

**HARRISBURG AREA  
COMMUNITY COLLEGE**

ANNUAL  
FINANCIAL  
REPORT

---

FOR THE YEAR ENDED JUNE 30, 2000

## CONTENTS

|   | Page      |
|---|-----------|
| List of Report Distribution   | 1         |
| Transmittal Letter to the Board of Trustees   | 2         |
| <b>INDEPENDENT AUDITOR'S REPORT</b>   | 3         |
| <b>FINANCIAL STATEMENTS</b>   |           |
| Balance sheet   | 4 - 7     |
| Statement of changes in fund balances   | 8 and 9   |
| Statement of current fund revenues, expenditures and other changes  | 10 and 11 |
| Notes to financial statements   | 12 - 19   |
| <b>ACCOMPANYING INFORMATION</b>   |           |
| Schedule of special revenue funds   | 20        |
| <b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>   | 21        |
| Notes to schedule of expenditures of federal awards   | 22 and 23 |
| <b>REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b> | 24 and 25 |
| <b>REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133</b>                             | 26 and 27 |
| <b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>  | 28 - 32   |
| <b>REPORT ON STATUS OF PRIOR YEAR'S COMPLIANCE FINDINGS AND INTERNAL CONTROL WEAKNESSES</b>   | 33        |
| <b>MANAGEMENT LETTER</b>  | 34 - 38   |

**HARRISBURG AREA COMMUNITY COLLEGE**

**LIST OF REPORT DISTRIBUTION**

**JUNE 30, 2000**

2 Reports - Federal Audit Clearing House  
Bureau of Census  
1201 East 10<sup>th</sup> Street  
Jeffersonville, Indiana 47132

3 Reports - Bureau of Audits  
Bell Tower – 6<sup>th</sup> Floor  
303 Walnut Street  
Harrisburg, Pennsylvania 17101-1830



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

Board of Trustees  
Harrisburg Area Community College  
Harrisburg, Pennsylvania

We have performed the Single Audit of Harrisburg Area Community College for the fiscal year ended June 30, 2000 and have enclosed the Single Audit reporting package.

The Single Audit was done to fulfill the requirements of OMB Circular A-133. It entailed: 1. an audit of the general purpose financial statements and the schedule of expenditures of federal awards and our opinion thereon; 2. a review of compliance with laws and regulations and internal control over financial reporting based on an audit of the general purpose financial statements in accordance with "*Government Auditing Standards*" issued by the GAO and a report thereon; and 3. a review of compliance with requirements applicable to major programs and internal control over compliance and our opinion thereon.

We have issued a management letter for the fiscal year ended June 30, 2000.

*Smith Elliott Kearns & Company, LLC*

Chambersburg, Pennsylvania  
November 15, 2000



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

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Harrisburg Area Community College  
Harrisburg, Pennsylvania

We have audited the accompanying balance sheets of Harrisburg Area Community College, as of and for the year ended June 30, 2000, and the related statements of changes in fund balances and of current fund revenues, expenditures, and other changes. These financial statements are the responsibility of Harrisburg Area Community College's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harrisburg Area Community College as of June 30, 2000, and the changes in its fund balances, and its current fund revenues, expenditures, and other changes for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2000 on our consideration of Harrisburg Area Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with "*Government Auditing Standards*" and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and NonProfit Organizations*, and is not a required part of the financial statements of Harrisburg Area Community College. The detailed statement of special revenue funds is also presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Smith Elliott Kearns & Company, LLC*

Chambersburg, Pennsylvania  
November 15, 2000

HARRISBURG AREA COMMUNITY COLLEGE

BALANCE SHEETS

June 30, 2000

ASSETS

|  |                      |
|--|----------------------|
| Current funds:                                 |                      |
| Unrestricted:                                  |                      |
| Cash and equity in pooled cash and investments | \$ 7,045,800         |
| Accounts receivable:                           |                      |
| Tuition and fees, net of allowance of          |                      |
| \$50,000                                       | 3,193,694            |
| Other  | 651,006              |
| Intergovernmental receivable                   | 105,151              |
| Inventories                                    | 633,073              |
| Prepaid expenses and deferred charges          | 139,462              |
| Due from other funds                           | 851,389              |
| Other assets                                   | <u>7,470</u>         |
| Total unrestricted                             | <u>\$ 12,627,045</u> |

|  |                      |
|--|----------------------|
| Restricted:                                    |                      |
| Cash and equity in pooled cash and investments | (\$ 29,451)          |
| Intergovernmental receivable                   | 713,956              |
| Other  | <u>3,662</u>         |
| Total restricted                               | <u>\$ 688,167</u>    |
| Total current funds                            | <u>\$ 13,315,212</u> |

LIABILITIES AND FUND BALANCES

|                                     |                  |
|-------------------------------------|------------------|
| Current funds:                      |                  |
| Unrestricted:                       |                  |
| Accounts payable                    | \$ 1,315,262     |
| Accrued liabilities                 | 3,306,877        |
| Deferred revenue                    | 1,411,864        |
| Due to Commonwealth of Pennsylvania | 1,313,314        |
| Fund balance:                       |                  |
| Undesignated                        | <u>5,279,728</u> |

|                    |                     |
|--------------------|---------------------|
| Total unrestricted | <u>\$12,627,045</u> |
|--------------------|---------------------|

|                     |                     |
|---------------------|---------------------|
| Restricted:         |                     |
| Accounts payable    | \$ 454,920          |
| Deferred revenue    | <u>233,247</u>      |
| Total restricted    | <u>\$ 688,167</u>   |
| Total current funds | <u>\$13,315,212</u> |

The Notes to Financial Statements are an integral part of this statement.

HARRISBURG AREA COMMUNITY COLLEGE

BALANCE SHEETS

June 30, 2000

ASSETS

Loan funds:  
 Cash and equity in pooled cash and investments \$ 77,748  
 Notes and accounts receivable, net of 180,962

Total loan funds \$ 258,710

Plant funds:  
 Unexpended:  
 Cash and equity in pooled cash and investments \$ 5,375,845  
 Accounts receivable 279  
 Due from SPSBA 146,289  
 Accrued interest receivable 21,362  
 Due from other funds 40,000

Total unexpended \$ 5,583,775

LIABILITIES AND FUND BALANCES

Loan funds:  
 Accounts payable \$ 368  
 Fund balances:  
 Restricted:  
     Government loan programs 279,653  
     College loan programs ( 21,311)

Total loan funds \$ 258,710

Plant funds:  
 Unexpended:  
 Accounts payable \$ 359,358  
 Bonds payable 36,450  
 Due to other funds 23,000  
 Fund balance:  
     Undesignated 5,164,967

Total unexpended \$ 5,583,775

The Notes to Financial Statements are an integral part of this statement.

HARRISBURG AREA COMMUNITY COLLEGE

BALANCE SHEETS

June 30, 2000

ASSETS

Investment in plant:  
 Cash and equity in pooled cash and investments (\$) 70,340  
 Land 1,639,470  
 Land improvements 338,207  
 Buildings 50,529,140  
 Building improvements 10,573,036  
 Leasehold improvements 90,124  
 Equipment 16,051,127  
 Accumulated depreciation ( 22,506,035)

Property, plant, and equipment, net 56,644,729  
 Bond discount and issuance costs, net 167,121

Investment in plant \$ 56,811,850

Retirement of indebtedness:

Cash and equity in pooled cash and investments \$ 23

Retirement of indebtedness 23

Total plant funds \$ 62,395,648

LIABILITIES AND FUND BALANCES

Investment in plant:  
 Bonds payable \$ 22,988,550  
 Net investment in plant 33,823,300

Investment in plant \$ 56,811,850

Retirement of indebtedness:

Due to Commonwealth of Pennsylvania \$ 23

Retirement of indebtedness 23

Total plant funds \$ 62,395,648

The Notes to Financial Statements are an integral part of this statement.



**HARRISBURG AREA COMMUNITY COLLEGE**

**BALANCE SHEETS**

June 30, 2000

**ASSETS**

|  |                   |
|--|-------------------|
| Agency funds:                                  |                   |
| Cash and equity in pooled cash and investments | \$ 351,046        |
| Accounts receivable                            | 183               |
| Contributions receivable                       | 3,930             |
| Prepaid expenses                               | 352               |
| Other  | 33                |
|  | <u>          </u> |
| Total agency funds                             | \$ 355,544        |
|  | <u>          </u> |

**LIABILITIES AND FUND BALANCES**

|                                     |                   |
|-------------------------------------|-------------------|
| Agency funds:                       |                   |
| Accounts payable                    | \$ 49,742         |
| Deposits held in custody for others | 305,802           |
|                                     | <u>          </u> |
| Total agency funds                  | \$ 355,544        |
|                                     | <u>          </u> |

Special revenue funds:

|  |                   |
|--|-------------------|
| Cash and equity in pooled cash and investments | (\$ 1,344,450)    |
| Investments                                    | 27,566,888        |
| Accounts receivable                            | 4,117             |
| Pledges receivable                             | 285,781           |
| Accrued interest receivable                    | 128,697           |
| Prepaid expenses                               | 250               |
|  | <u>          </u> |
| Total special revenue funds                    | \$ 26,641,283     |
|  | <u>          </u> |

Special revenue funds:

|                             |                   |
|-----------------------------|-------------------|
| Accounts payable            | \$ 16,859         |
| Due to other funds          | 867,344           |
| Fund balances:              |                   |
| Unrestricted                | 11,577,967        |
| Temporarily restricted      | 2,466,853         |
| Permanently restricted      | 11,712,260        |
|                             | <u>          </u> |
| Total special revenue funds | \$ 26,641,283     |
|                             | <u>          </u> |

The Notes to Financial Statements are an integral part of this statement.

HARRISBURG AREA COMMUNITY COLLEGE

STATEMENT OF CHANGES IN FUND BALANCES

Year Ended June 30, 2000

|  | Current Funds |            |            | Plant Funds      |                            |      | Net Investment in Plant | Special Revenue Funds |
|--|---------------|------------|------------|------------------|----------------------------|------|-------------------------|-----------------------|
|  | Unrestricted  | Restricted | Loan Funds | Unexpended Plant | Retirement of Indebtedness |      |                         |                       |
| Revenues and other additions:                    |               |            |            |                  |                            |      |                         |                       |
| Unrestricted current fund revenues               | \$ 51,530,597 | \$ 0       | \$ 0       | \$ 855,086       | \$ 0                       | \$ 0 | \$ 0                    | \$ 885,111            |
| State appropriations                             | 0             | 0          | 0          | 543,349          | 1,946,424                  | 0    | 0                       | 0                     |
| Governmental grants and contracts                | 0             | 6,889,901  | 0          | 200,000          | 0                          | 0    | 0                       | 0                     |
| Private gifts, grants, and contracts             | 0             | 751,596    | 0          | 469,629          | 352,245                    | 0    | 0                       | 693,927               |
| Investment income                                | 0             | 0          | 1,786      | 451,876          | 0                          | 0    | 0                       | 721,074               |
| Realized and unrealized gains on investments     | 0             | 0          | 0          | 0                | 0                          | 0    | 0                       | 1,055,953             |
| Interest and fees on loans receivable            | 0             | 0          | 4,707      | 0                | 0                          | 0    | 0                       | 0                     |
| Expended for plant facilities                    | 0             | 0          | 0          | 0                | 0                          | 0    | 3,211,521               | 0                     |
| Retirement of indebtedness                       | 0             | 0          | 0          | 0                | 0                          | 0    | 2,290,000               | 0                     |
| Other  | 0             | 0          | 0          | 47,882           | 0                          | 0    | 0                       | 0                     |
| Total revenue and other additions                | 51,530,597    | 7,641,497  | 6,493      | 2,567,822        | 2,298,669                  |      | 5,501,521               | 3,356,065             |
| Expenditures and other deductions:               |               |            |            |                  |                            |      |                         |                       |
| Educational and general expenditures             | 46,993,170    | 7,641,497  | 0          | 0                | 0                          | 0    | 0                       | 0                     |
| Auxiliary enterprises expenditures               | 3,604,753     | 0          | 0          | 0                | 0                          | 0    | 0                       | 906,845               |
| Program services                                 | 0             | 0          | 0          | 0                | 0                          | 0    | 0                       | 1,907,064             |
| Supporting services                              | 0             | 0          | 0          | 0                | 0                          | 0    | 0                       | 287,566               |
| Administrative and collection costs              | 0             | 0          | 5,594      | 0                | 0                          | 0    | 0                       | 0                     |
| Expended for plant facilities                    | 0             | 0          | 0          | 2,629,698        | 0                          | 0    | 0                       | 0                     |
| Retirement of indebtedness                       | 0             | 0          | 0          | 0                | 2,382,343                  | 0    | 0                       | 0                     |
| Interest on indebtedness                         | 0             | 0          | 0          | 0                | 1,307,700                  | 0    | 0                       | 0                     |
| Depreciation of plant and equipment              | 0             | 0          | 0          | 0                | 0                          | 0    | 3,449,600               | 0                     |
| Disposal of plant and equipment                  | 0             | 0          | 0          | 0                | 0                          | 0    | 37,077                  | 0                     |
| Amortization of bond discount and issuance costs | 0             | 0          | 0          | 0                | 0                          | 0    | 25,855                  | 0                     |
| Total expenditures and other deductions          | 50,597,923    | 7,641,497  | 5,594      | 2,629,698        | 3,690,043                  |      | 3,512,532               | 3,101,475             |

The Notes to Financial Statements are an integral part of this statement.

HARRISBURG AREA COMMUNITY COLLEGE

STATEMENT OF CHANGES IN FUND BALANCES

Year Ended June 30, 2000

|   | Current Funds |            |            | Plant Funds      |                            |                         | Special Revenue Funds |
|---|---------------|------------|------------|------------------|----------------------------|-------------------------|-----------------------|
|   | Unrestricted  | Restricted | Loan Funds | Unexpended Plant | Retirement of Indebtedness | Net Investment in Plant |                       |
| Transfers among funds - additions (deductions): |               |            |            |                  |                            |                         |                       |
| Mandatory - retirement of indebtedness          | ( 408,912)    | 0          | 0          | 196,590          | 212,322                    | 0                       | 0                     |
| Non-mandatory                                   | ( 183,525)    | 0          | 0          | ( 925,986)       | 1,179,052                  | 0                       | ( 69,541)             |
| Total transfers                                 | ( 592,437)    | 0          | 0          | ( 729,396)       | 1,391,374                  | 0                       | ( 69,541)             |
| Net increase (decrease)                         | 340,237       | 0          | 899        | ( 791,272)       | 0                          | 1,988,989               | 185,049               |
| Prior period adjustments                        | ( 152,314)    | 0          | ( 88,390)  | 243,017          | 0                          | ( 6,713,240)            | 0                     |
| Fund balance at July 1, 1999                    | 5,091,805     | 0          | 345,833    | 5,713,222        | 0                          | 38,547,551              | 25,572,031            |
| Fund balance at July 1, 1999, as restated       | 4,939,491     | 0          | 257,443    | 5,956,239        | 0                          | 31,834,311              | 25,572,031            |
| Fund balance at June 30, 2000                   | \$ 5,279,728  | \$ 0       | \$ 258,342 | \$ 5,164,967     | \$ 0                       | \$ 33,823,300           | \$ 25,757,080         |

The Notes to Financial Statements are an integral part of this statement.

**HARRISBURG AREA COMMUNITY COLLEGE**

**STATEMENT OF CURRENT FUND REVENUES,  
EXPENDITURES, AND OTHER CHANGES**

*For the Year Ended June 30, 2000*

|  | <u>Unrestricted</u> | <u>Restricted</u> | <u>Total</u>      |
|--|---------------------|-------------------|-------------------|
| <b>Revenues:</b>                             |                     |                   |                   |
| Tuition and fees                             | \$ 23,743,650       | \$ 0              | \$ 23,743,650     |
| Federal appropriations                       | 4,613               | 0                 | 4,613             |
| State appropriations                         | 15,803,885          | 0                 | 15,803,885        |
| Local appropriations                         | 6,930,546           | 0                 | 6,930,546         |
| Federal grants and contracts                 | 0                   | 4,680,857         | 4,680,857         |
| State grants and contracts                   | 119,339             | 2,002,341         | 2,121,680         |
| Local grants and contracts                   | 0                   | 206,703           | 206,703           |
| Private gifts, grants, and contracts         | 225,928             | 751,596           | 977,524           |
| Investment income                            | 121,516             | 0                 | 121,516           |
| Sales and services of auxiliary enterprises  | 3,635,782           | 0                 | 3,635,782         |
| Other sources                                | 945,338             | 0                 | 945,338           |
|  | <u>51,530,597</u>   | <u>7,641,497</u>  | <u>59,172,094</u> |
| <b>Total current revenues</b>                |                     |                   |                   |
| <b>Expenditures and mandatory transfers:</b> |                     |                   |                   |
| <b>Educational and general:</b>              |                     |                   |                   |
| Instruction                                  | 27,368,653          | 1,760,186         | 29,128,839        |
| Public support                               | 0                   | 17,276            | 17,276            |
| Academic support                             | 2,898,928           | 65,097            | 2,964,025         |
| Student services                             | 4,515,995           | 151,603           | 4,667,598         |
| Institutional support                        | 8,030,578           | 48,976            | 8,079,554         |
| Operation and maintenance of plant           | 4,179,016           | 29,010            | 4,208,026         |
| Payments to subrecipients                    | 0                   | 274,472           | 274,472           |
| Student aid                                  | 0                   | 5,294,877         | 5,294,877         |
|  | <u>46,993,170</u>   | <u>7,641,497</u>  | <u>54,634,667</u> |
| <b>Educational and general expenditures</b>  |                     |                   |                   |
| <b>Mandatory transfers for:</b>              |                     |                   |                   |
| Principal and interest                       | 408,912             | 0                 | 408,912           |
| Non-mandatory transfers                      | ( 166,475)          | 0                 | ( 166,475)        |
|  | <u>47,235,607</u>   | <u>7,641,497</u>  | <u>54,877,104</u> |
| <b>Total educational and general</b>         |                     |                   |                   |

*The Notes to Financial Statements are an integral part of this statement.*

**HARRISBURG AREA COMMUNITY COLLEGE**

**STATEMENT OF CURRENT FUND REVENUES,  
EXPENDITURES, AND OTHER CHANGES  
For the Year Ended June 30, 2000**

---

|  | <u>Unrestricted</u> | <u>Restricted</u> | <u>Total</u>      |
|--|---------------------|-------------------|-------------------|
| Auxiliary enterprises:                     |                     |                   |                   |
| Expenditures                               | 3,604,753           | 0                 | 3,604,753         |
| Non-mandatory transfer                     | <u>350,000</u>      | <u>0</u>          | <u>350,000</u>    |
| Total auxiliary enterprises                | <u>3,954,753</u>    | <u>0</u>          | <u>3,954,753</u>  |
| <br>                                       |                     |                   |                   |
| Total expenditures and mandatory transfers | 51,190,360          | 7,641,497         | 58,831,857        |
| <br>                                       |                     |                   |                   |
| Net increase (decrease) in fund balances   | <u>\$ 340,237</u>   | <u>\$ 0</u>       | <u>\$ 340,237</u> |

*The Notes to Financial Statements are an integral part of this statement.*

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Summary Of Significant Accounting Policies

#### *Organization*

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

*Reporting Entity* – The Harrisburg Area Community College Foundation and the Wildwood Conference Center Foundation are included in the College's financial statements as component units (reported as special revenue funds) due to the oversight responsibility of the College. 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. Separate financial statements are available for the HACC Foundation.

*Basis of Presentation* – The financial statements of the College have been prepared in accordance with the accounting guidance and reporting practices applicable to governmental colleges and universities, as outlined in the American Institute of Certified Public Accountants ("AICPA") Industry Audit Guide, *Audits of Colleges and Universities*, ("Audit Guide") and pronouncements issued by the Governmental Accounting Standards Board ("GASB").

The financial statements of the College have been prepared on the accrual basis of accounting. The Statement of Current Funds Revenues, Expenditures, Transfers, and Other Changes in Fund Balances is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income for the period as would a statement of income or a statement of revenue and expenses. To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest; and (3) nonmandatory transfers for all other cases.

*Fund Accounting* – In order to ensure observance of limitations and restrictions placed on the use of the resources available to the College, the accounts of the College are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the governing board. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes:

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, receivables, and the like is accounted for in the fund owning such assets.

**Note 1. Summary Of Significant Accounting Policies (Continued)**

All other unrestricted revenue is accounted for in the unrestricted current fund. Restricted gifts, grants, appropriations, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

The HACC Foundation follows SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**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.

**Restricted Accounts Receivable** – Restricted accounts receivable represent amounts granted to the College for donor-specified purposes. All of the counterparties to the restricted accounts receivable are the federal and state governments. The composition of the amount is approximately 75% federal and 25% state.

**Cash and Investments** – Cash and cash equivalents include cash on hand, demand deposits, and in accordance with GASB Statement No. 9, each fund's equity in the College's investment pool.

Investments are reported at fair value. Gains and losses arising from the disposition of investments are recognized in the fund which accounts for such assets. Income from investments is recognized in the fund accounting for them.

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

**Land, Buildings and Equipment** – 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. All assets with a purchased cost, or fair value if acquired by gift, in excess of \$ 1,000 with an estimated useful life in excess of one year is capitalized. Normal repair and maintenance expenditures are not capitalized because they neither add to the value of the property nor materially prolong its useful life.

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

**Compensated Absences** – Liability for compensated absences is accounted for in accordance with the provisions of Statement No. 16 of the GASB, *Accounting for Compensated Absences*, and, accordingly, the liability for employees' rights to receive compensation for future absences is recorded as a liability in the current unrestricted fund.

**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*. GASB Statement No. 27 establishes standards for the measurement, recognition, and display of pension expense and related liabilities, assets, and note disclosures. See Note 9 for additional information.

**Note 2. Cash and Equity in Pooled Cash and Investments**

At June 30, 2000, the carrying amount of the College's deposits was \$ 3,816,379 and the bank balance was \$ 4,765,967. The College's deposits are covered by federal depository insurance or by pooled, pledged assets (not in the name of the College) of the various depositories pursuant to the Commonwealth of Pennsylvania Act 72 of 1971, as amended. Act 72 allows banking institutions to satisfy the collateralization requirement by pooling eligible investments to cover total public funds on deposit in excess of federal insurance.

Included in cash and equity in pooled cash and investments are pooled investments in the Pennsylvania School District Liquid Asset Fund with a carrying amount and bank balance of \$ 4,290,840. Also included are Commonfund short-term investments with a carrying amount and bank balance of \$ 1,847,184. Since these funds have the characteristics of a mutual fund, they are not categorized by risk category in accordance with Governmental Accounting Standards Board Statement Number 3. These investments are properly collateralized, and have market values that approximate cost.

Also included in cash and equity in pooled cash and investments are the following investments:

|                    | <b>Cost</b>         | <b>Unrealized<br/>Gains</b> | <b>Unrealized<br/>Losses</b> | <b>Fair Market<br/>Value</b> |
|--------------------|---------------------|-----------------------------|------------------------------|------------------------------|
| Mutual funds       | \$ 500,000          | \$ 0                        | \$ 28,705                    | \$ 471,295                   |
| U.S. Treasury note | <u>960,742</u>      | <u>1,758</u>                | <u>0</u>                     | <u>962,500</u>               |
|                    | <u>\$ 1,460,742</u> | <u>\$ 1,758</u>             | <u>\$ 28,705</u>             | <u>\$ 1,433,795</u>          |

Mutual funds are not categorized by risk category in accordance with Governmental Accounting Standards Board Statement No. 3.

The U.S. Treasury note is backed by the government and is therefore considered collateralized (not in the name of the College).

**Note 3. Investments**

Investments of the HACC Foundation as of June 30, 2000 are comprised of the following:

|                        | <b>Cost</b>          | <b>Market Value</b>  | <b>Unrealized Gains (Losses)</b> |
|------------------------|----------------------|----------------------|----------------------------------|
| Money market funds     | \$ 338,352           | \$ 338,352           | \$ 0                             |
| Equities               | 17,280,158           | 17,894,899           | 614,741                          |
| Government obligations | 7,731,342            | 7,863,216            | 131,874                          |
| Corporate bonds        | <u>1,472,579</u>     | <u>1,470,421</u>     | <u>(2,158)</u>                   |
|                        | <u>\$ 26,822,431</u> | <u>\$ 27,566,888</u> | <u>\$ 744,457</u>                |

**Note 4. Accounts Receivable**

Current unrestricted other receivables include \$ 615,969 in vendor credit memos related to the bookstore.



**Note 5. Bonds Payable**

Revenue bonds payable to the State Public School Building Authority ("SPSBA") at June 30, 2000 consist of the following:

|   |                      |
|---|----------------------|
| 1991 D, issued \$ 11,195,000 in May 1991; 6.40% - 6.75%;<br>interest and principal payable semi-annually through April 1, 2011                          | \$ 2,200,000         |
| 1995 C, issued \$ 5,810,000 in June 1995; at 4.65% - 5.6%;<br>interest and principal payable semi-annually through April 1, 2011                        | 4,370,000            |
| 1995 D, issued \$ 16,685,000 in June 1995; at 4.50% - 6.25%;<br>interest and principal payable semi-annually through April 1, 2011                      | 13,215,000           |
| 1998 N, issued \$ 14,690,000 in September 1998 at 3.70% -<br>4.15%; interest payable semi-annually and principal payable<br>annually through April 2005 | <u>3,240,000</u>     |
| Total bonds payable   | <u>\$ 23,025,000</u> |

Bonds payable are shown on the balance sheet as follows:

|                     |                      |
|---------------------|----------------------|
| Plant funds:        |                      |
| Unexpended          | \$ 36,450            |
| Investment in plant | <u>22,988,550</u>    |
|                     | <u>\$ 23,025,000</u> |

Under an agreement with the Commonwealth of Pennsylvania, 50% of the principal and interest on outstanding bonds due to the State Public School Building Authority will be paid by the Commonwealth on a reimbursement basis. The combined aggregate amounts of maturities are as follows:

| Year Ending June 30 | College Share        | State Share          | Total                |
|---------------------|----------------------|----------------------|----------------------|
| 2001                | \$ 1,197,500         | \$ 1,197,500         | \$ 2,395,000         |
| 2002                | 1,255,000            | 1,255,000            | 2,510,000            |
| 2003                | 1,320,000            | 1,320,000            | 2,640,000            |
| 2004                | 1,112,500            | 1,112,500            | 2,225,000            |
| 2005                | 712,500              | 712,500              | 1,425,000            |
| Thereafter          | <u>5,915,000</u>     | <u>5,915,000</u>     | <u>11,830,000</u>    |
|                     | <u>\$ 11,512,500</u> | <u>\$ 11,512,500</u> | <u>\$ 23,025,000</u> |

**Note 6. Due to the Commonwealth of Pennsylvania**

Amounts due to the Commonwealth of Pennsylvania as of June 30, 2000 represent the outstanding deficiency of reimbursable operating and capital expenditures over the advances from the Commonwealth. The following table presents outstanding amounts due to the Commonwealth by fiscal year:

|                        |                     |
|------------------------|---------------------|
| 1992 - 1993            | \$ 9,144            |
| 1993 - 1994            | 170,316             |
| 1994 - 1995/1995-1996  | 107,330             |
| 1996 - 1997            | 20,305              |
| 1999 - 2000            | <u>1,006,242</u>    |
| Total at June 30, 2000 | <u>\$ 1,313,337</u> |

**Note 6. Due to the Commonwealth of Pennsylvania (Continued)**

Amount due to the Commonwealth are shown on the balance sheet as follows:

|                                 |                     |
|---------------------------------|---------------------|
| Unrestricted fund               | \$ 1,313,314        |
| Retirement of indebtedness fund | <u>23</u>           |
|                                 | <u>\$ 1,313,337</u> |

To facilitate the repayment of the amounts due to the Commonwealth relating to the 1992-93, 1993-94, 1994-95, 1995-96, and 1996-97 liabilities, the College has agreed to quarterly payments of \$ 49,868. Required payments as of June 30, 2000 are as follows:

**Year Ending June 30**

|      |                   |
|------|-------------------|
| 2001 | \$ 250,323        |
| 2002 | <u>56,772</u>     |
|      | <u>\$ 307,095</u> |

Under the terms of the Commonwealth reimbursement agreement, periodic audits are required and certain advances may be questioned as not being appropriate under the terms of the agreement. Such audits could lead to reimbursement of the advances to the Commonwealth. College management believes that reimbursements, if any, will be immaterial.

**Note 7. Leases**

The College has entered into noncancelable operating leases for certain office space and equipment. Future minimum lease payments in the aggregate for the next five years are as follows:

|                              |                     |
|------------------------------|---------------------|
| 2001                         | \$ 271,209          |
| 2002                         | 258,237             |
| 2003                         | 214,984             |
| 2004                         | 188,582             |
| 2005                         | <u>183,726</u>      |
| Total minimum lease payments | <u>\$ 1,116,738</u> |

The total rent for the year ended June 30, 2000 was \$ 1,059,207.

**Note 8. 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.

**Note 8. Risk Management (Continued)**

The College is self-insured for dental losses. Actual claims paid for the year ended June 30, 2000 were \$ 221,583. The liability for claims was \$ 41,720 at June 30, 2000, representing two months of claims paid. Changes in the College's claims liability amount for the year ended June 30, 2000 were:

| Beginning Balance | Current Year<br>Claims and<br>Changes In<br>Estimates | Claims Paid | Ending Balance |
|-------------------|---|-------------|----------------|
| \$ 30,627         | \$ 232,676  | \$ 221,583  | \$ 41,720      |

**Note 9. Pension Benefits**

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

The contribution policy for PSERS is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth. Most active members contribute at a rate of 5.25 percent of their qualifying compensation. Members joining the PSERS on or after July 22, 1983 contribute at a rate of 6.25 percent. The contribution rate for the College is an actuarially determined rate. The current rate at June 30, 2000 is 2.31 percent of annual covered payroll. The College's contributions to PSERS for the years ended June 30, 2000, 1999 and 1998 were \$ 37,430, \$ 51,821, and \$ 84,150, respectively, equal to the required contractual contribution. At the time of transition to GASB No. 27, *Accounting for Pensions by State and Local Governmental Employers*, there was no pension liability or asset for the PSERS plan.

The contribution policy for SERS, as established by the SERS Board, requires contributions by active members and employers. Active members contribute at a rate of 5 percent of their qualifying compensation. The contribution rate for the College is an actuarially determined rate. The current rate at June 30, 2000 is 4.02 percent of annual covered payroll. The College's contributions to SERS for the years ended June 30, 2000, 1999 and 1998 were \$ 83,850, \$ 107,627, and \$ 107,019, respectively, equal to the required contractual contribution. At the time of transition to GASB No. 27, there was no pension liability or asset for the SERS plan.

**Note 9. Pension Benefits (Continued)**

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 on June 30, 2000 was 10 percent of qualifying compensation. The contributions to TIAA-CREF for the years ended June 30, 2000 were \$ 2,139,206 from the College and \$ 1,771,453 from employees.

**Note 10. Depreciation**

Depreciation is recorded over the assets useful lives in the following manner:

|                           |               |
|---------------------------|---------------|
| Buildings                 | 40 years      |
| Improvements              | 20 years      |
| Equipment and furnishings | 3 to 10 years |

The classifications of fixed assets and actual or related depreciation for the year ended June 30, 2000 is as follows:

|                            | <b>Actual or<br/>Estimated<br/>Cost</b> | <b>Current<br/>Depreciation</b> | <b>Accumulated<br/>Depreciation</b> |
|----------------------------|---|---------------------------------|-------------------------------------|
| Land and land improvements | \$ 1,977,671                            | \$ 7,940                        | \$ 7,940                            |
| Buildings and improvements | 61,192,300                              | 19,55,736                       | 14,321,850                          |
| Equipment and furnishings  | <u>16,051,127</u>                       | <u>1,485,924</u>                | <u>8,176,245</u>                    |
| Totals                     | <u>\$ 79,221,098</u>                    | <u>\$ 3,449,600</u>             | <u>\$ 22,506,035</u>                |

**Note 11. Contingencies and Commitments**

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.

In December of 1998, the State Employees' Retirement System (SERS) requested that Harrisburg Area Community College (HACC) advise its adjunct faculty employees of their rights to choose participation in SERS (interpretation made by SERS) as an alternative to participation in the Public School Employees' Retirement System and the independent retirement program (TIAA/CREF) offered by HACC. In February 1999, HACC advised SERS that it disagreed with SERS' request regarding the eligibility of HACC's adjunct faculty members to participate in SERS. Since then, SERS has narrowed its focus to two members of HACC's adjunct faculty. A hearing was held before a Hearing Examiner on October 11, 2000, and the parties are in the process of briefing the legal and factual issues. The Hearing Examiner will then make a recommendation to SERS. If this recommendation is adverse to HACC, HACC may appeal the decision to the Commonwealth Court. At this point, it is impossible to accurately predict how this matter will be resolved. HACC believes that it has a strong position with respect to this issue. If the ultimate decision is adverse to HACC and if the decision is broadened to cover all adjunct faculty members, the resulting cost to HACC may have a material impact on the financial statements.

Management does not expect that the resolution of any other outstanding claims and litigation will have a material adverse outcome on the financial statements of the College.

**Note 12. Contractual Commitment**

The College signed a commitment letter in June 1999 for a twenty year lease agreement on a build-to-suit campus in Lancaster. The College has the option to purchase the property within five to seven years. The lease will commence upon completion of construction and occupancy of the facility (not earlier than April 1, 2001 and not later than July 1, 2001) at an annual calculated rental cost of \$ 1,450,000. The Commonwealth will reimburse fifty percent of the estimated annual rental cost and equipment and furnishings necessary to fully equip the newly constructed facility.

**Note 13. Prior Period Adjustments**

Several prior period adjustments were necessary to correct errors as of June 30, 1999. These related to incorrect recording of:

| <b>Fund</b>      | <b>Description</b>            | <b>Effect On<br/>Beginning Fund Balance</b> |
|------------------|-------------------------------|---|
| Unexpended plant | Reimbursements – Road project | (\$ 245,000)                                |
| Unexpended plant | Interest revenue              | 488,017                                     |
| Unrestricted     | Loans receivable              | ( 77,737)                                   |
| Unrestricted     | Bookstore credits             | ( 74,577)                                   |
| Loan             | Loans outstanding             | ( 88,390)                                   |

In addition, the College changed its reporting format to follow governmental accounting standards for the 1999/2000 fiscal year since it is a "governmental college". This allowed the College to utilize an independent appraisal for its equipment valuation, which was performed as of June 30, 1999. The effect of utilizing this appraisal was to decrease fund balance in the "investment in plant" fund by \$ 6,713,240.

HARRISBURG AREA COMMUNITY COLLEGE

SCHEDULE OF SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2000

|   | HACC<br>Foundation   | Wildwood<br>Conference<br>Center<br>Foundation | Totals               |
|---|----------------------|--|----------------------|
| <b>ASSETS</b>                                   |                      |  |                      |
| Cash and cash equivalents                       | \$ 18,023            | (\$ 1,362,473)                                 | (\$ 1,344,450)       |
| Investments                                     | 27,566,888           | 0  | 27,566,888           |
| Accounts receivable                             | 0                    | 4,117  | 4,117                |
| Pledges receivable                              | 285,781              | 0  | 285,781              |
| Accrued interest receivable                     | 128,697              | 0  | 128,697              |
| Prepaid expenses                                | 0                    | 250  | 250                  |
|   | <u>\$ 27,999,389</u> | <u>(\$ 1,358,106)</u>                          | <u>\$ 26,641,283</u> |
| <b>LIABILITIES AND FUND BALANCES</b>            |                      |  |                      |
| Accounts payable                                | \$ 0                 | \$ 16,859                                      | \$ 16,859            |
| Due to HACC                                     | 867,344              | 0  | 867,344              |
| Fund balances:                                  |                      |  |                      |
| Unrestricted                                    | 12,952,932           | ( 1,374,965)                                   | 11,577,967           |
| Temporarily restricted                          | 2,466,853            | 0  | 2,466,853            |
| Permanently restricted                          | 11,712,260           | 0  | 11,712,260           |
|   | <u>\$ 27,999,389</u> | <u>(\$ 1,358,106)</u>                          | <u>\$ 26,641,283</u> |
| <b>Revenues and other additions:</b>            |                      |  |                      |
| Unrestricted current fund revenues              | \$ 0                 | \$ 885,111                                     | \$ 885,111           |
| Private gifts, grants, and contracts            | 693,927              | 0  | 693,927              |
| Investment income                               | 721,074              | 0  | 721,074              |
| Realized and unrealized gains on investments    | 1,055,953            | 0  | 1,055,953            |
| Total revenue and other additions               | <u>2,470,954</u>     | <u>885,111</u>                                 | <u>3,356,065</u>     |
| <b>Expenditures and other deductions:</b>       |                      |  |                      |
| Auxiliary enterprises expenditures              | 0                    | 906,845  | 906,845              |
| Program services                                | 1,907,064            | 0  | 1,907,064            |
| Supporting services                             | 287,566              | 0  | 287,566              |
| Total expenditures and other deductions         | <u>2,194,630</u>     | <u>906,845</u>                                 | <u>3,101,475</u>     |
| Transfers among funds - additions (deductions): |                      |  |                      |
| Non-mandatory                                   | 0                    | ( 69,541)                                      | ( 69,541)            |
| Net increase (decrease)                         | 276,324              | ( 91,275)                                      | 185,049              |
| Fund balance at July 1, 1999                    | <u>26,855,721</u>    | <u>( 1,283,690)</u>                            | <u>25,572,031</u>    |
| Fund balance at June 30, 2000                   | <u>\$ 27,132,045</u> | <u>(\$ 1,374,965)</u>                          | <u>\$ 25,757,080</u> |

**HARRISBURG AREA COMMUNITY COLLEGE**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2000**

| Federal Grantor/pass-Through Grantor/<br>Program or Cluster Title   | Federal CFDA<br>Number | Pass<br>Through Entity<br>Identifying Number |                     |
|---|------------------------|--|---------------------|
| <b>Student Financial Aid:</b>   |                        |  |                     |
| <b>Department of Education:</b>   |                        |  |                     |
| FSEOG Program   | 84.007                 | N/A  | \$ 322,825          |
| FWS Program   | 84.033                 | N/A  | 227,655             |
| PELL Program  | 84.063                 | N/A  | 3,266,343           |
| Perkins Program   | 84.038                 | N/A  | 4,345               |
| Total student financial aid   |                        |  | <u>3,821,168</u>    |
| <b>Other Federal Assistance:</b>  |                        |  |                     |
| AmeriCorp (pass through Pennsylvania<br>Department of Education)  | 94.006                 | N/A  | 8,653               |
| Adult Basic Education (pass through<br>Pennsylvania Department of Education)  | 84.002                 | N/A  | 11,123              |
| National Science Foundation (pass through<br>Pennsylvania Department of Education)  | 47.076                 | N/A  | 518                 |
| Vocational Educational Grants (pass through<br>Pennsylvania Department of Education)  | 84.048                 | N/A  | 407,434             |
| Title III-E Tech Prep Education (pass through<br>Pennsylvania Department of Education)                                      | 84.243                 | N/A  | 359,894             |
| Library Service & Tech Grant (pass through<br>Pennsylvania Department of Education)   | 45.301                 | N/A  | 352                 |
| <b>Department of Agriculture:</b>   |                        |  |                     |
| Transitions (pass through Pennsylvania<br>Department of Public Welfare)   | 10.561                 | N/A  | 654                 |
| Community Solutions/Job Retention Welfare Grant<br>(pass through Pennsylvania Department of<br>Public Welfare)              | 93.558                 | N/A  | 59,411              |
| <b>Department of Labor:</b>   |                        |  |                     |
| Employment and Training Assistance --<br>Dislocated workers (pass through Pennsylvania<br>Department of Labor and Industry) | 17.246                 | N/A  | 13,995              |
| <b>National Endowment for the Humanities:</b>   |                        |  |                     |
| Pennsylvania German Heritage (pass through<br>Pennsylvania Humanities Council)  | 45.129                 | N/A  | <u>2,000</u>        |
| Total other federal assistance  |                        |  | <u>864,034</u>      |
| Total federal financial assistance  |                        |  | <u>\$ 4,685,202</u> |

HARRISBURG AREA COMMUNITY COLLEGE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**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 activities, or cash flows of the College. The financial activity for the aforementioned awards is reported in the College's combined statement of activities. In certain programs, the expenditures reported in the financial statements may differ from the expenditures reported in the Schedule of Expenditures of Federal Awards, due to program expenditures exceeding grant or contract budget limitations which are not reported as expenditures in the Schedule of Expenditures of Federal Awards.

**Note 3. Federal Loan Programs**

The College administers the following federal loan program:

|                      | <b>CFDA<br/>Number</b> | <b>Outstanding Balance<br/>at June 30, 2000</b> |
|----------------------|------------------------|---|
| Perkins Loan Program | 84.038                 | \$ 149,611                                      |

Total loan expenditures and disbursements of the Department of Education's student financial assistance program for the year ended June 30, 2000 are identified below:

|                      | <b>CFDA<br/>Number</b> | <b>Disbursements</b> |
|----------------------|------------------------|----------------------|
| Perkins Loan Program | 84.038                 | \$ 30,213            |

The above disbursements of the Department of Education's student financial assistance program include expenditures and disbursements such as loans to students and administrative expenditures. The Schedule only includes administrative costs of the loan program.

**Note 4. Federal Family Education Loan Program**

During the year ended June 30, 2000, the College processed the following amount of new loans under the Federal Family Education Loan Program (which includes Federal Stafford Loans and Federal Plus Loans):

|   | <b>CFDA<br/>Number</b> | <b>Amount Authorized</b> |
|---|------------------------|--------------------------|
| Federal Stafford and Federal Plus Loans | 84.032                 | \$ 9,117,857             |



**Note 5. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal awards activity of the Agency and is 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 in, or used in the preparation of, the basic financial statements.

**Note 6. Administrative Expenses**

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



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

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Harrisburg Area Community College  
Harrisburg, Pennsylvania

We have audited the financial statements of the Harrisburg Area Community College as of and for the year ended June 30, 2000, and have issued our report thereon dated November 15, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Harrisburg Area Community college's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Harrisburg Area Community College's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2000-1 to 2000-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described as #2000-1 is a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of the Harrisburg Area Community College in a separate letter dated November 15, 2000.

Board of Trustees  
Harrisburg Area Community College

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

*Smith Elliott Kearns & Company, LLC*

Chambersburg, Pennsylvania  
November 15, 2000



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

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

Board of Trustees  
Harrisburg Area Community College  
Harrisburg, Pennsylvania

**Compliance**

We have audited the compliance of the Harrisburg Area Community College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. Harrisburg Area Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Harrisburg Area Community College's management. Our responsibility is to express an opinion on the Harrisburg Area Community College's compliance based on our audit.

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

As described in items 2000-4 through 2000-5 in the accompanying schedule of findings and questioned costs, the Harrisburg Area Community College did not comply with requirements regarding activities allowed or unallowed and allowable costs that are applicable to its Title II-C Vocational Education and Title III-E Tech Prep. Education Programs. Compliance with such requirements is necessary, in our opinion, for the Harrisburg Area Community College to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Harrisburg Area Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2000-6.

Board of Trustees  
Harrisburg Area Community College

### Internal Control Over Compliance

The management of the Harrisburg Area Community College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Harrisburg Area Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Harrisburg Area Community College's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2000-4 and 2000-5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition identified as 2000-4 described above is a material weakness.

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

*Smith Elliott Kearns & Company, LLC*

Chambersburg, Pennsylvania  
November 15, 2000

**HARRISBURG AREA COMMUNITY COLLEGE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2000**

**I. Summary of Auditor's Results:**

***Financial Statements:***

- |  |                    |                                |
|--|--------------------|--------------------------------|
| (i) Type of auditor's report issued:   | <b>Unqualified</b> |                                |
| (ii) Internal control over financial reporting:<br>Material weakness(es) identified? | <u>  X  </u> yes   | <u>      </u> no               |
| Reportable condition(s) identified not considered<br>to be material weaknesses?      | <u>  X  </u> yes   | <u>      </u> None<br>reported |
| (iii) Noncompliance material to financial statements noted?                          | <u>      </u> yes  | <u>  X  </u> no                |

***Federal Awards:***

- |   |                  |                                |
|---|------------------|--------------------------------|
| (iv) Internal control over major programs:<br>Material weakness(es) identified?   | <u>  X  </u> yes | <u>      </u> no               |
| Reportable condition(s) identified that are not<br>considered to be material weaknesses?                                    | <u>  X  </u> yes | <u>      </u> None<br>reported |
| (v) Type of auditor's report issued on compliance for major<br>programs:  | <b>Qualified</b> |                                |
| (vi) Any audit findings disclosed that are required to be<br>reported in accordance with Circular A-133,<br>Section .510(a) | <u>  X  </u> yes | <u>      </u> no               |
| (vii) Identification of major programs:   |                  |                                |

|                       |   |
|-----------------------|---|
| <b>CFDA Number(s)</b> | <b>Name of Federal Program or Cluster</b> |
|-----------------------|---|

**Student Financial Aid:**

|        |                                  |
|--------|----------------------------------|
| 84.007 | FSEOG Program                    |
| 84.063 | PELL Program                     |
| 84.033 | FWS Program                      |
| 84.038 | Perkins Program                  |
| 84.048 | Title II-C Vocational Education  |
| 84.243 | Title III-15 Tech Prep Education |

- |  |                                   |
|--|-----------------------------------|
| (viii) Dollar threshold used to distinguish between Type A<br>and Type B programs: | <u>  \$ 300,000  </u>             |
| (ix) Auditee qualified as low-risk auditee?  | <u>      </u> yes <u>  X  </u> no |

HARRISBURG AREA COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
For the Year Ended June 30, 2000

Part II

Financial Statement Findings Section:

| Reference Number             | Finding  | Questioned Costs |
|------------------------------|--|------------------|
| 2000-1 - Financial Oversight |  | \$ 0             |
| <b>Condition:</b>            | <p>There was a general lack of oversight over reconciliations of accounts during 1999/2000. For example:</p> <ul style="list-style-type: none"> <li>⇒ Bank accounts were not reconciled on a timely basis, and were not reviewed and approved. Several bank reconciliations submitted for audit had to be returned due to errors, including one reconciliation that had a computerized listing of outstanding checks that excluded \$ 39,690 of proper outstanding checks.</li> <li>⇒ Accounts receivable balances (school districts, students, etc.) were not reconciled to the general ledger.</li> <li>⇒ Accounts payable balances were not reconciled to the general ledger.</li> <li>⇒ There has been no reconciliation or monitoring of vendor noncredit balances in accounts receivable that may not be collected due to students not attending classes.</li> </ul> |                  |
| <b>Criteria:</b>             | Good internal controls include systematic reconciliations and approvals, and prompt correcting entries as necessary in order to provide proper management and maintain accountability to funding sources.  |                  |
| <b>Cause:</b>                | There has been some staff turnover and the implementation of the BANNER system has caused significant confusion in the accounting departments.   |                  |
| <b>Effect:</b>               | Year end reconciliations had to be re-done and were generally very late in being prepared.   |                  |
| <b>Recommendation:</b>       | Responsibilities for preparing and approving reconciliations of major general ledger accounts to detailed records must be clearly delineated and staff held accountable for performance. In addition, the use of the BANNER system should be evaluated in order that its effectiveness is maximized. This will probably require additional staff training.   |                  |

HARRISBURG AREA COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
For the Year Ended June 30, 2000

| Reference Number                                | Finding  | Questioned Costs |
|---|--|------------------|
| <i>2000-2 – Bookstore Inventory</i>             |  | \$ 0             |
| <b>Condition:</b>                               | Bookstore inventory was not properly valued.   |                  |
| <b>Criteria:</b>                                | Inventory is to be recorded at cost on a first-in, first-out (FIFO) basis.   |                  |
| <b>Cause:</b>                                   | There were several causes for this: <ul style="list-style-type: none"><li>⇒ Freight was not included in cost.</li><li>⇒ Used books should have been based on actual invoice cost or student buyback cost, not “list price”.</li><li>⇒ Not all books were on the computer system, and not all books on the system contained a “cost value”.</li><li>⇒ The “last cost” report was used rather than the “valued at FIFO” report.</li><li>⇒ Books to be returned should be valued at the amount of the credit to be received (i.e. – fair value), not original cost.</li></ul> |                  |
| <b>Effect:</b>                                  | None. Journal entries were made to correct these errors.   |                  |
| <b>Recommendations:</b>                         | Maintain records in future to eliminate the “causes” identified above.   |                  |
| <i>2000-3 – Donated Equipment and Materials</i> |  |                  |
| <b>Condition:</b>                               | Gifts-in-kind are not recorded on the general ledger.  |                  |
| <b>Criteria:</b>                                | Donated items are to be recorded to be in accordance with generally accepted accounting principles.  |                  |
| <b>Cause:</b>                                   | There are no procedures in place to provide for the proper recording of these items, or to be sure that these items are all identified.  |                  |
| <b>Effect:</b>                                  | Unknown.   |                  |
| <b>Recommendation:</b>                          | Procedures be established to identify gifts-in-kind, establish reasonable values, and record as appropriate.   |                  |



SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
For the Year Ended June 30, 2000

Part III

Federal Award Findings and Questioned Costs:

| Reference Number   | Finding | Questioned<br>Costs   |
|--|---------|---|
| <i>2000-4 – Federal Program Salary and Benefit Allocations</i> |         | Vocational Ed<br>(CFDA #84.048) \$ 252,363<br>Tech Prep Ed<br>(CFDA #84.243) <u>18,248</u><br><u>\$ 270,611</u> |

**Condition/Cause:** Documentation did not exist to support allocations of salaries and benefits to the Vocational Education and Tech Prep Education grants. Vocational Education employees served the entire student population, but did not document time specifically spent serving vocational education students. The Tech Prep Education program was new and record-keeping requirements were not completely understood.

**Criteria:** OMB Circular A-21 stipulates that costs are allocable to a Federal program if they are incurred solely to advance the work of the federal program or if they benefit multiple programs and are allocated based on proportionate benefits received by the programs. Allocation methods must be documented and represent an after the fact distribution of actual costs incurred.

**Effect:** The questioned costs identify 100% of salaries and benefits, plus appropriate indirect charges thereon.

**Recommendation:** Tech Prep Education – Maintain time sheets to support hours worked on this program that equal or exceed payroll charges to the program.

Vocational Education – Devise a method to track the number of eligible students served, or the time spent serving eligible students, so that payroll allocations can be supported.

|   |                           |                  |
|---|---------------------------|------------------|
| <i>2000-5 – Unbudgeted Expenditures</i> | Tech Prep Ed<br>(#84.243) | <u>\$ 18,552</u> |
|---|---------------------------|------------------|

**Condition/Cause:** Equipment items greater than \$ 1,500 per unit were purchased by subrecipient school districts, but reported erroneously as supplies to the PA Dept. of Education. However, the contract budget did not authorize equipment expenditures and no budget revisions were done.

**Criteria:** Funds must be spent in accordance with approved grant budgets (budgets should be revised, if necessary). Unbudgeted expenditures may be disallowed.

**Effect:** See questioned costs.

**Recommendation:** Expenditures need to be more closely monitored to assure they are within budgeted guidelines. Approved budget revisions should be obtained when needed.

HARRISBURG AREA COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2000

| Reference Number                      | Finding   | Questioned Costs |
|---------------------------------------|---|------------------|
| <i>2000-6 – Student Financial Aid</i> |   |                  |
| <b>Condition:</b>                     | Student financial aid transactions were reviewed and the following instances of noncompliance were identified:<br><br>A) A Perkins Loan was properly approved but never actually disbursed to the student.<br><br>B) One work-study disbursement exceeded the student's approved award by \$ 523.<br><br>C) Three Stafford loan refunds to lenders were either not done timely or for the correct amount (out of 24 tested).<br><br>D) One Stafford loan payment to a student was not made timely (out of 15 tested). |                  |
| <b>Criteria:</b>                      | Federal guidelines restrict the amount of aid granted to students as well as the timing of disbursements to students and refunds to lenders.  |                  |
| <b>Cause:</b>                         | Oversight   |                  |
| <b>Effect:</b>                        | Not significant.  |                  |
| <b>Recommendation:</b>                | Greater care be taken to be sure similar noncompliance issues do not recur.   |                  |

**HARRISBURG AREA COMMUNITY COLLEGE**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Federal Award Findings and Questioned Costs:

| <b>Year<br/>Reported</b> | <b>Reference<br/>Number</b> | <b>Finding</b> | <b>Questioned<br/>Cost</b> | <b>Status</b> |
|--------------------------|-----------------------------|----------------|----------------------------|---------------|
|--------------------------|-----------------------------|----------------|----------------------------|---------------|

No matters noted at June 30, 1999.



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

November 15, 2000

Board of Trustees  
Harrisburg Area Community College  
Harrisburg, Pennsylvania

Dear Ladies and Gentlemen:

We have completed our audit of the financial statements of Harrisburg Area Community College for the year ended June 30, 2000, and have issued our report thereon dated November 15, 2000.

We believe part of our responsibility, as your independent certified public accountants, is to bring to your attention matters for your consideration which may impact the operations of the College. The following comments and suggestions cover such matters.

**EDP Security**

As an added service, we engaged NetTek, LLC to review the overall security of HACC's computer systems. A detailed report from NetTek has been provided to George Franklin for sharing with the appropriate personnel. Areas addressed included the following:

- ⇒ Dial-in access for users working at home
- ⇒ Employee terminations
- ⇒ File security
- ⇒ Passwords
- ⇒ Activity auditing
- ⇒ Firewall monitoring and tracking

Board of Trustees  
Harrisburg Area Community College

General recommendations include:

- ⇒ A special login exists for a specific area or group of employees to access the Citrix Server and is shared by employees in that area. This is vulnerable to employee termination programs and should be changed to individual logins so that it is easier to control access.
- ⇒ A standard set of procedures for employees leaving employment should be established to deal with system access for both “friendly” and “unfriendly” terminations.
- ⇒ Password security should be enhanced (i.e. – use of special characters, increasing minimum length from the current 3 characters to at least 5 characters). In addition, the current policy requiring passwords to be changed every 140 days is long. Consideration should be given to reducing this to 90 days.
- ⇒ Audit trails should be utilized to monitor individual user accountability, reconstruct events, provide intruder detection, and other problem identification. HACC should consider locking out a potential user for at least 15 minutes after a password is tried unsuccessfully for more than 3 times (to prevent hacking). In addition, the advanced auditing features of Novell Netware should be enabled during system modifications to allow for better troubleshooting.
- ⇒ Enhancements to firewall program should be considered to provide better protection of the internal network when accessed via the internet.
- ⇒ Currently, only the RS6000 has a full nightly back-up. All other servers should be brought to this standard. Also, off-site storage of and nightly back-up tapes should be done to provide security in the event of a catastrophic loss.

### **Student Financial Aid**

- (1) In reviewing the final FISAP report completed by the Financial Aid department, we noted numerous discrepancies between the totals and the general ledger balances. Subsequent follow-up revealed timing issues between the reports issued to prepare the FISAP versus the general ledger reports. We recommend that FISAP preparation be reconciled to the general ledger in the future to ensure accuracy.
- (2) In our testing of Stafford loan refunds to PHEAA, we noted one instance in which a loan was refunded once to PHEAA, but recorded twice to the student's account. In addition, we noted one refund processed to PHEAA which went unrecorded on the student's account. HACC needs to review its procedures in this area to avoid similar future problems.
- (3) With the transfer of Linda Brittain to Admissions and the departure of several key staff in Financial Aid, there is currently a perceived absence of leadership and capability in the Financial Aid Department. This is obviously a critical component of HACC and should be addressed as quickly as possible.

### **Federal Programs (Tech Prep)**

The Tech Prep Education final completion report included over \$ 60,000 in miscoded expenditures for pass-through funding for school districts (accounts for 84% of total expenditures). A revised completion report should be prepared to correct the miscodings. In addition, HACC needs to:

- 1) Be sure to approve pass-through expenditures based solely on invoices, not purchase orders or requisitions.
- 2) Take care to record expenditures under the proper account code.
- 3) Consider site visits to participating school districts to monitor that funds are being properly utilized.

We also noted the total Tech Prep award was for \$ 366,480, but that only \$ 327,415 was actually spent. We suggest procedures be established to contact participating school districts before the end of the grant period to be sure all allowable costs are identified and recorded.

### **GASB 34/35**

In June 1999 the Governmental Accounting Standards Board (GASB) approved GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This 400 page document outlines the new reporting model, which will have a significant impact on local governments, including the Harrisburg Area Community College. That is because in November 1999, GASB 35 was issued entitled "*Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*", which basically made GASB 34 applicable to public colleges and universities.

The new reporting model will require:

- 1) Management's discussion and analysis (MD&A)
- 2) Government-wide financial statements
- 3) Fund financial statements
- 4) Notes to the financial statements
- 5) Required supplementary information, including budgetary comparison schedules

The MD&A is entirely new and will include a brief discussion of the basic financial statements, as well as:

- ⇒ Comparisons of current year financial information to the prior year
- ⇒ An analysis of HACC's overall financial position and results of operations
- ⇒ An analysis of significant changes that occurred in individual funds, as well as significant budget variances
- ⇒ A description of capital asset and long-term debt activity
- ⇒ A description of currently known facts, conditions, or decisions expected to have a significant impact on financial position or results of operations

Board of Trustees  
Harrisburg Area Community College

Government-wide financial statements will focus on the entity as a whole (rather than fund types) and include a statement of net assets and statement of activities. The statement of net assets will report all capital assets and the statement of activities will report depreciation expense. The statement of activities will measure "net revenue (expense)" for each of HACC's functions. Interfund balances and activities will mostly be eliminated and reclassified.

The fund financial statements will consist of a presentation similar to the June 30, 2000 financial statements used by HACC, with separate columns for the operating fund and other major governmental and enterprise funds. Nonmajor funds are reported in the aggregate in a separate column. The fund financial statements will also include a summary reconciliation to the government-wide financial statements.

The notes to the financial statements should not be significantly different than those in the current financial statements.

Required supplementary information will include, among other things, budgetary comparison schedules for the operating fund and each major special revenue fund.

The effective date for HACC to apply GASB 34 will be for the year ended June 30, 2003 (although early implementation is encouraged). There will be significant work involved in the gathering and presentation of this information and we suggest that preparation for these changes be started in the near future. We plan to work closely with management to make implementation of these changes as efficient and painless as possible.

This report is intended solely for the information and use of the Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

We acknowledge and appreciate the courtesy and assistance extended to our representatives by the College's personnel during our audit. We will be pleased to further discuss these comments and recommendations at your convenience.

*Smith Elliott Kearns & Company, LLC*