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

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Series 2014 Bonds Payable

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

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

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

Future Maturities

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

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

NOTE 8 LEASES

Operating Leases

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

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

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

NOTE 9 DUE TO THE COMMONWEALTH OF PENNSYLVANIA

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

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

NOTE 10 RISK MANAGEMENT

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

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

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

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

NOTE 11 PENSION BENEFITS

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

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

NOTE 11 PENSION BENEFITS (CONTINUED)

PSERS Plan Description

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

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

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

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

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

Funding Policy

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

Contribution rates

Member Contributions **–**

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

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

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

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

NOTE 11 PENSION BENEFITS (CONTINUED)

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

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

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

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

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

NOTE 12 POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

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

NOTE 12 POSTEMPLOYMENT HEALTHCARE PLAN

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

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

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

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

NOTE 13 CONTINGENCIES AND COMMITMENTS

Contingencies

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

Commitments

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

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

Subsequent Event

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

NOTE 14 STATE APPROPRIATIONS

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

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

NOTE 15 NET POSITION

College

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

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

The remaining net position of the College is considered unrestricted.

HACC Foundation

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

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

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

OPEB (Other Post Employment Benefit Plan)
Unaudited Required Schedule of Funding Progress

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

OTHER SUPPLEMENTARY INFORMATION

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

2014

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

2013

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

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

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

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

NOTE 1 GENERAL INFORMATION

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

NOTE 2 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

NOTE 3 BASIS OF PRESENTATION/ACCOUNTING

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

NOTE 4 ADMINISTRATIVE EXPENSES

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

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

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
October 16, 2014

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

Board of Trustees
Harrisburg Area Community College
Harrisburg, Pennsylvania

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

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

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
October 16, 2014

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

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

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

Section II – Financial Statement Findings

A. Significant Deficiencies or Material Weaknesses in Internal Control

None noted

B. Compliance Findings

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

Section III – Federal Findings and Questioned Costs

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

None noted

B. Compliance Findings

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

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

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

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APPENDIX B

HARRISBURG AREA COMMUNITY COLLEGE

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") is dated as of February 25, 2015, 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 January 21, 2015, among Boenning & Scattergood, Inc. (the "Underwriter"), the State Public School Building Authority (the “Authority”), and the College, the Authority has agreed to sell $5,720,000 aggregate principal amount of its College Revenue Bonds (Harrisburg Area Community College Refunding Project), Series of 2015, and $14,245,000 aggregate principal amount of its College Revenue Bonds (Harrisburg Area Community College Refunding Project), Series A of 2015 (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 Twelfth Supplemental Loan Agreement, dated as of February 25, 2015, 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 a Twelfth 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 270 days following the end of each Fiscal Year of the College beginning with the Fiscal Year ending June 30, 2015 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 270 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. <u>Duties of Dissemination Agent; Fees and Expenses.</u>

(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. The Dissemination Agent shall not be liable for any action taken or omitted under this Disclosure Agreement so long as it shall have acted in good faith ad without gross negligence. 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.

(d) Notwithstanding any provision contained herein to the contrary, the Dissemination Agent, including its officers, directors, employees and agents, shall be indemnified and saved harmless by the College from all losses, liabilities, costs and expenses, including reasonable attorney fees and expenses, which may be incurred by it as a result of its acceptance or the performance of its duties hereunder, unless such losses, liabilities, costs and expenses shall have been finally adjudicated to have resulted from the willful misconduct or gross negligence of the Dissemination Agent, and such indemnification shall survive its resignation or removal, or the termination of this Disclosure Agreement.

(e) In connection the fulfillment of it duties under this Disclosure Agreement, the Dissemination Agent shall have the right, but not the obligation, to consult with counsel of choice and shall not be liable for action taken or omitted to be taken by Dissemination Agent either in accordance with the written advice of such counsel or in accordance with any opinion of the Authority's Bond Counsel addressed and delivered to the Dissemination Agent.

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. Remedies for Default. 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 (if provided with indemnity satisfactory to it) 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. Miscellaneous.

(a) Binding Nature of Agreement. 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) Notices. 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. The Dissemination Agent shall undertake its best efforts to 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 Dissemination Agent

By: ____________________________________
Authorized Officer

Schedule 1

Annual Financial Information

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 January 21, 2015, relating to the Bonds (the "Official Statement") within 270 days following the end of each Fiscal Year of the College beginning with the Fiscal Year ending June 30, 2015, 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.

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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FILE NO: 12488/4

[Date of Closing]

OPINION

Re: State Public School Building Authority
$5,720,000 College Revenue Bonds
(Harrisburg Area Community College Refunding Project),
Series of 2015
and
$14,245,000 College Revenue Bonds
(Harrisburg Area Community College Refunding Project),
Series A of 2015

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), in the combined aggregate principal amount of $19,965,000 (collectively, the "Bonds"), consisting of the Series of 2015 Bonds, in the aggregate principal amount of $5,720,000, and its Series A of 2015 Bonds, in the aggregate principal amount of $14,245,000, 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 a Twelfth Supplemental Trust Indenture, dated as of February 25, 2015 (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 A of 2009, (2) refund the Authority's College Revenue Bonds (Harrisburg Area Community College Project) Series of 2010, and (3) pay related costs and expenses, including the costs of issuance of the Bonds and the related General Obligation Note, Series of 2015 and General Obligation Note, Series A of 2015 (the "Notes") 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 a Twelfth 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 Notes 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 Notes (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 Notes, 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 Notes and the valid and binding effect of the Loan Agreement and the Notes 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 Notes 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 Notes 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,

APPENDIX D
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, 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 Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the 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 AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

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 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 AGM 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 of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount 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 or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AGM 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 AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, 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, (a) 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 and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ___________________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
31 West 52nd Street, New York, N.Y. 10019
(212) 974-0100

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