

OFFICIAL STATEMENT

NEW ISSUE—BOOK-ENTRY ONLY

RATINGS: S&P “BAM” Insured
See “BOND RATING” and “MUNICIPAL BOND INSURANCE” herein

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming continuing compliance by the Authority and the College with certain covenants related to the Internal Revenue Code of 1986, as amended (the “Code”), the interest on the Bonds (including, in the case of Bonds sold at an original issue discount, the difference between the initial offering price and par) is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that interest on the Bonds is not a specific item of tax preference under Section 57 of the Code for purposes of Federal individual alternative minimum taxes. The Bonds, and the interest income therefrom, are free from taxation for purposes of personal income, corporate net income and personal property taxes within the Commonwealth of Pennsylvania. (See “TAX EXEMPTION” herein.)

\$6,375,000

STATE PUBLIC SCHOOL BUILDING AUTHORITY
(Commonwealth of Pennsylvania)

**COLLEGE REVENUE REFUNDING BONDS (BUTLER COUNTY COMMUNITY COLLEGE PROJECT),
SERIES A OF 2018**

Dated: Date of Delivery
Interest Due: January 15 and July 15

Principal Due: July 15, see inside front cover
First Interest Payment: July 15, 2019

The College Revenue Bonds (Butler County Community College Project), Series of 2018 in the aggregate principal amount of \$6,375,000 (the “Bonds” or “2018 Bonds”) will be issued by the State Public School Building Authority (the “Authority”). Interest on the Bonds will be payable semiannually on January 15 and July 15 of each year, beginning July 15, 2019, by The Bank of New York Mellon Trust Company, N.A., Pittsburgh, Pennsylvania, as trustee (the “Trustee”). The Bonds will be secured by a Trust Indenture dated as of November 1, 2018, (the “Indenture”) between the Authority and the Trustee.

The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company (“DTC”), New York, New York. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry only system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant in order to receive payment of principal of and interest on the Bonds. See “BOOK-ENTRY ONLY SYSTEM” herein. If, under the circumstances described herein, the Bonds are ever issued in certificated form, the Bonds will be subject to registration of transfer, exchange and payment as described herein. The principal of the Bonds will be paid to the registered owners or assigns, when due, upon presentation and surrender of the Bonds to The Bank of New York Mellon Trust Company, N.A., Pittsburgh, Pennsylvania as trustee for the Bonds (the “Trustee”) acting as trustee, paying agent and sinking fund depository, at its designated corporate trust office in Pittsburgh, Pennsylvania. Interest on the Bonds is payable initially on July 15, 2019, and thereafter semiannually on January 15 and July 15 of each year, until the principal sum thereof is paid. Payment of interest on the Bonds will be made by check drawn on the Paying Agent mailed to the registered owners of the Bonds as of the Record Date. (See “THE BONDS” herein.)

The Bonds are subject to redemption prior to maturity (See “REDEMPTION OF THE BONDS” herein).

The Series A Bonds are being issued by the Authority to provide funds for a project consisting of: (1) refunding, on a current refunding basis, all of the Authority’s College Revenue Refunding Bonds, (Butler County Community College Project) Series A of 2011 (the “2011A Bonds”) outstanding in the aggregate principal amount of \$6,090,000; plus accrued interest to the date of redemption; and (2) paying the costs and expenses of issuing and insuring the Bonds. See “REFUNDING PROGRAM” herein.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.



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

This cover page contains certain information for quick reference only. It is not a summary of the Official Statement of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered for delivery when, as and if issued by the Authority and received by the Underwriter and subject to the approving legal opinion of Clark Hill PLC, Pittsburgh, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for the Authority by its counsel, Barley Snyder LLP, Lancaster, Pennsylvania, and for the Butler County Community College by its counsel, Dillon, McCandless, King, Coulter & Graham, LLP, Butler, Pennsylvania. The Financial Advisor to the College is PFM Financial Advisors LLC, Harrisburg, Pennsylvania. It is expected that the Bonds will be available for delivery through The Depository Trust Company, New York, New York on or about November 20, 2018.

BOENNING & SCATTERGOOD INC.

Dated: October 16, 2018

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

\$6,375,000
STATE PUBLIC SCHOOL BUILDING AUTHORITY
 (Commonwealth of Pennsylvania)
COLLEGE REVENUE REFUNDING BONDS (BUTLER COUNTY COMMUNITY COLLEGE PROJECT),
SERIES A OF 2018

Dated: Date of Delivery
Interest Due: January 15 and July 15

Principal Due: July 15, as shown on below
First Interest Payment: July 15, 2019

BOND MATURITY SCHEDULE

SERIES A

<u>Date</u>	<u>Principal Amount</u>	<u>Coupon</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP 85732M⁽¹⁾</u>
7/15/2019	\$475,000	2.000%	2.200%	99.869%	Z34
7/15/2020	\$535,000	2.250%	2.450%	99.676%	Z42
7/15/2021	\$530,000	2.375%	2.550%	99.552%	Z59
7/15/2022	\$550,000	2.500%	2.650%	99.479%	Z67
7/15/2023	\$555,000	2.625%	2.850%	99.024%	Z75
7/15/2024	\$575,000	3.000%	3.050%	99.739%	Z83
7/15/2025	\$595,000	3.000%	3.150%	99.103%	Z91
7/15/2026	\$610,000	3.125%	3.340%	98.555%	2A4
7/15/2027	\$635,000	3.300%	3.490%	98.588%	2B2
7/15/2028	\$645,000	3.375%	3.590%	98.255%	2C0
7/15/2029	\$670,000	3.500%	3.680%	98.422%	2D8

**STATE PUBLIC SCHOOL BUILDING AUTHORITY
COMMONWEALTH OF PENNSYLVANIA**

MEMBERS OF THE AUTHORITY

Honorable Thomas W. Wolf
Governor of the Commonwealth of Pennsylvania President

Honorable John H. Eichelberger, Jr.
Designated by the President Pro Tempore of the Senate Vice President

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

Honorable Stanley E. Saylor
Designated by the Speaker of the House of Representatives Vice President

Honorable Joseph M. Torsella
State Treasurer Treasurer

Honorable Curtis M. Topper
Secretary of General Services Secretary

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

Honorable Eugene A. DePasquale
Auditor General Board Member

Honorable Pedro A. Rivera
Secretary of Education Board Member

EXECUTIVE DIRECTOR

ROBERT BACCON

COUNSEL TO THE AUTHORITY

(Appointed by the Office of General Counsel)

BARLEY SNYDER LLP

Lancaster, Pennsylvania

BOND COUNSEL

(Appointed by the Office of General Counsel)

CLARK HILL PLC

Pittsburgh, Pennsylvania

COUNSEL TO THE COLLEGE

DILLON, MCCANDLESS, KING, COULTER & GRAHAM, LLP

Butler, Pennsylvania

UNDERWRITER

BOENNING & SCATTERGOOD INC.

Pittsburgh, Pennsylvania

FINANCIAL ADVISOR

PFM FINANCIAL ADVISORS LLC

Harrisburg, Pennsylvania

TRUSTEE

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

Philadelphia, Pennsylvania

AUTHORITY ADDRESS

STATE PUBLIC SCHOOL BUILDING AUTHORITY

1035 Mumma Road

Wormleysburg, Pennsylvania 17043

BUTLER COUNTY COMMUNITY COLLEGE

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Butler, PA 16003-1203
Phone: (724) 287-8711
Fax: (724) 285-6047
Website: www.bc3.edu

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Ray D. Steffler	Chairman	6/30/2021
Joseph E. Kubit, Esq.	Vice Chairman	6/30/2019
Glenn T. Miller	Secretary	6/30/2019
Scott A. McDowell	Treasurer	6/30/2021
Kenneth DeFurio	Member	6/30/2019
William A. DiCuccio, M.D.	Member	6/30/2023
Kimberly D. Geyer	Member	Ex Officio
Jennifer R. Pillar, Esq.	Member	6/30/2019
Gordon L. Marburger	Member	6/30/2021
Bruce Mazzoni	Member	6/30/2021
Brian K. McCafferty	Member	6/30/2021
Gail A. Paserba	Member	6/30/2023
Bruce Russell, Ph.D	Member	6/30/2023
Carmine A. Scotece	Member	6/30/2019
Nancy H. Stabile	Member	6/30/2023
Joe Taylor	Member	6/30/2023

COLLEGE PRESIDENT

DR. NICHOLAS NEUPAUER

VICE PRESIDENT FOR ADMINISTRATION AND FINANCE

JAMES HRABOSKY

COUNSEL TO THE COLLEGE

DILLON, MCCANDLESS, KING, COULTER & GRAHAM, LLP
Butler, Pennsylvania

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

No dealer, broker, salesperson or other person has been authorized by the Authority or the College to give any information or to make any representations with respect to the Bonds, other than those contained in this Official Statement. Such other information or representations, if given or made, must not be relied upon as having been authorized by the Authority or the College. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof or the dates of the information contained herein.

The Authority has not prepared or assisted in the preparation of this Official Statement except for the statements under the captions **"THE AUTHORITY"** and **"LITIGATION-The Authority."** The Authority has reviewed only the information contained herein under such captions and approved only such information for use within the Official Statement.

Certain information contained in this Official Statement has been obtained from the College, The Depository Trust Company and other sources that are believed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information, and nothing contained in this Official Statement is, or may be relied on as, a promise or representation by the Authority or the Underwriter. The information herein relating to the College and its affairs and condition has been provided by the College, and neither the Authority nor the Underwriter make any representation with respect to, or warrants the accuracy of, such information.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The order and placement of materials in this Official Statement, including the appendices hereto, are not to be deemed a determination of relevance, materiality or importance. The Official Statement, including the appendices, must be considered in its entirety.

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the revenues and obligations of the Authority or the College include, among others, changes in economic conditions, mandates from other governments and various other events, conditions and circumstances, many of which are beyond the control of the Authority or the College. Such forward-looking statements speak only as of the date of this Official Statement. The Authority and the College disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Authority's or the College's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH THE APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT.

This Table of Contents is for convenience of reference only and does not list all of the subjects in this Official Statement. In all instances, references should be made to the complete body of the Official Statement to determine the subjects discussed herein.

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SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement. No person is authorized to detach this **SUMMARY STATEMENT** from this Official Statement or otherwise use it without the entire Official Statement.

Issuer	State Public School Building Authority (the "Authority" or "SPSBA").
The Bonds	College Revenue Refunding Bonds (Butler County Community College Project), Series A of 2018 (the "Series A Bonds"), in the aggregate principal amount of \$6,375,000. The Series A Bonds are initially dated the Date of Delivery and will mature as shown in the BOND MATURITY SCHEDULE – SERIES A shown on the inside of the Cover Page of this Official Statement. Interest on the Series A Bonds will begin to accrue on the Date of Delivery, and is payable initially on July 15, 2019, and on each January 15 and July 15 thereafter. (See " THE BONDS " herein.)
Redemption Provisions	The 2018 Bonds are subject to mandatory, optional and extraordinary redemption prior to their stated dates of maturity. (See " REDEMPTION OF THE BONDS " herein.)
Form of Bonds	Book-entry form only.
Purpose of the Issue	The Series A Bonds are being issued by the Authority to provide funds for a project consisting of: (1) refunding, on a current refunding basis, all of the Authority's College Revenue Refunding Bonds, (Butler County Community College Project) Series A of 2011 (the "2011A Bonds") outstanding in the aggregate principal amount of \$6,090,000; plus accrued interest to the date of redemption; and (2) paying the costs and expenses of issuing and insuring the Bonds.
Security for the Bonds	The Bonds are being issued pursuant to the State Public School Building Authority Act of 1947, P.L. 1217, as supplemented and amended (the "Act"), and a resolution duly adopted by the Authority on September 20, 2018 (the "Resolution"), and are secured by a Trust Indenture dated as of November 1, 2018 (the "Indenture"), entered into by the Authority and The Bank of New York Mellon Trust Company, N.A. Pittsburgh, Pennsylvania, as Trustee (the "Trustee").
Credit Enhancement	The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued by concurrently with the delivery of the Bonds by Build America Mutual Assurance Company (See " MUNICIPAL BOND INSURANCE " herein.)
Bond Rating	The Bonds are expected to receive a credit rating of "AA" (Stable outlook) from S & P Global Ratings, New York, New York, ("S&P") with the understanding that the above-described municipal bond insurance policy will be issued at the time of settlement of the Bonds. (See " BOND RATING " herein.)
Continuing Disclosure Undertaking	The College has agreed to provide, or cause to be provided, in a timely manner, certain information in accordance with the requirements of Rule 15c2-12, as promulgated under the Securities and Exchange Act of 1934, as amended and interpreted (the "Rule"). (See " CONTINUING DISCLOSURE UNDERTAKING " herein.)

OFFICIAL STATEMENT

\$6,375,000

STATE PUBLIC SCHOOL BUILDING AUTHORITY

(Commonwealth of Pennsylvania)

COLLEGE REVENUE REFUNDING BONDS (BUTLER COUNTY COMMUNITY COLLEGE PROJECT), SERIES A OF 2018

INTRODUCTION

This Official Statement which includes the cover page hereof and the Appendices hereto, provides certain information relating to the Authority and the \$6,375,000 College Revenue Bonds (Butler County Community College Project), Series of 2018 the "Bonds" or the "2018 Bonds". The Bonds are being issued by the State Public School Building Authority (the "Authority") pursuant to the State Public School Building Authority Act of 1947, P.L. 1217, as supplemented and amended (the "Act"), and pursuant to a Trust Indenture dated as of November 1, 2018 (the "Indenture") between the Authority and The Bank of New York Mellon Trust Company, N.A. as Trustee (the "Trustee").

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

Butler County Community College (the "College") was founded in May, 1965 pursuant to Act 484 (P.L. 1132) dated August 24, 1963 and general guidelines for the implementation of said act prepared by the Pennsylvania Department of Education (the "Department") and approved by the State Board of Education of the Commonwealth. The College opened in September 1966.

The College campus is located just south of the City of Butler, approximately 21 miles north of Pittsburgh and consists of 323 acres of land and 16 buildings built between 1966 and 2017. The buildings house classrooms, laboratories, meeting facilities, a recently renovated library, student success center, bookstore, food service, general maintenance area and faculty and administrative offices. The facilities are used to support course offerings for both day and evening students.

The College offers more than sixty degree and certificate programs in the areas of Business, Technologies, Science and Mathematics, Education, Allied Health, Arts and Humanities. Programs are designed to prepare students for direct entry into the job market or for transfer to baccalaureate institutions for further education. Support services, such as counseling, academic advising and placement are available to all students. The College also provides a wide variety of non-credit courses and specialized educational programs to meet the training needs of area business and industries.

PURPOSE OF THE BONDS

The Series A Bonds are being issued by the Authority to provide funds for a project consisting of: (1) refunding, on a current refunding basis, all of the Authority's College Revenue Refunding Bonds, (Butler County Community College Project) Series A of 2011 (the "2011A Bonds") outstanding in the aggregate principal amount of \$6,090,000; plus accrued interest to the date of redemption; and (2) paying the costs and expenses of issuing and insuring the Bonds.

Sources and Uses of Bond Proceeds

The following is a summary of the sources and uses of the proceeds from the issuance of the 2018 Bonds:

Sources of Funds	
Bond Principal Amount	\$6,375,000.00
Net Original Issue Discount	(59,458.80)
Total	\$6,315,541.20
Uses of Funds	
Refund Series A of 2011	\$6,173,064.24
Costs of Issuance	62,500.00
Bond Discount	44,625.00
Insurance	30,072.47
Debt Service Fund	5,279.49
Total	\$6,315,541.20

⁽¹⁾ Includes legal, printing, rating, municipal bond insurance premium, underwriters' discount, trustee and miscellaneous other costs.

FUTURE FINANCING

The College does not anticipate issuing any additional bonds in the next two years, except those to refund existing bonds, in the event that economic conditions allow the College to realize savings.

THE AUTHORITY

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

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

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

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

Robert Baccon **Executive Director**

Mr. Baccon has served as an executive with both Authorities since 1984. He is a graduate of St. John's University with a bachelor's degree in management, and holds a master's degree in international business from the Columbia University Graduate School of Business. Prior to joining the Authority, Mr. Baccon held financial management positions with multinational U.S. corporations and was Vice President - Finance for a major highway construction contractor. Mr. Baccon has announced his intention to retire as Executive Director effective October 17, 2018, at which time Mrs. Nawa will assume his duties as Acting Executive Director of the Authority.

David Player
Comptroller & Director of Financial Management

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

Beverly M. Nawa
Administrative Officer

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

THE BONDS

Description of the Bonds

The Bonds are being issued by the Authority on behalf of the College in the aggregate principal amount shown on the cover page hereof pursuant to the Act, the Resolution and the Indenture. The Bonds will be dated the date of delivery thereof and will bear interest from such date at the rates set forth on the inside front cover page hereof, payable semiannually on January 15 and July 15 of each year (each, an "Interest Payment Date"), commencing July 15, 2019 (until maturity or prior redemption), and will mature on the dates and in the amounts forth on the inside front cover page hereof. The Bonds when issued will be registered in the name of Cede & Co., as a nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. While the Bonds are in the Book-Entry-Only System, references to the "owner" or the "registered owner" as described herein are to Cede & Co., as registered owner for DTC. Each beneficial owner of a Bond may desire to make arrangements with a DTC Participant to receive notices or communications with respect to matters described herein. See **"BOOK-ENTRY-ONLY SYSTEM"** herein.

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

In the event any Bond is mutilated, lost, stolen, or destroyed, the Authority may execute and the Trustee may authenticate a new Bond of like tenor and denomination in accordance with the provisions of the Indenture, and the Authority and the Trustee may charge the registered owner of such Bond with its reasonable fees and expenses and require indemnity in connection therewith.

Transfer, Exchange and Registration of Bonds

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

BOOK-ENTRY ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (i) the accuracy of the records of DTC, its nominee or any DTC Participant or Indirect Participant with respect to any beneficial ownership interest in any Bonds;
- (ii) the delivery to any DTC Participant or Indirect Participant or any other Person, other than the registered owner of a Bond, as shown in the Bond Register, of any notice with respect to any Bond, including, without limitation, any notice of redemption;
- (iii) the selection by DTC or any DTC Participant or Indirect Participant of any person to receive payment in the event of a partial redemption of Bonds;
- (iv) the payment to any DTC Participant or Indirect Participant or any other Person other than the registered owner of a Bond, as shown in the Bond Register, of any amount with respect to the principal of, redemption price, or interest on, any Bond; or
- (v) any consent given by DTC as registered owner.

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

- (i) the payment of principal of, redemption price or interest on, the Bonds;
- (ii) giving notices of redemption and other matters with respect to the Bonds;
- (iii) registering transfers with respect to the Bonds; and
- (iv) the selection of Bonds for redemption.

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

Discontinuance of Book-Entry Only System

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

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

REDEMPTION OF THE BONDS

Optional Redemption

The Bonds stated to mature on or after July 15, 2024 are subject to redemption prior to maturity, at the option of the Authority at the direction of the College, in whole or in part from time to time, on or after January 15, 2024, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the date fixed for redemption. Any partial redemption may be in any order of maturity and in any principal amount within a maturity as designated by the College. In the case of any Bond also subject to mandatory redemption, the Authority at the direction of the College shall be entitled to designate whether any optional redemption shall be credited against principal amounts due at maturity or against particular scheduled mandatory redemption obligations with respect to such Bond. The Bonds to be redeemed within a maturity will be selected by the Trustee by lot.

Mandatory Redemption

The Bonds are not subject to mandatory redemption.

Extraordinary Optional Redemption

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

Notice of Redemption

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

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

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

MUNICIPAL BOND INSURANCE

BOND INSURANCE POLICY

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2018 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$519.5 million, \$99.3 million and \$420.2 million, respectively.

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

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

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

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

SOURCE OF PAYMENT AND SECURITY FOR THE BONDS

College Loan Payments

On the date of issuance of the 2018 Bonds, the Authority and the College will enter into a Loan Agreement (the "Loan Agreement") pursuant to which the Authority will, among other things, lend the proceeds of the 2018 Bonds to the College. Under the Loan Agreement, the College agrees to repay such loan in such amounts and at such times as will provide sufficient funds to, among other things, meet the debt service requirements on the 2018 Bonds. The College will deliver to the Authority the 2018 Note, (the "2018 Note") which is a general obligation of the College, dated the date of delivery thereof, evidencing its payment obligation under the Loan Agreement with respect to the 2018 Bonds. The Bonds are limited obligations of the Authority, payable solely from (i) payments received from the College under the Loan Agreement and the 2018 Note, and (ii) certain moneys held by the Trustee in funds established under the Indenture, if any, excepting, however, Debt Service Fund or Indenture funds pledged to any Additional Bonds (as defined in the Indenture) and the 2018 Rebate Fund.

The Bonds are secured under the Indenture by the assignment to the Trustee of all the right, title and interest of the Authority in and to the 2018 Note and the Loan Agreement (except for the Authority's right to payment of certain fees and expenses and to indemnification) including amounts payable thereunder. The timely payment of all payments due under the Loan Agreement and the 2018 Note is the unsecured general obligation of the College ranking on a parity with all prior bonds of the College (hereinafter defined below under the heading "Additional Bonds"). See "BUTLER COUNTY COMMUNITY COLLEGE – Long Term Indebtedness" herein.

NEITHER THE AUTHORITY NOR THE COLLEGE HAVE TAXING POWER.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM (I) PAYMENTS RECEIVED FROM THE COLLEGE UNDER THE LOAN AGREEMENT AND THE 2018 NOTE, AND (II) CERTAIN MONEYS HELD BY THE TRUSTEE IN FUNDS ESTABLISHED UNDER THE INDENTURE, IF ANY, EXCEPTING, HOWEVER, SINKING OR INDENTURE FUNDS PLEDGED TO ANY ADDITIONAL BONDS (AS DEFINED IN THE INDENTURE) AND THE 2018 REBATE FUND. NEITHER THE PRINCIPAL OF OR REDEMPTION PRICE OF THE BONDS, NOR THE INTEREST ACCRUING ON THE BONDS, SHALL CONSTITUTE A GENERAL INDEBTEDNESS OF THE AUTHORITY OR AN INDEBTEDNESS OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER, CONSTITUTE OR GIVE RISE TO A GENERAL PECUNIARY LIABILITY OF THE AUTHORITY OR A PECUNIARY LIABILITY OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY OR THE GENERAL CREDIT OR TAXING POWER OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, OR BE DEEMED TO BE A GENERAL OBLIGATION OF THE AUTHORITY OR AN OBLIGATION OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE AUTHORITY NOR THE COLLEGE HAVE TAXING POWER.

Additional Bonds

Upon compliance with the terms and obligations and conditions of the Indenture and the Loan Agreement, the Authority, at the request of the College, may issue Additional Bonds under the Indenture on a parity with the 2018 Bonds.

COMMUNITY COLLEGE FUNDING STRUCTURE

Local Sponsor Obligation

General: Under the Community College Act of 1963, as amended (the "Community College Act"), all community colleges must be supported by a local sponsor, which in the College's case is the County of Butler, Pennsylvania (the "Local Sponsor").

Capital Expenses: The Local Sponsor is obligated under the Community College Act to pay up to one-half of the College's annual approved capital expenses (including debt service). The Local Sponsor, for the year ending December 31, 2017 and each year thereafter, is expected to contribute \$1,175,445.00 for the College's Capital Appropriation. The College's remaining capital expenditures are funded through fees assessed upon students on a per credit basis and other revenues. The Commonwealth is also responsible for up to one-half of the annual capital expenses. See Appendix D **"SUMMARY OF OUTSTANDING DEBT SERVICE (BONDS ONLY)"**.

Operating Costs: The Community College Act stipulates that the local sponsor shall provide to the community college an amount at least equal to the community college's annual operating costs less the student tuition and less the Commonwealth's payment for operating costs. The College's Operating Appropriation has been approved at \$3,939,648 for the current fiscal year.

See **"BUTLER COUNTY COMMUNITY COLLEGE – Budgetary Procedures"** herein for more specific information about local sponsor funding.

Taxing Power Regarding Community Colleges: The Community College Act authorizes, but does not require, the governing body of each College or municipality comprising a local sponsor of a community college to levy taxes annually on subjects of taxation as prescribed by law in such county or municipality for the purpose of establishing, operating and maintaining a community college. The tax levy authorized is in excess of and beyond the millage fixed or limited by law, subject to certain limiting provisions of the Community College Act. The Local Sponsor is the County of Butler, which provides an annual appropriation for the College through its operating budget. The County of Butler, beginning with calendar year 2016, levied a tax on real estate at the rate of 2.9350 mills dedicated for the College appropriation. While there is no guarantee that the County will maintain this millage rate, the County has experienced a growth in its taxable real estate base and corresponding revenues from property taxes for the last several years. The annual appropriation for the College for calendar year 2016 was \$3,897,419 and for 2017 it was \$3,939,648. **THE COLLEGE ITSELF HAS NO TAXING POWER.**

THE LOCAL SPONSOR'S ABILITY TO BUDGET AND APPROPRIATE SUCH MONEYS AND TO MAKE SUCH PAYMENTS IS DEPENDENT UPON ITS OWN FINANCIAL CONDITION. EVEN THOUGH TIMELY PAYMENTS HAVE BEEN MADE BY THE LOCAL SPONSOR TO THE COLLEGE THROUGHOUT THE COLLEGE'S HISTORY, NO REPRESENTATION CAN BE MADE OR ASSURANCE GIVEN THAT THE LOCAL SPONSOR WILL HAVE SUFFICIENT FUNDS IN ITS OPERATING BUDGET FOR EACH FISCAL YEAR DURING THE TERM OF THE BONDS TO PAY ITS PORTION OF THE COLLEGE'S OPERATING COSTS AND CAPITAL EXPENSES, INCLUDING DEBT SERVICE ON THE BONDS.

Commonwealth Obligation

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

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

Operating Costs: The Community College Act provides that the Commonwealth will pay to a community college on account of its operating costs during the fiscal year an amount from funds appropriated in the State Budget.

See “**BUTLER COUNTY COMMUNITY COLLEGE – Budgetary Procedures**” herein for more specific information about Commonwealth revisions to the College’s funding formula.

ALL COMMUNITY COLLEGE SUBSIDIES IN THE COMMONWEALTH ARE SUBJECT TO APPROPRIATION BY THE PENNSYLVANIA GENERAL ASSEMBLY. ALTHOUGH THE CONSTITUTION OF THE COMMONWEALTH PROVIDES THAT “THE GENERAL ASSEMBLY SHALL PROVIDE FOR THE MAINTENANCE AND SUPPORT OF A THOROUGH AND EFFICIENT SYSTEM OF PUBLIC EDUCATION TO SERVE THE NEEDS OF THE COMMONWEALTH”, THE GENERAL ASSEMBLY IS NOT LEGALLY OBLIGATED TO APPROPRIATE SUCH SUBSIDIES AND THERE CAN BE NO ASSURANCE THAT IT WILL DO SO IN THE FUTURE. THE ALLOCATION FORMULA PURSUANT TO WHICH THE COMMONWEALTH DISTRIBUTES SUCH SUBSIDIES TO THE VARIOUS COMMUNITY COLLEGES THROUGHOUT THE COMMONWEALTH MAY BE AMENDED AT ANY TIME BY THE PENNSYLVANIA GENERAL ASSEMBLY. MOREOVER, THE COMMONWEALTH’S ABILITY TO MAKE SUCH DISBURSEMENTS WILL BE DEPENDENT UPON ITS OWN FINANCIAL CONDITION. AT VARIOUS TIMES IN THE PAST, THE ENACTMENT OF BUDGET AND APPROPRIATION LAWS BY THE COMMONWEALTH HAS BEEN DELAYED, RESULTING IN INTERIM BORROWING BY CERTAIN COMMUNITY COLLEGES PENDING THE AUTHORIZATION AND PAYMENT OF COMMONWEALTH AID. CONSEQUENTLY, THERE CAN BE NO ASSURANCE THAT FINANCIAL SUPPORT FROM THE COMMONWEALTH OF COMMUNITY COLLEGES, EITHER FOR CAPITAL PROJECTS OR EDUCATION PROGRAMS IN GENERAL, WILL CONTINUE AT PRESENT LEVELS OR THAT MONEYS WILL BE PAYABLE TO A COMMUNITY COLLEGE IF INDEBTEDNESS OF SUCH COMMUNITY COLLEGE IS NOT PAID.

Direct Payment of Commonwealth Appropriations to Trustee

Provisions of the Community College Act require that, should any community college fail to make its required debt service payment with respect to a general obligation note such as the 2018 Note, the Secretary of Education of the Commonwealth is required to withhold from such community college out of any subsidy payment of any type due such community college from the Commonwealth, an amount equal to the debt service payment owed by such community college. Any amounts so withheld are payable to the Trustee under the Indenture. Based on the College’s maximum annual debt service of \$2,638,000 after issuance of the Bonds and the amount of Commonwealth operating and capital expense appropriations presently budgeted at \$10,142,339 by the College for fiscal 2018-19, the Commonwealth coverage of the College’s maximum anticipated debt service would be approximately 3.85 times.

ADDITIONALLY, PROSPECTIVE PURCHASERS OF THE BONDS SHOULD TAKE NOTE OF THE FACT THAT THE COMMONWEALTH OF PENNSYLVANIA FAILED TO ADOPT A COMPLETE BUDGET FOR ITS FISCAL YEAR ENDING JUNE 30, 2016 UNTIL MARCH OF 2016. SUCH FAILURE HAS DRAWN INTO QUESTION BOTH THE FINANCIAL ABILITY OF, AND THE LEGAL COMPETENCY FOR, THE SECRETARY OF EDUCATION TO WITHHOLD AND PAY STATE APPROPRIATIONS IN SUPPORT OF THE DEBT SERVICE ON THE BONDS IN FUTURE YEARS, AND AS OTHERWISE REQUIRED BY THE SCHOOL CODE. MAJOR RATING AGENCIES HAVE RECENTLY WITHDRAWN OR REEVALUATED RATINGS ON OUTSTANDING INDEBTEDNESS OF A NUMBER OF PENNSYLVANIA SCHOOL DISTRICTS AND COMMUNITY COLLEGE AS A RESULT OF THE DELAY BY THE COMMONWEALTH IN ADOPTING THE BUDGET AND THE RESULTING UNCERTAINTY. NO ASSURANCES CAN BE GIVEN REGARDING THE ABILITY OF THE SECRETARY OF EDUCATION TO WITHHOLD AND PAY STATE APPROPRIATIONS IN SUPPORT OF DEBT SERVICE ON THE BONDS IN FUTURE YEARS IF THE COMMONWEALTH AGAIN EXPERIENCES SIGNIFICANT DELAYS IN ADOPTING A BUDGET.

Pennsylvania Department of Education Project Approval

As discussed in the Commonwealth Obligation section mentioned above, the Community College Act provides that the Commonwealth will reimburse a community college up to one-half of the annual cost on certain capital projects assuming that said capital projects have been approved by the Department of Education.

SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT AND THE INDENTURE

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

The Loan Agreement

In connection with the issuance of the Bonds, the Authority will enter into the Loan Agreement, pursuant to which the Authority will loan the proceeds of the Bonds to the College. The Loan Agreement requires the College to make loan repayments to the Authority in amounts sufficient to pay, among other things, the debt service payments on the Bonds. The obligation of the College to the Authority under the Loan Agreement will be evidenced by the 2018 Note.

Source of Debt Service Payments. The debt service payments are payable by the College from its general revenues, from whatever source derived. The College covenants to include in its budget for each fiscal year during the term of the Loan Agreement the amount of loan payments required to be paid to the Authority with respect to the 2018 Bonds and the Loan Agreement in such fiscal year.

If the College defaults in its payments on the 2018 Bonds in any fiscal year because its revenues in such fiscal year are insufficient to pay its obligations as they become due and payable, the Authority shall notify the Secretary of the Department of Education of such default and request that the Secretary of the Department withhold out of any appropriation due the College under the Community College Act an amount equal to the sum or sums owing by the College to the Authority under the Loan Agreement and the 2018 Bonds, and to pay over to the Trustee, as sinking fund depository for the 2018 Bonds, the amount so withheld.

Assignment of the Loan Agreement. The Loan payments shall be paid by the College directly to the Trustee under an assignment by the Authority to the Trustee of such payments and the 2018 Note for the benefit and security of the Bondholders under the Indenture.

Unsecured General Obligation. Payment of the principal and redemption price of and interest due under the 2018 Bonds, which correspond in amounts and time of payment with those due on the 2018 Bonds, and Loan Agreement and all other sums payable under the Loan Agreement are the unsecured general obligations of the College. The payments are required to be made in full directly to the Trustee, as assignee, when due without delay or diminution for any cause whatsoever, including, without limitation, destruction of the College's facilities, and without right of set-off for default on the part of the Authority under the Loan Agreement. The College's obligations under the Loan Agreement and the 2018 Bonds are not secured by any mortgage or other lien on any real or personal property of the College. **THE COLLEGE HAS NO TAXING POWER.**

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

The Indenture

Pledge of Certain Revenues. The Authority in the Indenture has pledged and assigned and granted to the Trustee a security interest in all loan payments, and other sums payable by the College under the Loan Agreement and the 2018 Bonds, for the benefit and security of the registered owners of the Bonds issued under the Indenture.

Revenue Fund. All loan payments by the College under the Loan Agreement and the 2018 Note are required to be deposited in the Revenue Fund established under the Indenture with the Trustee on or before the date of any required or permitted payment of principal or interest on the Bonds. Moneys in the Revenue Fund established under the Indenture are required to be transferred by the Trustee at the times set forth in the Indenture to the various other funds established under the Indenture.

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

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

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

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

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

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

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

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

BONDHOLDERS' RISKS

The Bonds are limited obligations of the Authority and are payable solely from payments made by the College pursuant to the Loan Agreement and from certain funds held by the Trustee pursuant to the Indenture. No representation or assurance can be given to the effect that the College will generate sufficient revenues to meet the College's payment obligations under the Loan Agreement and the 2018 Bonds.

Future legislation, regulatory actions, economic conditions, changes in private philanthropy, changes in the number of students in attendance at the College, competition or other factors could adversely affect the College's ability to generate revenues. Neither the Underwriter nor the Authority has made any independent investigation of the extent to which any of these factors could have an adverse impact on the revenues of the College. Additionally, Commonwealth subsidies are subject to annual appropriation. See "**COMMUNITY COLLEGE FUNDING STRUCTURE**" herein.

Potential Effects of Bankruptcy

If the College were to file a petition for relief under Chapter 11 of the United States Code, as amended (the "Bankruptcy Code"), the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the College and its property. If the bankruptcy court so ordered, the College's property, including its revenues, could be used for the benefit of the College despite the claims of its creditors (including the Trustee.)

In a bankruptcy proceeding, the College could file a plan for the adjustment of its debts which modifies the rights of creditors generally or the rights of any class of creditors, secured or unsecured. The plan, when confirmed by the court, would bind all creditors who had notice or knowledge of the plan and discharge all claims against the debtor provided for in the plan. No plan may be confirmed unless, among other conditions, the plan is in the best interest of creditors, is feasible and has been accepted by each class of claims impaired thereunder.

Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and does not discriminate unfairly.

Enforceability of Remedies

The remedies available to Bondholders upon an Event of Default under the Loan Agreement are in many respects dependent upon judicial action which is subject to discretion or delay. Under existing law and judicial decisions, including specifically the Bankruptcy Code, the remedies specified in the Loan Agreement may not be readily available or may be limited. A court may decide not to order specific performance.

The various legal opinions to be delivered concurrently with the original delivery of the Bonds will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws or legal or equitable principles affecting creditors' rights.

No Liens on College Facilities

The College has not given or granted a mortgage lien or other security interest or encumbrance upon any facilities or revenues of the College to secure its payment obligations under the Loan Agreement.

Accreditation

The College is currently fully accredited by its regional accreditor, Middle States Commission on Higher Education. See **"BUTLER COUNTY COMMUNITY COLLEGE—Accreditation"** herein. However, such accreditation is subject to periodic review and no assurances can be given that such accreditation may not, in the future, be suspended or withdrawn, due to a failure by the College to maintain one or more standards of excellence necessary to support its current accreditation status. Any such suspension or withdrawal, if it were to occur, could be expected to have an adverse effect on pupil enrollments.

Bond Insurance Risk Factors

The College has purchased the Policy to guarantee the scheduled payment of principal and interest on the Bonds. As such, the following are risk factors relating to the bond insurance.

In the event a failure of the Authority to make a scheduled payment of principal or interest with respect to the Bonds when all or some becomes due, the Trustee on behalf of any owner of the Bonds shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure the payment of redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds which is recovered from the Bondholder as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment unless the Insurer, in its discretion, chooses to pay such amounts at an earlier date.

Default of payment of principal and interest does not result in an acceleration of the obligations of the Insurer unless the Insurer consents thereto. The Insurer may direct and must consent to any remedies and the Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength and claim paying ability of the Insurer. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See **"BOND RATING"** herein.

The obligations of the Insurer are unsecured obligations of the Insurer and upon any default by the Insurer, the remedies available may be limited by applicable insurance law or other laws related to insolvency.

Neither the College, the Underwriter nor the Authority have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the College to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See **"MUNICIPAL BOND INSURANCE"** herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

Other Risk Factors

In the future, the following factors, among others, may adversely affect the revenues or operations of the College to an extent that cannot be determined at this time.

- (a) Changes in the demand for higher education in general or for programs offered by the College in particular.
- (b) Competition from other educational institutions.
- (c) Higher interest rates, which could strain cash flow or prevent borrowing for needed capital expenditures.
- (d) Increasing costs of compliance with governmental regulations, including accommodations for handicapped or special needs students, and costs of compliance with the changes in such regulations.
- (e) A decline in the market value of the College's investments or a reduction in the College's ability to generate unrestricted revenue from its investments.
- (f) Increased costs and decreased availability of public liability insurance.
- (g) Employee strikes and other adverse labor actions that could result in a substantial reduction in revenues without corresponding decreases in costs.
- (h) Cost and availability of energy.
- (i) An increase in the costs of health care benefits, retirement plans, or other benefit packages offered by the College to its employees and retirees.
- (j) The occurrence of natural disasters, including floods and hurricanes and pandemics and similar events, which might damage the facilities of the College, interrupt service to such facilities or otherwise impair the operation and ability of such facilities to produce revenue.
- (k) Decreases in student retention and graduation rates
- (l) Unknown Litigation
- (m) Safety and security incidents including data breaches
- (n) Factors that may adversely affect the College's reputation and image

The foregoing is NOT an exhaustive list of all possible factors that could adversely impact the ability of the College to make payments on the 2018 Bonds and under the Loan Agreement, which are the source of payment of the Bonds.

THE COLLEGE

Accreditation

The College is fully accredited by Middle States Association of Colleges and Schools ("MSCHE"), the accrediting association for institutions of higher education in the region. In June 2016, the College was placed on accreditation warning by MSCHE. In April of 2017, after a lengthy review and report by MSCHE, the warning was removed and MSCHE renewed the College's accreditation for another eight years. Programs at the College are also approved by the Pennsylvania State Department of Education for veteran's educational benefits. In addition, some programs carry specific approval by national and local professional accrediting organizations.

Programs

The College offers a broad range of academic programs that prepare students for transfer to four-year universities or for immediate employment in vocational and technical fields. Students have the opportunity to earn associate in arts degrees and associate in applied science degrees, as well as diplomas and certificates in approximately 60 programs of study. The programs are periodically reviewed and revised by the faculty to keep up with changes in technology and the demands of the current job market.

To simplify the transfer process for students, the College maintains matriculation agreements with a number of area colleges and universities ensuring that credits earned at the College will transfer to those institutions.

Services

To help students achieve their educational and career goals, the College provides a comprehensive student support services program including academic and career counseling, tutoring, childcare, financial aid and placement. A varied activities program offers students opportunities to participate in intercollegiate and intramural athletics, student government, and a growing selection of clubs and organizations that complement the educational experience.

Governing Structure

A fifteen-member Board of Trustees governs the College's operations. Trustees are appointed to a six-year term by the Butler County Board of Commissioners (the "County"). In addition to appointing trustees, the College is required to present an annual budget to the Butler County Board of Commissioners (see "**Budgetary Procedures**" herein). Trustees may serve more than one term upon reappointment by the County. The term of office of each Trustee expires on June 30 of each year. Officers of the Board of Trustees are elected annually by their peers in June of each year.

Community College Funding Structure

The College's annual operating and capital budget is set by the College's Board of Trustees. Revenues to support the budget come from the Commonwealth of Pennsylvania, Butler County (as local sponsor of the College) and student tuition and fees.

For the 2016-17 fiscal year, the College's Operating Budget showed the following percentages for each revenue source:

Commonwealth of Pennsylvania	28.8%
County of Butler (Local Sponsor)	13.8%
Tuition/Fees and Other Revenue	57.4%

Employees

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

Employees	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Faculty (Full-time)	62	64	62	63	62	61
Faculty (Part-time).....	254	224	232	214	216	204
Administrators	85	85	87	88	88	87
Support Staff	122	149	144	138	152	145

Source: The College.

Labor Relations

The College enjoys a positive employee relations climate with a dedicated and loyal staff. Labor contracts with the faculty's union, the Butler County Community College Professional Association, are typically three to five years in length and the current contract expired on June 30, 2018. The faculty and the College are currently working under the terms of this contract while negotiations continue towards a new agreement. Labor contracts with the support staff's union, the Clerical and Maintenance Employee Support Personnel Association, are also typically three to five years in length and the current contract expires June 30, 2021. Both unions are PSEA/NEA affiliates.

Pension Program

The College provides certain retirement benefits, including post-employment health benefits, and multiemployer contributory pension plans, to its employees for which it has accrued liabilities. See APPENDIX A "**BUTLER COUNTY COMMUNITY COLLEGE FINANCIAL STATEMENTS Year ended June 30, 2017**" Note 5 Page 7 "**PENSION AND RETIREMENT PLANS**",

Enrollment

The College's full-time equivalent (FTE) enrollment for each of the fiscal years set forth below is or was as follows:

Fiscal Year	Credit	Non-Credit	Total
2018	2,601	584	3,184
2017	2,639	578	3,217
2016	2,661	532	3,193
2015	2,693	501	3,194
2014	2,766	412	3,178
2013	2,910	347	3,257
2012	3,353	579	3,932
2011	3,541	759	3,932
2010	3,519	675	4,194

Source: The College.

Budgetary Procedures

The College's annual operating and capital budget is prepared by the Vice President for Administration and Finance in consultation with the President's Cabinet. A preliminary forecast is developed and submitted to the Pennsylvania Department of Education ("PDE") the September prior to the start of the fiscal year (which begins the following July 1). The budget is developed over the course of the year and is then submitted to the Board of Trustees for approval, at its June regular meeting. After the close of the fiscal year, the College's financial statements are audited by an independent audit firm which also provides an agreed upon procedures report.

The three major sources of revenue for the College's budget are the Commonwealth of Pennsylvania, the Local Sponsor (Butler County), and student tuition and fees. Operating funds from the Commonwealth are allocated a specified basic subsidy. The Commonwealth may provide one-half of approved capital costs, although funding approval of the Commonwealth's share of new facilities and equipment outlays is contingent upon available funding in the PDE's annual budget appropriation.

Under Act 46 passed by the State Legislature in July 2005, operating budget funding for Pennsylvania Community Colleges was changed from formula funding based upon FTE enrollments taught in the current fiscal year to an annual appropriation provided at the start of the fiscal year. The appropriation amount has three components: a base allocation equal to prior year base allocation plus any adjustment occurring through the state budget process, a small amount of additional funding if enrollments grew between the last two audited years, and economic development program funding based upon FTEs taught by the College in high priority program areas in the prior fiscal year. Economic development funding is distributed proportionately based upon each college's share of the total FTEs taught. The Commonwealth also provides one-half of approved capital costs, including debt service payments, and eligible capital purchases and equipment and property leases. Total projected Commonwealth funding for the 2018-19 year is \$10,164,795.

The Local Sponsor is the County of Butler, which provides an annual appropriation for the College through its operating budget. These funds are provided through the County's general revenues, including property and other local taxes. The annual appropriation for the College for calendar year 2012 was \$3,251,476, for 2013 was \$3,469,214, for 2014 was \$3,376,691, for 2015 was \$3,621,055, for 2016 was \$3,897,419 and for 2017 was \$3,939,648. Through the annual budget process, the College first allocates from the county appropriation sufficient funds to balance the capital budget, after Commonwealth and other funding sources have been taken into account. The balance of the available appropriation is then applied to the operating budget.

Student tuition and fees are set by the College's Board of Trustees, usually in the winter or early spring of each year. Under the Community College Act, no more than one-third of the College's operating expenses can be secured from student tuition. Tuition revenues in excess of one third of the operating expenditures are to be deposited in a special reserve account. Transfers can then be made from this reserve account to help stabilize the operating budget during the years when the tuition revenues are less than one-third of the operating expenditures. Tuition revenues for the College are currently budgeted at slightly less than one-third, and the Tuition Compliance Reserve account presently has no accumulated balance. The College's tuition rate for FY2017-18 was \$108.00 credit hour for students from the Local Sponsor, \$192.00 credit hour for students from non-sponsoring Pennsylvania school districts, and \$288.00 credit hour for students from outside Pennsylvania. The College's tuition rate for FY2018-19- is \$113.00 credit hour for students from the Local Sponsor, \$200.00 credit hour for students from non-sponsoring Pennsylvania school districts, and \$300.00 credit hour for students from outside Pennsylvania. There is also a general fee of \$41.00 credit hour. In addition, special laboratory fees are charged for a variety of scientific, technical, and occupational courses. (See "**Student Tuition and Fees**" herein)

The College also receives revenues and incurs expenditures for a variety of grant and contract programs. Account balances are invested and earn interest through insured and collateralized bank accounts or U.S. Treasury securities.

Implementation of and compliance with the College's approved budget as set forth by the College's Board of Trustees is the responsibility of the Vice President for Administration and Finance as delegated by the President.

Accounting Matters

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

The College has adopted GASB Statements No. 34 and 35 (as amended by GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*), and No. 38, *Certain Financial Statement Note Disclosures*. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a basis to focus on the College as a whole.

Potential purchasers of the Bonds should read the College's audited financial statements for the year ended June 30, 2017 in their entirety for more complete information regarding the College's financial position, results of its operations and changes in its accounting and reporting methods. The report of the College's independent accountants, together with the College's financial statements as of June 30, 2017 and the related notes to financial statements are included in Appendix A of this Official Statement.

In the opinion of the administration of the College, there has been no material adverse change in the financial condition of the College since June 30, 2017, the most recent date of audited financial statements.

For a more complete discussion of the College's financial position and results of operations at June 30, 2017 see "MANAGEMENT'S DISCUSSION AND ANALYSIS" included in the financial information included in Appendix A hereto.

The financial statements ending June 30, 2013, 2014, 2015, 2016 and 2017 were audited by Maher Duessel, Certified Public Accountants Pittsburgh, PA.

The following tables set forth a summary of the College's "STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS" and "STATEMENT OF NET ASSETS" for each of the fiscal years set forth, which are all derived from audited financial statements, and a summary of the College's 2018-19 Operating Budget.

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BUTLER COUNTY COMMUNITY COLLEGE
STATEMENT OF NET POSITION
FOR YEAR ENDED JUNE 30,

ASSETS	2013	2014	2015	2016	2017
Current assets:	\$10,520,834	\$12,026,939	\$10,574,332	\$9,977,207	\$12,082,375
Cash and cash equivalents					
Investments					
Held by Trustee	69,922	0	0	0	0
Due from grantor agencies	921,091	1,159,074	979,929	700,563	165,175
Due from College Foundation	76,377	112,475	94,546	72,210	130,888
Grants receivable	0	0	0	500,000	500,000
Accounts receivable - other	914,949	891,643	554,995	315,277	457,404
Accounts receivable - students	4,999,041	4,790,279	4,097,473	5,375,566	5,661,364
Pledges receivable	0	0	0	0	0
Support agreement receivable	127,000	129,000	127,000	127,000	123,200
Prepaid expenses	139,814	100,930	303,810	444,471	422,813
Inventories	426,234	333,213	269,176	231,699	233,176
Other asset	0	0	0	10,000	19,091
Total current assets	<u>\$10,184,032</u>	<u>\$19,519,553</u>	<u>\$17,791,151</u>	<u>\$17,754,517</u>	<u>\$19,855,486</u>
Noncurrent assets:					
Guaranteed investment contract	0	0	0	0	0
Grants receivable	0	0	0	1,000,000	500,000
Support agreement receivable	5,028,034	5,247,830	5,486,793	5,739,970	6,014,277
Investments	2,949,505	2,953,574	2,454,535	1,270,701	596,966
Capital assets, not being depreciated	5,129,555	5,245,473	5,537,770	11,066,996	5,455,004
Capital assets, net of accumulated depreciation	27,163,310	25,738,634	24,706,390	22,770,901	26,957,615
Total noncurrent assets	<u>40,270,405</u>	<u>39,185,516</u>	<u>39,185,501</u>	<u>41,846,576</u>	<u>39,534,842</u>
Total Assets	<u>\$50,454,437</u>	<u>\$58,705,069</u>	<u>\$56,976,652</u>	<u>\$59,601,093</u>	<u>\$59,390,328</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	1,185,748	1,116,353	1,046,959	977,593	908,189
Deferred outflows of resources for pension	0	0	778,747	607,166	1,643,324
Total Deferred Outflows of Resources	<u>1,185,748</u>	<u>1,116,353</u>	<u>1,825,705</u>	<u>1,584,759</u>	<u>2,551,492</u>
LIABILITIES					
Current Liabilities					
Accounts payable	402,538	151,978	231,941	1,213,705	255,645
Payable to college	0	0	0	0	0
Accounts payable - state	11,422	25,288	0	2,199	0
Accrued interest payable	207,619	207,619	207,619	207,619	207,619
Line of credit	138,526	659,036	564,672	425,297	160,415
Accrued wages	815,557	819,234	815,174	785,673	841,275
Bonds payable, current portion	1,395,000	1,410,000	1,435,000	1,450,000	1,460,000
Note payable, current portion	33,631	233,122	223,353	246,935	342,441
Employee payroll deduction	62,462	244,039	253,261	362,457	201,629
Support agreement payable	0	0	0	0	0
Unearned revenue	4,647,982	4,515,042	4,673,858	4,801,272	5,062,869
Total current liabilities	<u>7,735,837</u>	<u>8,265,408</u>	<u>8,404,978</u>	<u>9,495,366</u>	<u>8,551,893</u>
Noncurrent liabilities					
Gift annuity payable	0	0	0	0	0
Accumulated compensated absences	1,109,604	1,040,234	1,065,797	960,669	924,308
Pension liability	0	0	7,006,000	7,494,000	8,623,000
Bonds payable, net	21,859,719	23,774,969	22,665,678	21,541,540	20,408,546
Note payable	52,903	2,169,780	1,946,428	1,786,135	2,489,032
Support agreement payable	0	0	0	0	0
Total noncurrent liabilities	<u>23,022,226</u>	<u>26,984,992</u>	<u>32,683,903</u>	<u>31,801,744</u>	<u>32,444,887</u>
Total Liabilities	<u>\$25,758,063</u>	<u>\$35,250,399</u>	<u>\$41,088,881</u>	<u>\$41,297,100</u>	<u>\$40,996,780</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources for pension	0	0	0	182,000	174,000
NET POSITION					
Net investment in capital leases					
Restricted	5,854,928	6,203,559	6,494,450	9,365,553	8,471,433
Expendable	5,155,034	7,726,830	7,652,253	0	7,137,477
Nonexpendable	0	0	0	7,366,978	0
Unrestricted	14,872,190	10,640,843	2,063,763	3,176,593	3,182,240
Total Net Position	<u>\$25,882,152</u>	<u>\$24,571,032</u>	<u>\$16,212,486</u>	<u>\$19,909,124</u>	<u>\$20,771,150</u>

Source: College Audited Financial Statements for the years ending June 30, 2013, 2014, 2015, 2016 and 2017.

BUTLER COUNTY COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR YEAR ENDING JUNE 30,

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues:					
Operating revenues					
Student tuition and fees	\$13,889,518	\$14,117,230	\$14,079,198	\$15,593,601	\$16,187,418
Federal grants	7,212,366	6,054,851	5,919,376	5,465,903	5,659,293
Sale of books and merchandise - net of cost	647,751	530,301	578,565	572,999	575,141
Contributions	0	7,316	24,142	0	24,832
Support agreement	436,968	350,648	365,968	2,941,628	397,499
Other operating revenues	102,271	179,831	112,148	137,346	192,568
Total operating revenues	<u>22,188,874</u>	<u>21,240,177</u>	<u>21,079,397</u>	<u>24,711,477</u>	<u>23,036,751</u>
Expenses:					
Operating expenses					
Regular programs	25,173,639	26,032,963	27,662,610	37,222,696	28,424,725
Special programs	1,688,723	1,437,436	1,457,945	1,290,253	1,633,049
Equipment purchases	1,120,760	971,937	682,170	384,347	549,929
Equipment rentals	32,379	152,347	157,816	160,360	157,041
Salaries, wages and expenses - students and auxiliary enterprises	352,369	368,366	401,802	450,380	441,530
Student activities	147,184	166,275	158,752	161,958	188,622
Student grants and scholarships	5,765,423	5,355,545	5,421,740	5,083,152	4,961,706
Fundraising	0	0	0	0	0
Grants to College	0	0	0	0	0
Support agreement grant	0	0	0	0	0
Management and general	0	0	0	0	0
Computer maintenance and training	0	0	0	0	0
Contracted services	0	0	0	0	0
Hospitality	0	0	0	0	0
Other	151,138	130,918	163,362	118,083	121,586
Rental expense	0	0	0	0	0
Depreciation/amortization	2,106,583	2,147,549	2,162,905	2,234,736	2,292,805
Total operating expenses	<u>36,540,198</u>	<u>36,753,356</u>	<u>38,269,102</u>	<u>37,222,688</u>	<u>38,775,992</u>
Operating Income (Loss)	<u>(14,351,324)</u>	<u>(15,513,179)</u>	<u>(17,189,705)</u>	<u>(12,511,211)</u>	<u>(15,739,241)</u>
Nonoperating Revenues (Expenses):					
Investment income	70,568	73,384	49,551	44,289	61,503
State appropriation and grants	8,921,498	8,891,516	9,501,060	9,925,738	10,467,538
County appropriations and grants	3,545,511	3,445,121	3,890,875	4,040,000	4,044,166
State appropriations and grants - capital	1,983,896	1,625,096	1,833,214	0	0
County appropriations and grants - capital	1,314,054	1,187,445	1,200,445	0	0
Other nonoperating revenues	27,013	(1,228)	(62,938)	(5,823)	(631)
Debt service - interest expense	(931,506)	(1,019,275)	(1,087,472)	(1,073,642)	(1,054,176)
Net nonoperating revenues (expenses)	<u>14,931,034</u>	<u>14,202,059</u>	<u>15,324,735</u>	<u>12,930,662</u>	<u>13,518,401</u>
Income (loss) before other revenues, expenses, gains, or losses	0	0	0	419,531	(2,220,840)
State appropriations and grants - capital	0	0	0	2,076,842	1,907,421
County appropriations and grants - capital	0	0	0	1,200,445	1,175,445
Changes in Net Position	579,710	(1,311,120)	(1,864,970)	3,696,638	862,026
Net position - beginning of year	<u>25,302,442</u>	<u>25,882,152</u>	<u>18,077,456</u>	<u>16,212,486</u>	<u>19,909,124</u>
Net position - end of year	<u>\$25,882,152</u>	<u>\$24,571,032</u>	<u>\$16,212,486</u>	<u>\$19,909,124</u>	<u>\$20,771,150</u>

Source: College's Audited Financial Statements for years ending June 30, 2013, 2014, 2015, 2016 and 2017

**BUTLER COUNTY COMMUNITY COLLEGE
COMBINED
REVENUES BY SOURCE AND EXPENDITURES BY CATEGORY**

	2018-19 BUDGET
REVENUES (By Source)	
Students	\$16,922,463
State	10,164,795
County	5,172,945
Borrowing	600,000
Interest	65,000
Miscellaneous	275,450
Foundation Appropriation	122,200
Academic Enhancement	0
College Reserves	2,351,697
TOTAL	\$35,674,550
EXPENDITURES (By Category)	
Salaries & Benefits	\$23,285,000
Supplies & Services	3,413,785
Utilities & Insurance	1,124,800
Other Operating Expenses	1,136,300
Rentals, Leases & Licenses	984,253
Debt Service	2,730,412
Building & Site Improvements	1,650,000
Furniture and Equipment	1,350,000
Transfers Out	0
TOTAL	\$35,674,550

Source: College Budget for 2018-19

Long Term Indebtedness

The Table below shows long term indebtedness of the College that will be outstanding as of the Date of Delivery.

	Gross Outstanding*
College Revenue Bonds, Series A of 2018 (this issue)	\$6,375,000.00
College Revenue Notes, Series of 2017	\$959,189.11
College Revenue Notes, Series of 2014	\$1,398,466.41
College Revenue Bonds, Series A & B of 2012	\$6,540,000.00
College Revenue Bonds, Series B of 2011	\$1,375,000.00
College Revenue Bonds, Series G of 2000	\$2,061,861.30
TOTAL DEBT	\$18,709,516.82

*Includes the Bonds offered through this Official Statement.

Upon the issuance of the Bonds, the Bonds and each series of long term indebtedness of the College identified above, will be equally and ratably secured and payable under the Indenture from loan payments of the College under the Loan Agreement and each note of the College issued in accordance therewith, including the 2018 Bonds, except with respect to any fund or account established thereunder solely for the benefit and security of a particular series of bonds, or with respect to amounts due from any bond insurer or other source of credit enhancement securing or payable solely with respect to any particular series of bonds. See Appendix D "SUMMARY OF OUTSTANDING DEBT SERVICE (BONDS ONLY)".

Student Tuition and Fees

The following table sets forth the fees, costs and charges paid by students of the College per semester, per credit hour, in each of the fiscal years set forth - Tuition per credit hour for Pennsylvania residents who are not residents of the sponsoring county is twice the standard per credit hour rate. Tuition per credit hour for out-of-state residents is three times the standard per credit hour rate. The following table sets forth the standard tuition and student fee assessed to students in each of the fiscal years set forth:

	Butler County Residents					
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Tuition (per credit hour for	\$93.00	\$96.00	\$100.00	\$104.00	\$108.00	\$113.00
Academic Fee	0.00	0.00	0.00	0.00	0	0
Comp. Fee	<u>31.00</u>	<u>31.00</u>	<u>41.00</u>	<u>49.00</u>	<u>52.00</u>	<u>52.00</u>
Total	<u>\$124.00</u>	<u>\$127.00</u>	<u>\$141.00</u>	<u>\$153.00</u>	<u>\$160.00</u>	<u>\$165.00</u>
(per credit)						
Tuition % Change	5.68%	3.23%	4.17%	4.00%	3.80%	4.60%
Fee & Change	19.23%	0.00%	32.25%	19.51%	6.10%	0%
Total Percentage Change	<u>8.77%</u>	<u>2.42%</u>	<u>11.02%</u>	<u>8.51%</u>	<u>4.50%</u>	<u>3.10%</u>

Source: The College.

All other Pennsylvania Residents

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Tuition (per credit hour for	\$186.00	\$192.00	\$200.00	\$208.00	\$208.00	\$213.00
Academic Fee	0.00	0.00	0.00	0.00	0.00	0.00
Comp. Fee	<u>31.00</u>	<u>31.00</u>	<u>41.00</u>	<u>49.00</u>	<u>52.00</u>	<u>52.00</u>
Total	<u>\$217.00</u>	<u>\$223.00</u>	<u>\$241.00</u>	<u>\$257.00</u>	<u>\$260.00</u>	<u>\$265.00</u>
(per credit)						
Tuition % Change	5.68%	3.23%	4.17%	4.00%	0.00%	2.40%
Fee & Change	19.23%	0.00%	32.25%	19.51%	6.10%	0%
Total Percentage Change	<u>7.43%</u>	<u>2.76%</u>	<u>8.07%</u>	<u>6.64%</u>	<u>1.2%</u>	<u>1.9%</u>

Source: The College.

Out of State or International Residents

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Tuition (per credit hour for	\$279.00	\$288.00	\$300.00	\$312.00	\$308.00	\$313.00
Academic Fee	0.00	0.00	0.00	0.00	0.00	0.00
Comp. Fee	<u>\$31.00</u>	<u>31.00</u>	<u>41.00</u>	<u>\$49.00</u>	<u>\$52.00</u>	<u>\$52.00</u>
Total (per credit)	<u>\$310.00</u>	<u>\$319.00</u>	<u>\$341.00</u>	<u>\$361.00</u>	<u>\$360.00</u>	<u>\$365.00</u>
Tuition % Change	5.68%	3.23%	4.17%	4.00%	-1.3%	1.6%
Fee & Change	19.23%	0.00	32.25%	19.51%	6.10%	0%
Total Percentage Change	6.90%	2.90%	6.90%	5.86%	-0.2%	1.4%

Source: The College.

Financial Aid

The number of students of the College who received the following grants, aid, loans and other financial aid in the indicated fiscal years are set forth below:

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
GRANTS						
PELL	2,075	2,025	1,784	1,755	1,699	N/A
PHEAA	1,004	941	775	746	832	N/A
SEOG	364	266	193	235	235	N/A
Other (TRA/OVR/WIA)	65	175	153	174	200	N/A
LOANS						
Stafford	845	920	815	722	690	N/A
EMPLOYMENT	69	70	85	124	106	N/A
College Work-Study Program						

Source: The College.

Special Fundraising Activities

The College receives approximately \$1.3 million dollars per fiscal year from external funding sources to support initiatives at the College. The College has funding commitments totaling over \$1,122,000 million dollars for 2017-18 fiscal year. These grants support college-wide project which include funds for faculty/staff compensation, travel, student tuition, instructional supplies, and other related program costs.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the Securities and Exchange Commission Rule 15c2-12 (the "Rule"), the College will agree pursuant to a Continuing Disclosure Agreement, to cause the following information to be provided:

- (i) to provide at least annually to the Municipal Securities Rulemaking Board (the "MSRB") Electronic Municipal Market Access ("EMMA") System, in such electronic format as is prescribed by the MSRB and accompanied by such identifying information as prescribed by the MSRB, the following annual financial information and operating data with respect to the College for each of its fiscal years, beginning with the fiscal year ending June 30, 2018, within 270 days following the end of such fiscal year:
 - the financial statements for the most recent calendar year, prepared in accordance with generally accepted accounting principles for local government units and audited in accordance with generally accepted auditing standards
 - Summary of the operating budget
- (ii) in a timely manner not in excess of ten business days after the occurrence of the event, to file with the MSRB, notice of the occurrence of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the College; (13) the consummation of a merger, consolidation, or acquisition involving the College or the sale of all or substantially all of the assets of the College, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (iii) in a timely manner, to provide to the EMMA, in such electronic format as is prescribed by the MSRB and accompanied by such identifying information as prescribed by the MSRB notice of a failure to provide required annual financial information, on or before the date specified above.

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

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

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

COMPLIANCE WITH PREVIOUS CONTINUING DISCLOSURE UNDERTAKINGS

The College's filing history of its annual financial statements, budget and operating data during the past five (5) years is outlined in the table below:

Fiscal Year Ending	Filing Deadline ⁽¹⁾	Financial Statements		Budget		Operating Data	
		Filing Date	EMMA ID ⁽²⁾	Filing Date	EMMA ID ⁽²⁾	Filing Date	EMMA ID ⁽²⁾
6/30/2013	12/27/2013	12/16/2013	ER592200	12/16/2013	ER592200	09/26/2018	ER893550
6/30/2014	12/27/2014	12/12/2014	EP671945	12/12/2014	EP671945	12/30/2014	ER666248
6/30/2015	12/27/2015	12/09/2015	EP708540	12/09/2015	EP708540	12/09/2015	EP708540
6/30/2016	12/27/2016	10/10/2017	ES823032	10/10/2017	ES823032	09/26/2018	ER893575
6/30/2017	12/27/2017	12/20/2017	ES839570	12/20/2017	ES839570	12/20/2017	ES839570

Bonds

⁽¹⁾ For these purposes, assumes the shortest filing deadline of the College's previous Continuing Disclosure Agreements

⁽²⁾ Submission ID is the EMMA Submission ID for each filing. To access a filing, insert the Submission ID to the end of the web address below: <https://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=>

Some of the College's bond issues that have been outstanding during the past five (5) years have been insured by various bond insurance companies that have received rating downgrades and upgrades by S&P and/or Moody's.

This information was publicly available from widely accepted information sources at the time of their respective downgrades or upgrades. For informational purposes, the College has uploaded a summary of these rating changes relating to certain bond insurance companies on various dates.

LITIGATION

The Authority. There is no litigation of any nature now pending or, to the Authority's knowledge, threatened against it restraining or enjoining the issuance, sale, execution or delivery of the Bonds or in any way contesting or affecting the validity of the Bonds, the Indenture, or any proceedings of the Authority taken in connection with issuance or sale of the Bonds, the pledge or application of any moneys or security provided for the payment of the Bonds, or the existence or powers of the Authority.

The College. There is no litigation, currently pending or to the knowledge of the College threatened against it, which, individually or in the aggregate, will have a material adverse effect on its financial condition or which will affect the validity or enforceability of the Loan Agreement or the 2018 Note, or which in any way contests the existence or powers of the College.

LEGALITY FOR INVESTMENTS

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

TAX MATTERS

Federal Income Tax Matters

As of the date of closing, Bond Counsel will issue an opinion to the effect that under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. For the purpose of rendering the opinion set forth in this paragraph, Bond Counsel has assumed compliance by the Authority and the College with requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be met subsequent to the issuance of the Bonds in order that interest thereon be and remain excluded from gross income for federal income tax purposes.

Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds.

State Tax Matters

In the opinion of Bond Counsel, under existing law, the Bonds are exempt from personal property taxes in Pennsylvania and the interest on the Bonds is exempt from Pennsylvania personal income tax and corporate net income tax.

Other Tax Matters

Interest on a Bond held by a foreign corporation may be subject to the branch profits tax imposed by the Code. Ownership of the Bonds may give rise to collateral federal tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. Bond Counsel expresses no opinion as to any such collateral federal income tax consequences. Purchasers of the Bonds should consult their own tax advisors as to collateral federal income tax consequences.

Original Issue Discount; Original Issue Premium

The original issue discount in the selling price of any Bond (an "OID Bond"), to the extent properly allocable to each holder of such OID Bond, is excluded from gross income for Federal income tax purposes with respect to such holder. The original issue discount is the excess of the stated redemption price or principal due at maturity of such OID Bond over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such OID Bonds were sold.

Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount so accrued in the particular accrual period will be considered to be excluded from gross income for Federal income tax purposes and will increase the holder's tax basis in such OID Bond. Any gain realized by a holder from a sale, exchange, payment or redemption of an OID Bond would be treated as gain from the sale or exchange of such OID Bond. Owners of OID Bonds should consult their tax advisors as to the determination for Federal income tax purposes of original issue discount accrued or accreted upon purchase, sale or redemption of such OID Bonds.

An amount equal to the excess of the purchase price of a Bond over its stated redemption price or principal due at maturity constitutes a premium on such Bond. Those maturities of the Bonds sold at such a premium are referred to herein as "OIP Bond." A purchaser of an OIP Bond must amortize any premium over such OIP Bond's term using constant yield principles, based on the OIP Bond's yield to maturity. As premium is amortized, the purchaser's basis in such OIP Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to such purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of such OIP Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any bond at a premium, whether at the time of initial issuance or subsequent thereto, should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes, and with respect to state and local tax consequences of owning such Bonds.

LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approval of Clark Hill PLC, Pittsburgh, Pennsylvania, Bond Counsel, whose opinion will be delivered at the time of the delivery of the Bonds. Certain legal matters will be passed upon for the Authority by its counsel, Barley Snyder LLP, Lancaster, Pennsylvania, and for the College by its counsel, Dillon McCandless King Coulter & Graham LLP, Butler, Pennsylvania.

FINANCIAL ADVISOR

Butler County Community College has retained PFM Financial Advisors LLC, Harrisburg, Pennsylvania as financial advisor (the "Financial Advisor") in connection with the preparation, authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement.

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the Authority at an aggregate price of \$6,270,916.20 (which represents the par amount of the Bonds less underwriter's discount of \$44,625.00, minus net original issue discount of \$(59,458.80)). The Underwriter's obligations are subject to certain conditions precedent; however, the Underwriter will be obligated to purchase all such Bonds if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed from time to time, by the Underwriter.

RATING

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

MISCELLANEOUS MATTERS

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

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

The references herein to the Indenture, the Loan Agreement, the 2018 Bonds, the 2018 Note, the Continuing Disclosure Agreement, the Act, the Community College Act and other materials are only brief outlines of certain provisions thereof and do not purport to summarize or describe all the provisions thereof, copies of which will be furnished by the Authority upon request.

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

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

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

STATE PUBLIC SCHOOL BUILDING AUTHORITY

By: /s/ Robert Baccon
Title: Executive Director

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

APPROVED:

BUTLER COUNTY COMMUNITY COLLEGE

By: /s/ Ray D. Steffler
Title: Chairperson, Board of Trustees

By: /s/ Nicholas Neupauer
Title: President of the College

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APPENDIX A

**BUTLER COUNTY COMMUNITY COLLEGE
ANNUAL FINANCIAL REPORT
JUNE 30, 2017**

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Butler County Community College

Single Audit

June 30, 2017

MaherDuessel

Pursuing the profession while promoting the public good®
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BUTLER COUNTY COMMUNITY COLLEGE

YEAR ENDED JUNE 30, 2017

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BUTLER COUNTY COMMUNITY COLLEGE

YEAR ENDED JUNE 30, 2017

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Independent Auditor's Report

**Board of Trustees
Butler County
Community College**

Report on the Financial Statements

We have audited the accompanying financial statements of the Butler County Community College (BCCC), a component unit of Butler County, and its discretely presented component unit, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise BCCC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of BCCC and its discretely presented component unit, as of June 30, 2017, and the respective changes in financial position, and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information on pages i through viii and pages 37 and 38, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise BCCC's financial statements. The individual fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017 on our consideration of BCCC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BCCC's internal control over financial reporting and compliance.



Pittsburgh, Pennsylvania
December 20, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Introduction

As management of the Butler County Community College (BCCC), we offer readers of BCCC's financial statements this narrative overview and analysis of the financial activity of BCCC for the fiscal year ended June 30, 2017. This MD&A reflects on current activities, resulting change, and currently known facts, and should be read in conjunction with BCCC's financial statements, including the notes. Included in this MD&A are the activities of BCCC and summarily, its component unit, the Butler County Community College Education Foundation (Foundation). Though BCCC is itself a component unit of the County of Butler (County), these financial statements are presented with BCCC as a primary entity.

The Financial Statements

These financial statements consist of two components: 1) basic financial statements and 2) notes to financial statements. The basic financial statements are comprised of three statements: 1) Statement of Net Position, 2) Statement of Revenues, Expenses, and Changes in Net Position, and 3) Statement of Cash Flows. The Statement of Net Position presents information on all of BCCC's assets and liabilities and is designed to resemble a corporation's Balance Sheet, with the difference between the two reported as net position. The Statement of Revenues, Expenses, and Changes in Net Position, similar to a corporate Income Statement, reports the cost of BCCC's activities, which are primarily reported by revenue from Pennsylvania appropriations, student tuition and fees, and County appropriations. This statement combines financial activity for operating, capital, and restricted funds. It consolidates the information into a presentation that segregates only operating and nonoperating activities and yields a change in net position. The primary purpose of the Statement of Cash Flows is to provide information to the reader about cash receipts and payments related to operating, capital, and investing activities.

Analysis

Statements of Net Position

	Net Position As of June 30,		Increase (Decrease)	Percent Change
	2017	2016		
Current Assets	\$ 19,855,496	\$ 17,754,917	\$ 2,100,579	11.83%
Non-current Assets:				
Capital assets, net of depreciation	32,423,699	33,837,897	(1,414,198)	-4.18%
Investments	596,966	1,270,701	(673,735)	-53.02%
Others	6,514,277	6,739,978	(225,701)	-3.35%
Total Assets	59,390,438	59,603,493	(213,055)	-0.36%
Deferred Outflows of Resources:				
Deferred charge on refunding	908,168	977,563	(69,395)	-7.10%
Deferred outflows of resources for pension	1,643,324	807,168	836,156	103.59%
Total Deferred Outflows of Resources	2,551,492	1,784,731	766,761	42.96%
Current Liabilities	8,551,893	9,495,356	(943,463)	-9.94%
Non-current Liabilities	32,444,887	31,801,744	643,143	2.02%
Total Liabilities	40,996,780	41,297,100	(300,320)	-0.73%
Deferred Inflows of Resources:				
Deferred inflows of resources for pension	174,000	182,000	(8,000)	-4.40%
Net Position:				
Net investment in capital assets	8,471,433	9,365,553	(894,120)	-9.55%
Restricted, expendable	7,137,477	7,366,978	(229,501)	-3.12%
Unrestricted	5,162,240	3,176,593	1,985,647	62.51%
Total Net Position	\$ 20,771,150	\$ 19,909,124	\$ 862,026	4.33%

Current Assets of BCCC include cash, receivables, prepaid expenses, bookstore inventory, and short-term investments. The excess of current assets over current liabilities of approximately \$11.3 million reflects the continuing ability of BCCC to meet its short-term obligations. Total Current Assets increased by approximately \$2.1 million, primarily due to increases in cash. Receivables consist of student accounts, agency receivables, interest, and various operating receivables. During 2017, total cash and cash equivalents increased by approximately \$2.1 million. This increase was primarily the result of an operating surplus, debt proceeds, and the

conversion of investments into cash. Receivables, prepaid expenses and bookstore inventories remained consistent with prior years.

Other Non-current Assets decreased by approximately \$200,000, while Capital Assets decreased by \$1.4 million, and Investments decreased by approximately \$700,000. Investments decreased as a result of the use of investments to pay for and complete the renovation of BCCC's library.

During 2008, BCCC established a policy for the designation of excess cash reserves. Reserves in the amount of \$3,000,000 were designated for the purpose of repair, restoration, maintenance, or purchase of capital assets identified in BCCC's Facility Master Plan or a capital needs list. Therefore, \$3,000,000 in short-term cash and cash equivalents was transferred to a long-term investment account. The funds in this investment account shall be spent only for the exclusive purposes for which the Board of Trustees established the designated capital reserves. The balance in this investment account as of June 30, 2017 was \$596,966. BCCC has withdrawn and spent funds from this account over the past few years for important capital projects and additional funds were used in 2016/17 to fund BCCC's share of the renovation of its library. BCCC will need to replenish these reserves to fund future capital projects and deferred maintenance, since Management believes there will be limited support from both BCCC's local sponsor and the Commonwealth of Pennsylvania. BCCC had received 50% assistance from the Commonwealth of Pennsylvania and 25% assistance from its local sponsor on many previous capital projects.

The deferred outflows of resources include the deferred charge on refunding for bond refundings by BCCC in 2012 and 2013, and the deferred outflows of resources for pension.

The Current Liabilities of BCCC include accounts payable, interest, and the portion of principal related to debt financing that is classified as current, unearned revenue, and a short-term borrowing. Current Liabilities decreased by approximately \$943,000 from 2016 to 2017. For the most part, this is attributable to a decrease in accounts payable. Accounts payable decreased as a result of retainage payables on construction projects as of June 30, 2016, whereas there were no ongoing contracts with retainage payable at June 30, 2017. Non-current Liabilities total approximately \$32.4 million. This has increased from the prior year by approximately \$643,000 as a result of increases to the net pension liability, issuance of a new note payable, and net of principal payments made on outstanding bonds payable.

BCCC's total Net Position increased in fiscal year 2017 to a total of approximately \$20.8 million. Approximately, \$8.5 million is the value of the Net Investment in Capital Assets; approximately, \$7.1 million is Restricted, Expendable; and approximately, \$5.2 million is classified as Unrestricted Net Position. The net investment in capital assets increased by approximately \$0.9 million and unrestricted net position increased by about \$2 million in fiscal year 2017.

Statements of Revenues, Expenses, and Changes in Net Position

Operating Results For the Fiscal Years Ended June 30,				
	2017	2016	Increase (Decrease)	Percent Change
Operating Revenues:				
Tuition and Fees	\$ 16,187,418	\$ 15,593,601	\$ 593,817	3.81%
Grants and Contributions	5,659,293	5,465,903	193,390	3.54%
Auxiliary Enterprise	575,141	572,999	2,142	0.37%
Other Operating	604,474	3,078,974	(2,474,500)	-80.37%
Total Operating Revenues	23,026,326	24,711,477	(1,685,151)	-6.82%
Less Operating Expenses	38,765,567	37,222,688	1,542,879	4.14%
Operating Loss	(15,739,241)	(12,511,211)	(3,228,030)	25.80%
Nonoperating Revenues (Expenses):				
State Appropriation and Grants	10,467,538	9,925,738	541,800	5.46%
County Appropriation and Grants	4,044,166	4,040,000	4,166	0.10%
Investment Income	61,503	44,289	17,214	38.87%
Other Non-operating Expense	(631)	(5,823)	5,192	-89.16%
Debt Service Interest Expense	(1,054,175)	(1,073,642)	19,467	-1.81%
Net nonoperating revenues (expenses)	13,518,401	12,930,562	587,839	4.55%
Income before other revenues, expenses gains, or losses	(2,220,840)	419,351	(2,640,191)	-629.59%
State appropriations and grants - capital	1,907,421	2,076,842	(169,421)	-8.16%
County appropriations and grants - capital	1,175,445	1,200,445	(25,000)	-2.08%
Change in Net Position	862,026	3,696,638	(2,834,612)	
Net Position:				
Beginning of the Year	19,909,124	16,212,486	3,696,638	
Net Position, End of the Year	\$ 20,771,150	\$ 19,909,124	\$ 862,026	

In the Statement of Revenues, Expenses, and Changes in Net Position, activities are classified as Operating Revenues, Operating Expenses, and Nonoperating Revenues (Expenses). For fiscal year ended June 30, 2017, Operating Revenues decreased approximately \$1.7 million. The majority of this decrease is the result of a memorandum of understanding between BCCC and the Foundation being accounted for in 2016, in which the Foundation promise to contribute \$2.5 million over a four-year period to support renovations to the BCCC library.

The most significant sources of operating revenues for BCCC are tuition and fees, financial aid, grants and contracts from federal, state, and local sources, and auxiliary services. Tuition and fees include all amounts paid for educational purposes and totaled \$16.2 million. Tuition and fees revenue increased in fiscal year 2017 by 3.8% due to a tuition and fee increase of approximately 8.51% as compared to the previous year. Overall credit enrollment declined by approximately 1.3% in 2016/17.

Federal, operating state and local grants and contracts totaled approximately \$5.7 million, which is an increase of 3.5%. This increase was primarily a result of increased funding for worker training. Sales of books and merchandise amounted to \$575,000 for the year, which was relatively consistent with the prior year. As previously stated, other operating revenues decreased by \$2.5 million as a result of the recording of the Foundation contribution in 2016. For fiscal year ended June 30, 2017, Operating Expenses exceeded Operating Revenues by approximately \$15.7 million, approximately \$3.2 million more than the prior year.

In accordance with GASB accounting pronouncements, governmental funding, including the State subsidy and County appropriation are recorded in the Statement of Revenues, Expenses, and Changes in Net Position as Nonoperating Revenues and State subsidy and County appropriations related to capital are presented after nonoperating revenues. Fiscal year revenue from these two sources totaled over \$14.5 million, covering the majority of the operating deficit mentioned above. Funding from the State for operating and State capital grants showed an increase compared to 2016 of approximately \$542,000, due to an increase in the State's support. During 2016/2017, the State contributed \$10,467,538 towards the operating costs of BCCC and \$1,907,421 in capital grants.

Compared to 2016, investment income was relatively consistent at approximately \$62,000. Also reported as a nonoperating activity is the interest expense related to BCCC debt, which decreased by approximately \$20,000.

BCCC received approximately 15% of its annual funding (excluding student financial aid and grants) from its local sponsor, the County. In 2017, BCCC received a total of \$5,219,611, which is relatively consistent with the prior year. Of this amount, \$4,044,166 was allocated to operating and \$1,175,445 to debt and capital expenditures.

Total Expenses For the Fiscal Years Ended June 30,				
	2017	2016	Increase (Decrease)	Percent Change
Operating Expenses:				
Instruction	\$ 14,799,005	\$ 14,285,480	\$ 513,525	3.59%
Academic Support	1,083,893	1,062,873	21,020	1.98%
Student Services	2,888,407	2,818,162	70,245	2.49%
Institutional Support (incl. benefits)	6,335,075	5,930,643	404,432	6.82%
Physical Plant	3,318,345	3,242,261	76,084	2.35%
Auxiliary Enterprises	441,530	450,380	(8,850)	-1.97%
Student Activities	178,197	161,958	16,239	10.03%
Student Grants and Scholarships	4,961,706	5,083,152	(121,446)	-2.39%
Special Programs	1,638,049	1,290,253	347,796	26.96%
Capital Purchases/Leases	706,970	544,707	162,263	29.79%
Depreciation/Amortization	2,292,805	2,234,736	58,069	2.60%
Other	121,585	118,083	3,502	2.97%
Total Operating Expenses	38,765,567	37,222,688	1,542,879	4.14%
Nonoperating Expenses	1,054,806	1,079,465	(24,659)	-2.28%
Total Expenses	<u>\$ 39,820,373</u>	<u>\$ 38,302,153</u>	<u>\$ 1,518,220</u>	3.96%

As anticipated, there were operating cost increases in most functional areas of BCCC in fiscal year 2017 as total operating expenses increased \$1.5 million in 2016/17. Operating Expenses include all annual expenses related to delivery of education, financial aid awards, and depreciation.

Contributing most significantly to the cost increases to instruction, academic support, student services and institutional support were increased salary and benefit costs. Institutional Support costs also rose as a result of an increase in the amount of bad debt expense.

Special Program expenses increased as a direct result of increased grant funding for worker training. Finally, capital purchases/leases were up in 2016/17 as the College remains committed to its plan in maintaining adequate physical resources by providing sufficient equipment and furnishings.

Capital Assets and Debt

Net Capital Assets As of June 30,				
	2017	2016	Increase (Decrease)	Percent Change
Capital Assets:				
Land and Improvements	\$ 5,298,134	\$ 5,298,134	\$ -	0.00%
Construction in Progress	157,950	5,768,862	(5,610,912)	-97.26%
Buildings	52,132,367	46,221,360	5,911,007	12.79%
Equipment and Furnishings	13,208,103	12,697,384	510,719	4.02%
Total	70,796,554	69,985,740	810,814	1.16%
Less Accumulated Depreciation	(38,372,855)	(36,147,843)	(2,225,012)	6.16%
Net Capital Assets	<u>\$ 32,423,699</u>	<u>\$ 33,837,897</u>	<u>\$ (1,414,198)</u>	-4.18%

As of June 30, 2017, BCCC had recorded over \$70.7 million invested in Capital Assets, \$38.3 million in Accumulated Depreciation, netting to over \$32.4 million in Net Capital Assets.

BCCC experienced a change in accumulated depreciation of \$2.2 million due to normal recording of asset allocation of the cost of assets to periods in which the assets are used. The net effect was a decrease in Net Capital Assets of \$1.4 million, primarily due to the increase in equipment and furnishings being exceeded by the \$2.2 million of annual depreciation.

In March 2017, BCCC obtained a loan in the amount of \$1,100,000 to finance the State's portion of the Children's Creative Learning Center building renovation. The Note is further discussed in Note 12 of the following report.

During 2017, BCCC paid down approximately \$1.45 million in bond principal and added \$312,670 due to accretion of zero-coupon bonds. The year-end bonds payable balance was \$22,053,144. BCCC's current retirement of bonds, including principal and interest, requires annual payments of \$1.9 to \$2.2 million through 2030, approximately \$1.2 million in 2031, and annual payments of approximately \$300,000 in years 2032 through 2037.

See the notes to the financial statements for further information on all of BCCC's long-term debt activity and outstanding balances at June 30, 2017.

Component Unit – Butler County Community College Education Foundation (Foundation)

BCCC included the financials of the Foundation in its financial reporting as a component unit. See Notes 1, 2, 3, 7, and 9 to the financial statements for further detail. Separate audited financial statements for the Foundation are available through the Foundation office.

Conclusion

A number of contingencies face BCCC over the next few years. BCCC's ability to fulfill its mission of providing a quality education at an affordable price is directly influenced by government support and enrollment. Future State funding remains uncertain because of the State's decision to implement a legislative change to the State community college funding formula introduced by the Act 46 of 2005. BCCC now receives 100% of its funding as a percentage of a single line item for the entire Pennsylvania Community College system. This change occurred in 2008/2009. As a result, State appropriations to BCCC have been essentially flat since the change occurred. In 2016/17, the Commonwealth did increase support for the State's community colleges. This adjustment amounted to a 2% increase in the State's operating appropriation for BCCC.

Secondly, the expected number of high school graduates in BCCC's serving area is expected to remain flat or decrease over the next few years. While enrollment is likely to remain depressed following a 25% decline from its peak in 2011, the college continues to make programmatic adjustments to align with market demand. Similar to peers in the Commonwealth, student demand has suffered from improving regional economic conditions and a declining number of high school graduates. While demographic trends will continue to make growth difficult, BCCC's programmatic diversity, regional locations, and low cost will make the college an attractive option for students.

Additionally, escalation of salaries, health care, software costs, utilities, and unfunded state mandates require continual fiscal oversight. It may also be difficult to continue to make investments in technology, facilities, and deferred maintenance if State and local capital funding remain level or is decreased. Historically, BCCC has been successful in maintaining low educational costs. However, due to the continued uncertainty of the level of enrollment and lack of predictable State funding for community colleges, BCCC must be adaptable to increasing its footprint or adding more programs as a means of increasing its presence in fulfilling the educational needs of the region. The College's small size makes the college susceptible to negative financial results based even on the slightest changes to revenues and expenses. To sum up, the next few budget years will be extremely challenging for BCCC and long-term plans are being developed to address these uncertainties.

BCCC's labor relations are stable with three of four bargaining units having contracts in place through at least the end of 2021. The contract with the fourth unit expires in 2018.

BUTLER COUNTY COMMUNITY COLLEGE

STATEMENT OF NET POSITION

JUNE 30, 2017

	Primary Institution	Component Unit BCCC Education Foundation
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,082,375	\$ 2,154,120
Investments:		
Held by Trustee	-	5,683,452
Due from grantor agencies	165,175	-
Due from College Foundation	130,898	-
Grants receivable from College Foundation	500,000	-
Accounts receivable - other	497,404	3,595
Accounts receivable - students	5,681,364	-
Pledges receivable	-	704,338
Support agreement receivable	123,200	-
Prepaid expenses	422,813	4,975
Inventories	233,176	-
Other asset	19,091	-
Total current assets	<u>19,855,496</u>	<u>8,550,480</u>
Noncurrent assets:		
Guaranteed investment contract	-	6,137,477
Grants receivable from College Foundation	500,000	-
Support agreement receivable	6,014,277	-
Investments	596,966	-
Capital assets, not being depreciated	5,456,084	455,991
Capital assets, net of accumulated depreciation	<u>26,967,615</u>	<u>2,076,090</u>
Total noncurrent assets	<u>39,534,942</u>	<u>8,669,558</u>
Total Assets	<u>59,390,438</u>	<u>17,220,038</u>
Deferred Outflows of Resources		
Deferred charge on refunding	908,168	-
Deferred outflows of resources for pension	<u>1,643,324</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>2,551,492</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable	255,645	12,249
Payable to College	-	130,898
Grants payable to College	-	500,000
Accrued interest payable	207,619	-
Line of credit	160,415	-
Accrued wages	841,275	-
Bonds payable, current portion	1,460,000	-
Notes payable, current portion	342,441	134,443
Employee payroll deductions	201,629	-
Support agreement payable	-	123,200
Unearned revenue	<u>5,082,869</u>	<u>76,687</u>
Total current liabilities	<u>8,551,893</u>	<u>977,477</u>
Noncurrent liabilities:		
Gift annuity payable	-	73,160
Grants payable to College	-	500,000
Accumulated compensated absences	924,309	-
Pension liability	8,623,000	-
Bonds payable, net	20,408,546	-
Notes payable	2,489,032	2,061,639
Support agreement payable	<u>-</u>	<u>6,014,277</u>
Total noncurrent liabilities	<u>32,444,887</u>	<u>8,649,076</u>
Total Liabilities	<u>40,996,780</u>	<u>9,626,553</u>
Deferred Inflows of Resources		
Deferred inflows of resources for pension	<u>174,000</u>	<u>-</u>
Net Position		
Net investment in capital assets	8,471,433	335,999
Restricted:		
Expendable	7,137,477	2,954,494
Nonexpendable	-	2,773,417
Unrestricted	<u>5,162,240</u>	<u>1,529,575</u>
Total Net Position	<u>\$ 20,771,150</u>	<u>\$ 7,593,485</u>

See accompanying notes to financial statements.

BUTLER COUNTY COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2017

	Primary Institution	Component Unit BCCC Education Foundation
Revenues:		
Operating revenues:		
Student tuition and fees	\$ 16,187,418	\$ -
Federal grants	5,659,293	-
Sale of books and merchandise - net of cost of \$1,274,876	575,141	-
Contributions	24,832	1,100,657
Support and grant agreement	397,499	-
Other operating revenues	192,568	426,976
Total operating revenues	<u>23,036,751</u>	<u>1,527,633</u>
Expenses:		
Operating expenses:		
Regular programs	28,424,725	-
Special programs	1,638,049	-
Equipment purchases	549,929	-
Equipment rentals	157,041	-
Salaries, wages, and expenses - students and auxiliary enterprises	441,530	-
Student activities	188,622	-
Student grants and scholarships	4,961,706	198,995
Fundraising	-	57,999
Grants to College	-	56,887
Support agreement grant	-	397,499
Management and general	-	118,853
Contracted services	-	10,250
Hospitality	-	3,351
Other	121,585	105,256
Rental expense	-	185,150
Depreciation/amortization	2,292,805	-
Total operating expenses	<u>38,775,992</u>	<u>1,134,240</u>
Operating Income (Loss)	<u>(15,739,241)</u>	<u>393,393</u>
Nonoperating Revenues (Expenses):		
Investment income	61,503	840,023
State appropriations and grants	10,467,538	-
County appropriations and grants	4,044,166	-
Other nonoperating expenses	(631)	-
Debt service - interest expense	(1,054,175)	-
Net nonoperating revenues (expenses)	<u>13,518,401</u>	<u>840,023</u>
Income (loss) before other revenues, expenses, gains, or losses	<u>(2,220,840)</u>	<u>1,233,416</u>
State appropriations and grants - capital	1,907,421	-
County appropriations and grants - capital	<u>1,175,445</u>	<u>-</u>
Changes in Net Position	862,026	1,233,416
Net position - beginning of year	<u>19,909,124</u>	<u>6,360,069</u>
Net position - end of year	<u>\$ 20,771,150</u>	<u>\$ 7,593,485</u>

See accompanying notes to financial statements.

BUTLER COUNTY COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017

	Primary Institution	Component Unit BCCC Education Foundation
Cash Flows From Operating Activities:		
Tuition and fees	\$ 16,163,237	\$ -
Federal grants	8,648,665	-
Payments to suppliers	(422,126)	(114,460)
Auxiliary enterprise charges:		
Bookstore	573,568	-
Contributions	24,832	-
Program expenses	(31,625,748)	(195,048)
Payments for student activities	(178,197)	-
Payments for grants and scholarships	(7,951,078)	(882,882)
Support and grant agreement	627,000	1,556,364
Other receipts (payments)	(151,815)	431,927
Net cash provided by (used in) operating activities	(14,291,662)	795,901
Cash Flows From Noncapital Financing Activities:		
Government appropriations and grants	15,032,848	-
Other	(631)	-
Net cash provided by (used in) noncapital financing activities	15,032,217	-
Cash Flows From Capital and Related Financing Activities:		
Government appropriations and grants	3,082,866	-
Payments for capital items	(879,238)	(12,340)
Principal paid on capital debt and lease	(1,751,597)	(140,679)
Proceeds from capital debt	1,100,000	-
Interest paid on capital debt and lease	(657,774)	-
Proceeds from line of credit	27,779	-
Payments on line of credit	(292,661)	-
Net cash provided by (used in) capital and related financing activities	629,375	(153,019)
Cash Flows From Investing Activities:		
Sale (purchases) of investments	673,735	(1,244,343)
Interest on investments	61,503	677,803
Net cash provided by (used in) investing activities	735,238	(566,540)
Net Increase (Decrease) in Cash and Cash Equivalents	2,105,168	76,342
Cash and Cash Equivalents:		
Beginning of year	9,977,207	2,077,778
End of year	\$ 12,082,375	\$ 2,154,120

(Continued)

See accompanying notes to financial statements.

BUTLER COUNTY COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS

(Continued)

YEAR ENDED JUNE 30, 2017

	Primary Institution	Component Unit BCCC Education Foundation
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ (15,739,241)	\$ 393,393
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation/amortization	2,292,805	113,445
Pension expense	947,168	-
Pension payments made subsequent to measurement date	(662,324)	-
Loss on disposal of capital assets	631	-
Change in assets and liabilities:		
Receivables, net	(531,349)	4,951
Prepaid expenses	21,658	(4,704)
Inventories	(1,573)	-
Other asset	(9,091)	-
Accounts payable	(1,065,684)	8,408
Payable to College	-	(441,312)
Unearned revenue	281,597	(9,545)
Compensated absences	(55,760)	-
Pledge receivable	-	465,252
Support and grant agreement	229,501	270,499
Gift annuity payable	-	(4,486)
Total adjustments	1,447,579	402,508
Net cash provided by (used in) operating activities	\$ (14,291,662)	\$ 795,901

(Concluded)

See accompanying notes to financial statements.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

1. Organization

The Butler County Community College (BCCC), chartered in 1965, was the first community college in Western Pennsylvania. On September 26, 1966, BCCC opened its doors to 242 day and 190 evening students. During the current fiscal year, 4,683 students were enrolled in credit programs and another 11,528 people took part in the many other educational opportunities available on the BCCC main campus, and the Cranberry, Lawrence, Brockway Mercer, and Armstrong sites. BCCC is dedicated to providing quality and comprehensive educational opportunities accessible to all that can benefit.

Reporting Entity

BCCC is a component unit of the County of Butler (County), Pennsylvania. The Commissioners of the County appoint all members of the governing Board of Trustees (Board) of BCCC. As sponsor of BCCC, the County provides funding for up to one-third of operating expenses and one-half of the capital expenses. In addition, the County's approval is required for the issuance of any bonded debt by BCCC as the County is legally committed for a portion of the repayment of such debt.

In evaluating BCCC as a reporting entity in accordance with the Governmental Accounting Standards Board (GASB), management has addressed all potential component units. Consistent with applicable guidance, the criteria used by BCCC to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship.

Following is a brief description of the component unit that is included within the financial reporting entity because of the nature and significance of the relationship:

Butler County Community College Education Foundation (Foundation)

The Foundation is a non-profit organization incorporated on October 1, 1985. The purpose of the Foundation is to promote the educational efforts of BCCC. A twenty-one-member Board of Directors governs the Foundation. The President of BCCC is a member of the Board of Directors and the Executive Director of the Foundation is an employee of BCCC. Separate financial statements of the Foundation are prepared and can be obtained through the Foundation.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

2. Summary of Significant Accounting Policies

The financial statements of BCCC have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. GASB is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. BCCC's significant accounting policies are as follows:

Basis of Accounting

The financial statements of BCCC have been prepared on the accrual basis. Accordingly, revenues are recorded when earned and expenses are recognized when the liability is incurred. BCCC records student receivables at the time of registration for classes. As of June 30, 2017, BCCC determines the portion of the receivable and the tuition that has been paid that relates to classes that will take place after June 30. This amount is reported as unearned revenue.

Operating revenues and expenses consist of those revenues and expenses that result from ongoing principal operations of BCCC. Operating revenues consist of tuition and fees and government grants. Nonoperating and other revenues and expenses consist of those revenues and expenses relating to subsidies and capital items.

The Foundation's policy is to prepare its financial statements on the accrual basis of accounting. Under this basis, revenues are recognized when earned and expenses are recognized when incurred. If expenditure results in the acquisition of an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized and depreciated or amortized over the estimated useful life of the asset.

Financial Reporting

BCCC elects to report its activity as "business-type activities only" financial statements.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

Classification of Net Position

Accounting standards require the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net investment in capital assets – The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.
- Restricted – The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Two categories are used to further describe restricted net position:

Expendable – can be expended in compliance with the external restriction

Nonexpendable – net position that is required to be retained in perpetuity

Expendable restricted net position at June 30, 2017 of BCCC consisted of \$6,137,477 related to the support agreement receivable and \$1,000,000 related to the Foundation's financial pledge to help pay for renovations to the Heaton Family Learning Commons.

Net position related to the Foundation is described in Note 9.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

- Unrestricted – The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

BCCC uses restricted resources, when available, before using unrestricted resources to pay expenditures.

Inventory

Inventory consisting of books and merchandise held for sale in the bookstore is stated at average cost and is expensed as sold or used.

Allowance for Uncollectible Receivables

BCCC maintains the most current two academic years as student receivables. All other student receivables are considered to be uncollectible and are written off. During the year, BCCC wrote off \$332,773 of receivables considered to be uncollectible.

Capital Assets and Depreciation/Amortization

Physical plant and equipment are stated at cost at date of acquisition or fair market value at date of donation in the case of gifts. Depreciation/amortization on assets has been provided using the straight-line method over the estimated useful lives, as follows:

Buildings	30-60 years
Furniture and fixtures	15-20 years
Library reference materials and books	5 years
Maintenance equipment	10 years
Office and computer equipment	5-10 years
Vehicles	2-5 years
Technology software	5 years

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments

Investments purchased by BCCC consist of U.S. Government Obligations and are carried at fair value. Investments of the Foundation are reported at fair value with the exception of stock held in a non-publicly traded entity as discussed in Note 3.

BCCC categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant to other observable inputs. Level 3 inputs are significant unobservable inputs.

Bond Discounts

Original issue bond discounts are deferred and amortized over the life of the related bonds using the straight-line method of amortization. The unamortized balance of the bond discount is recorded as a reduction of the related bond payable.

Deferred Inflows and Outflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

Deferred Outflows of Resources - Refunding

The deferred charge on refunding is treated as a deferred outflow of resources and resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

Deferred Inflows and Outflows of Resources Related to Pensions

In conjunction with the pension accounting requirements, differences between expected and actual experience, the effect of the change in BCCC's proportion, the net difference between expected and actual investment earnings, and payments made to the Public School Employees' Retirement System (PSERS) subsequent to the measurement date are recorded as a deferred inflow or outflow of resources related to pensions on the financial statements. These amounts are determined based on the actuarial valuation performed for the PSERS plan. Note 5 presents additional information about the PSERS plan.

Postemployment Benefits

In the financial statements, non-current liabilities related to pensions are calculated based on actuarial valuations as described in Note 5.

Adopted Pronouncements

The requirements of the following GASB Statements were adopted for BCCC's 2017 financial statements. The adoption of these pronouncements did not have a significant impact to BCCC's financial statements.

GASB Statement No. 74, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans."* This statement addresses reporting by OPEB plans that administer benefits on behalf of governments. This statement replaces Statement No. 43.

GASB Statement No. 80, *"Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14."* The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

GASB Statement No. 81, *"Irrevocable Split-Interest Agreements."* The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

GASB Statement No. 82, *"Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73."* The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, *"Financial Reporting for Pension Plans,"* No. 68, *"Accounting and Financial Reporting for Pensions,"* and No. 73, *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68."*

Pending Pronouncements

GASB has issued the following statements that will become effective in future years as shown below. Management has not yet determined the impact of these statements on BCCC's financial statements.

GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,"* effective for fiscal years beginning after June 15, 2017 (BCCC's financial statements for the year ending June 30, 2018). This statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement replaces the requirements of Statement No. 45.

GASB Statement No. 85, *"Omnibus 2017,"* effective for fiscal years beginning after June 15, 2017 (BCCC's financial statements for the year ending June 30, 2018). This statement addresses practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 86, *"Certain Debt Extinguishment Issues,"* effective for fiscal years beginning after June 15, 2017 (BCCC's financial statements for the year ending June 30, 2018). The objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt.

GASB Statement No. 87, *"Leases,"* effective for fiscal years beginning after December 15, 2019 (BCCC's financial statements for the year ending June 30, 2020). The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

3. Deposits and Investments

Deposits

Under Section 440.1 of the Pennsylvania Public School Code for 1949, as amended, and PA Act 10 of 2016, BCCC is permitted to invest funds consistent with sound business practices in the following types of investments:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

U.S. government obligations, short-term commercial paper issued by a public corporation, and banker's acceptances.

Deposits in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral, as provided by law, is pledged by the depository.

The deposit and investment policy of BCCC adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of BCCC.

Credit risk. The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The majority of BCCC's investments is in U.S. Government Obligations and is therefore not exposed to this type of risk.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At year-end, the carrying amount of BCCC's cash and deposits was \$12,082,375 and the related bank balances totaled \$12,911,142, of which \$500,000 was covered by FDIC. The remaining balance was collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have collateral held by an approved custodian in the institution's name.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

Additionally, at year-end, the carrying amount of the Foundation's cash and deposits was \$2,154,120 and the related bank balance totaled \$2,101,231, \$754,499 of which was covered under FDIC insurance. \$27,227 of the bank balance was in excess of FDIC limits. The remaining balance was invested in "sweep" repurchase agreement accounts, which are not FDIC insured. The financial institution holding the Foundation's "sweep" balances has pledged assets in a coverage ratio of 1.05%. For every one dollar in uninsured "sweep" funds, the financial institution has pledged \$1.05 in U.S. government security assets.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year-end, the carrying amount of BCCC's investments was \$596,966.

BCCC's investments at June 30, 2017 are composed of the following:

Government and agency securities	\$ 110,853
Cash equivalent investments	<u>486,113</u>
	<u>\$ 596,966</u>

At year-end, \$247,279 of the cash equivalent investments were covered by federal depository insurance. The remaining \$349,687 of BCCC's investments are not insured or registered and are held by the financial institution's trust department or agent on behalf of BCCC, but are not in BCCC's name. Investments may be held in the name of a nominee, as long as the investments are held on behalf of BCCC.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near-term and that such changes could materially affect the amount reported on the statement of net position.

Fair Value of Investments

BCCC measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

At June 30, 2017, BCCC had the following recurring fair value measurement:

- Government and agency securities of \$110,853 are valued using quoted market prices (Level 1 inputs)

The Foundation's investments at June 30, 2017 are composed of the following:

Cash and cash equivalents	\$ 1,657,816
Mutual funds	3,659,508
Municipal bonds	-
Common stock	<u>366,128</u>
	<u>\$ 5,683,452</u>

At June 30, 2017, the Foundation had the following recurring fair value measurements:

- Mutual funds of \$3,659,508 are valued using quoted market prices (Level 1 inputs)
- Common stock of \$366,128 are valued using quoted market prices (Level 1 inputs)

The Foundation's investments are not insured or registered and are held by the financial institution's trust department or agent on behalf of the Foundation, but are not in the Foundation's name. Investments may be held in the name of a nominee, as long as the investments are held on behalf of the Foundation. Those amounts identified above as cash and cash equivalents include funds being held in highly liquid money market mutual funds that are invested in governmental debt securities with maturities from the date of purchase of three months or less.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

4. Bonds Payable

Long-term debt consists of the following:

	Balance at June 30, 2016	Issuance	Payments	Accretion	Balance at June 30, 2017	Due within one year
General obligation bonds:						
Series D of 2000	\$ 293,749	\$ -	\$ (295,000)	\$ 1,251	\$ -	\$ -
Series G of 2000	5,171,725	-	-	311,419	5,483,144	-
Series A & B of 2011	10,425,000	-	(775,000)	-	9,650,000	1,080,000
Series A & B of 2012	7,300,000	-	(380,000)	-	6,920,000	380,000
	<u>\$ 23,190,474</u>	<u>\$ -</u>	<u>\$ (1,450,000)</u>	<u>\$ 312,670</u>	22,053,144	<u>\$ 1,460,000</u>
				Unaccreted interest	3,681,856	
					<u>\$ 25,735,000</u>	

Amounts above do not reflect an amortized issue discount in the amount of \$184,598 for the bonds. This amount is amortized using the straight-line method.

In March 2000, the State Public School Building Authority (SPSBA) undertook the financing of a project on behalf of BCCC with the proceeds of bonds in the amount of \$16,533,643. The proceeds of Series D of 2000 (Series D) Bonds were used to finance the construction of a new science/technology building which includes classrooms, labs, theatre, cultural center, and other capital projects such as campus-wide networking, paving, HVAC, roofing projects, and various other projects. In addition, a Fire Science Training Center was constructed including classrooms, training tower, controlled-burn building, and training pad. Approximately, \$2,470,000 of the proceeds was used to defease the 1992 Series L Bonds. The interest rates on the bonds range from 4.0% to 5.50% with the final bonds maturing July 15, 2016.

During 2001, the SPSBA and BCCC issued Series G of 2000 (Series G) Bonds in the amount of \$4,121,861. The Series G Bonds include current interest bonds in the amount of \$2,060,000 and capital appreciation bonds in the amount of \$2,061,861. The Series G Bonds were issued to cover additional costs associated with the construction of the science/technology building. The interest rates on the Series G Bonds range from 4.5% to 6.0% with the bonds maturing January 15, 2031.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

In July 2011, the SPSBA and BCCC issued Series A and B Bonds in the amount of \$7,840,000 and \$5,795,000, respectively. The Series A Bonds were issued to (1) refund, on a current basis, BCCC's Refunding Series A-I of 2001 Bonds; (2) provide funds for various capital expenditures of BCCC; and (3) pay certain costs of issuing the Series A Bonds. The Series B Bonds were issued to (1) refund, on a current basis, BCCC's Refunding Series A-II of 2001 Bonds; (2) provide funds for various capital expenditures of BCCC; and (3) pay certain costs of issuing the Series B Bonds. The interest rates on the Series A Bonds range from 0.75% to 4.45% with the bonds maturing from 2012 until 2029. The interest rates on the Series B Bonds range from 0.50% to 4.45% with the bonds maturing from 2012 until 2020. During the year, BCCC paid interest of \$346,950.

In September 2012, the SPSBA and BCCC issued Series A and B Bonds in the amount of \$4,610,000 and \$4,165,000, respectively. The Series Bonds were issued to (1) refund, on a current basis, BCCC's outstanding College Revenue Bonds, Series A of 2008; (2) provide funds for various capital expenditures of BCCC; and (3) pay certain costs of issuing the Series a Bonds. The Series B Bonds were issued to (1) refund, on a current basis, BCCC's outstanding College Revenue Bonds, Series B of 2008; (2) provide funds for various capital expenditures of BCCC; and (3) pay certain costs of issuing the Series B Bonds. The interest rates on the Series A and B Bonds range from 0.80% to 3.70% with the bonds maturing from 2013 until 2024. During the year, BCCC paid interest of \$221,039.

During 2017, Moody's Investor Service downgraded BCCC's credit rating from A3 to Baa1.

The scheduled retirement of bonds is as follows:

	Principal	Interest	Total
2018	\$ 1,460,000	\$ 537,329	\$ 1,997,329
2019	1,500,000	499,225	1,999,225
2020	1,550,000	455,934	2,005,934
2021	1,595,000	409,899	2,004,899
2022	1,825,000	371,861	2,196,861
2023-2027	9,640,000	1,371,855	11,011,855
2028-2032	6,940,000	470,300	7,410,300
2033-2037	1,225,000	138,935	1,363,935
	25,735,000	\$ 4,255,338	\$ 29,990,338
Less unaccrued interest	(3,681,856)		
	<u>\$ 22,053,144</u>		

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

5. Pension and Retirement Plans

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of PSERS and additions to/deductions from PSERS' fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability is expected to be paid from the Operating Fund.

Plan Description

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

Benefits Provided

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

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

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

Health Insurance Premium Assistance Program

In addition, PSERS provides a Health Insurance Premium Assistance Program (Premium Assistance) for all eligible annuitants who qualify and elect to participate. Under this program, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible annuitants are entitled to receive Premium Assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive Premium Assistance, eligible annuitants must obtain their health insurance through either their school employer or the PSERS' Health Options Program. Premium Assistance is not included in the calculation of the net pension liability as it does not qualify under the provisions of GASB Statement No. 68.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

Member Contributions

The following illustrates the member's contribution as a percent of the member's qualifying compensation:

Active members who joined PSERS prior to July 22, 1983:

Membership Class T-C	5.25%
Membership Class T-D	6.50%

Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001:

Membership Class T-C	6.25%
Membership Class T-D	7.50%

Members who joined PSERS after June 30, 2001, and before July 1, 2011:

Membership Class T-D	7.50%
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Members who joined PSERS after June 30, 2011:

Membership Class T-E*	7.50%
Membership Class T-F**	10.30%

* Shared risk program could cause future contribution rates to fluctuate between 7.50% and 9.50%.

** Shared risk program could cause future contribution rates to fluctuate between 10.30% and 12.30%.

Employer Contributions

BCCC's contractually required pension contribution rate for the fiscal year ended June 30, 2017 was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In addition, BCCC was required to contribute 0.83% of covered payroll to Premium Assistance Program.

The combined contribution rate will increase to 32.57% in fiscal year 2017 and is projected to grow to 36.40% by fiscal year 2022.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

BCCC contributed \$662,324, \$561,908, and \$481,747 to PSERS for the years ended June 30, 2017, 2016, and 2015, respectively. Approximately \$165,437 is owed to PSERS as of June 30, 2017, which represents BCCC's required contribution for the end-of-year payroll. Contributions are remitted quarterly.

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

At June 30, 2017, BCCC reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to BCCC. The amount recognized by BCCC as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated to BCCC were as follows:

BCCC's proportionate share of the net pension liability	\$ 8,623,000
State's proportionate share of the net pension liability associated with BCCC	<u>8,620,573</u>
Total	<u><u>\$ 17,243,573</u></u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2015 to June 30, 2016. BCCC's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to PSERS' total one-year reported covered payroll. At June 30, 2016, BCCC's proportion was 0.0174%, which was an increase of 0.0001% from its proportion measured as of June 30, 2015.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

For the year ended June 30, 2017, BCCC recognized pension expense of \$1,611,810 and revenue of \$664,642. At June 30, 2017, BCCC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (72,000)
Changes in assumption	311,000	-
Changes in proportion	189,000	(102,000)
Net difference between projected and actual earnings on pension plan investments	481,000	-
BCCC contributions subsequent to the measurement date	662,324	-
Total	<u>\$ 1,643,324</u>	<u>\$ (174,000)</u>

\$662,324 reported as deferred outflows of resources resulting from BCCC's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amortization Amount
2018	\$ (185,000)
2019	(185,000)
2020	(249,000)
2021	(188,000)
Total	<u>\$ (807,000)</u>

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

Actuarial Assumptions

The total pension liability as of June 30, 2016 was determined by rolling forward PSERS' total pension liability as of the June 30, 2015 actuarial valuation to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%
- Salary increases – Effective average of 5.00%, which reflects an allowance for inflation of 2.75%, real wage growth of 1.0%, and merit or seniority increases of 1.25%
- Mortality rates were based on the RP-2014 Mortality Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the PSERS Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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

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

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	20.0%
Financing (LIBOR)	-14.0%	0.5%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the contributions from plan members will be made at the current contribution rate and that the contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

The following presents BCCC's proportionate share of the net pension liability calculated using the discount rates described above, as well as what BCCC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
BCCC's proportionate share of the net pension liability	<u>\$ 10,548,000</u>	<u>\$ 8,623,000</u>	<u>\$ 7,005,000</u>

Pension Plan Fiduciary Net Position

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

Teachers Insurance and Annuity Association/College Retirement Equities Fund

All regular BCCC employees who are classified as staff-exempt, faculty, or other academic may enroll in an optional retirement plan through the Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF). This is in lieu of participation in the PSERS Board plan as detailed above. Employees electing TIAA-CREF contributed 5.25% of their regular monthly compensation if they began participation in the plan prior to July 22, 1983, or 6.25% if their participation began after July 22, 1983. BCCC's contribution rate for the fiscal year ended June 30, 2017 was 10%.

During fiscal year 2017, BCCC contributed \$945,662 to this plan. The participants have personal contracts with TIAA-CREF and personally own annuities. This full vesting allows participants to transfer to other employers that participate in TIAA-CREF and continue to accumulate retirement benefits. The optional Retirement Plan offered through TIAA-CREF is a Defined Contribution Plan. Accordingly, benefits depend solely on amounts contributed to the Defined Contribution Plan plus investment earnings.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

6. Accumulated Compensated Absences

Accumulated compensated absences were comprised of the following at June 30, 2017:

Early Retirement Incentive	Accumulated Sick Leave	Unused Vacation Pay	Total
<u>\$ 40,000</u>	<u>\$ 670,749</u>	<u>\$ 213,560</u>	<u>\$ 924,309</u>

Based on actual experience of BCCC, all amounts above are assumed to be long-term.

7. Capital Assets

BCCC's capital asset balances at June 30, 2017 consisted of the following:

	Balance at June 30, 2016	Additions	Deletions	Balance at June 30, 2017
Capital assets, not being depreciated/amortized:				
Land and improvements	\$ 5,298,134	\$ -	\$ -	\$ 5,298,134
Construction in progress	<u>5,768,862</u>	<u>300,095</u>	<u>(5,911,007)</u>	<u>157,950</u>
Total capital assets, not being depreciated/amortized	<u>11,066,996</u>	<u>300,095</u>	<u>(5,911,007)</u>	<u>5,456,084</u>
Capital assets, being depreciated/amortized:				
Buildings	46,221,360	5,911,007	-	52,132,367
Vehicles	346,244	53,430	-	399,674
Equipment, furniture, and fixtures	<u>12,351,140</u>	<u>525,713</u>	<u>(68,424)</u>	<u>12,808,429</u>
Total capital assets, being depreciated/amortized	<u>58,918,744</u>	<u>6,490,150</u>	<u>(68,424)</u>	<u>65,340,470</u>
Less total accumulated depreciation/amortization	<u>(36,147,843)</u>	<u>(2,292,805)</u>	<u>67,793</u>	<u>(38,372,855)</u>
Net capital assets, being depreciated/amortized	<u>22,770,901</u>	<u>4,197,345</u>	<u>(631)</u>	<u>26,967,615</u>
Net capital assets	<u>\$ 33,837,897</u>	<u>\$ 4,497,440</u>	<u>\$ (5,911,638)</u>	<u>\$ 32,423,699</u>

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

The Foundation's capital asset balances at June 30, 2017 consisted of the following:

	Balance at June 30, 2016	Additions	Deletions	Balance at June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 455,991	\$ -	\$ -	\$ 455,991
Total capital assets, not being depreciated	455,991	-	-	455,991
Capital assets, being depreciated:				
Buildings	2,820,695	12,340	-	2,833,035
Total capital assets, being depreciated	2,820,695	12,340	-	2,833,035
Less total accumulated depreciation	(643,500)	(113,445)	-	(756,945)
Net capital assets, being depreciated	2,177,195	(101,105)	-	2,076,090
Net capital assets	\$ 2,633,186	\$ (101,105)	\$ -	\$ 2,532,081

Depreciation expense is included in rental expense on the statement of revenues, expenses, and changes in net position, as the entire amount for the year ended June 30, 2017 relates to a building the Foundation rents to BCCC.

8. Medical Insurance Plan – Risk Management

BCCC is one of fifty-two members of the Allegheny County Schools Health Insurance Consortium (Consortium). The Consortium is a public entity risk pool which affords health care coverage for members' employees on a pooled basis. The College pays premiums to the Consortium based upon rates established by the trustees of the Consortium. The Consortium establishes rates with the objective of satisfying current costs and claims of covered health care services, as well as maintaining working capital requirements and a Premium Stabilization Fund for periods when actual costs of coverage exceed premiums collected from members. At the end of each fiscal year, actual claims experience is compared with premiums paid. The difference results in either a retroactive refund or charge. Included in the retroactive refund/charge is a calculation for the reserve needed to cover expenses incurred but not yet reported by health providers. Any retroactive charge may be paid from the Premium Stabilization Fund, up to ten percent of total premiums paid. The remainder may be charged to the Schools. At June 30, 2017, the Consortium's net assets available for benefits approximated \$47.7 million, of which approximately \$550,000 is attributable to BCCC.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

BCCC paid premiums during the year of approximately \$3.08 million. The Consortium's agreement permits participants to withdraw from the Consortium under specified terms. In such an event, the withdrawing member is entitled to or responsible for a proportionate share of the Consortium fund balance or deficit as determined on the date of withdrawal.

BCCC participates in an insurance program offered by a commercial insurance company. It purchases commercial insurance policies for risks of losses for casualty, workmen's compensation, and liability claims.

BCCC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years. Management believes the insurance coverage is sufficient to cover BCCC against potential losses.

9. Butler County Community College Education Foundation

The Foundation is a non-profit Pennsylvania corporation. It is organized and operated exclusively for educational and cultural purposes to assist in developing and fostering scholarship and charitable activities. A twenty-one-member Board of Directors that oversees the holding, investing, managing, and awarding of Foundation assets governs the Foundation. The Internal Revenue Service considers the Foundation exempt from taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Minimal modifications have been made to the Foundation's financial information in BCCC's reporting entity for those differences, as the differences were not significant to the reporting entity.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

	Available for educational and related purposes (Expendable)	Held in perpetuity as designated by donor (Nonexpendable)	Total
Foundation Net Position at June 30, 2017:			
Net investment in capital assets	\$ 335,999	\$ -	\$ 335,999
Restricted:			
Expendable	2,954,494	-	2,954,494
Nonexpendable	-	2,773,417	2,773,417
Unrestricted	1,529,575	-	1,529,575
Total Net Position	<u>\$ 4,820,068</u>	<u>\$ 2,773,417</u>	<u>\$ 7,593,485</u>

Support Agreement and Investment Agreement

The Foundation has made a committed effort to make capital improvements to BCCC and as a part of that commitment in October 2000, BCCC entered into a support agreement with the Foundation. Funding was provided beginning in fiscal year 2002 and will end in fiscal year 2031. The support agreement outlines the minimum yearly contributions BCCC will receive from the Foundation. Below is the schedule of minimum payments that are to be made under the support agreement:

Fiscal Year	Amount
2018	\$ 123,200
2019	120,200
2020	121,200
2021	120,900
2022	1,029,500
2023-2027	5,140,200
2028-2031	4,004,400
	<u>\$ 10,659,600</u>

As a result of the support agreement, BCCC has recorded a receivable at net present value in the amount of \$6,137,477.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

In November 2000, the Foundation entered into an investment agreement with a financial institution to provide funds to meet its obligation to make the minimum payments to the College. The investment agreement required that the Foundation make a one-time payment of \$3,200,000; in return, they would receive payments totaling \$12,627,189 through 2031. The payments are guaranteed only by the financial institution and are not insured.

The investment agreement requires that the investment be collateralized if the financial institution's S&P or Moody's rating falls below 'AA-' or 'Aa3', respectively. During 2009, the rating was downgraded below this level, and the Foundation entered into a collateral agreement in which a third party provided collateral in the amount of 105% of the investment value. The collateral assets are comprised of U.S. Treasury Securities and held in the name of the Foundation by a Trustee. The collateral agreement ceases to exist if the S&P or Moody's rating of the original agreement is upgraded above the required ratings.

The investment agreement also requires that if the financial institution's S&P or Moody's rating is withdrawn or suspended, or falls below 'A', the provider must 1) assign the investment agreement to an alternative provider acceptable to the Foundation that is rated at least 'AA-' or 'Aa3' by S&P or Moody's, respectively, or 2) at the direction of the Foundation within 10 days of receipt of such direction, repay the contract proceeds, computing any gains or losses arising from the termination. During 2014, the Moody rating was downgraded below the 'A' level. The Foundation believes it has the right to waive either option and continue with the investment.

The value of the investment and payable is recorded at June 30, 2017 in the amount of \$6,137,477. The expected rate of return on the investment is approximately 7%.

In July 2016, the original financial institution that entered into the investment agreement merged with its parent company. Upon merging, the parent company assumed all rights and obligations of the original agreement with the Foundation. The parent company's S&P credit rating is "A" as of June 30, 2017. Accordingly, the third-party collateral remains in place.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

Pledges Receivable

Foundation pledges receivable are expected to be received as follows:

<u>Fiscal Year(s) ending June 30,</u>	<u>Amount</u>
2018	\$ 381,288
2019	272,064
2020	44,980
2021	<u>21,000</u>
	719,332
Allowance for uncollectible pledges	<u>(14,994)</u>
Pledges receivable, net	<u><u>\$ 704,338</u></u>

The Foundation's estimate for allowance for uncollectible pledges is estimated at approximately 2% of pledges receivable, based on the last capital campaign. Decisions to charge off uncollectible pledges are based on management's judgment after consideration of facts and circumstances surrounding potential uncollectible accounts. It is reasonably possible that the Foundation's estimate of an allowance for uncollectible pledges will change.

In 2013, the Foundation began a comprehensive campaign, the Pioneer Proud Campaign, with a fundraising goal of \$5.5 million. Funds raised through the campaign will be used for three initiatives; transforming the Beck Library into a Learning Commons, sustaining student access and success, and supporting economic development. The campaign concluded on June 30, 2016, with pledges to the campaign totaling approximately \$6.5 million; of this, approximately \$5.8 million has been received. Gifts and pledges to the capital campaign are recorded in the statement of activities as grants and donations. As discussed below, the Foundation had provided \$2.5 million to the College for Learning Commons renovations.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

Memorandum of Understanding

In 2016, the Foundation entered into a memorandum of understanding with BCCC to support renovations of the BCCC Library. Under the agreement, the foundation agreed to contribute a total of \$2,500,000 over four years. Grants paid during the year ended June 30, 2017 totaled \$500,000. Future grants payable are due as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$ 500,000
2019	500,000
	<u>\$ 1,000,000</u>

As a result of the memorandum of understanding, BCCC has recorded a grant receivable from the Foundation in the amount of \$1,000,000.

Split-Interest Agreements

The Foundation administers five charitable remainder trusts, in the form of gift annuities. The gift annuities provide for the payment of distributions to the grantor or other designated beneficiaries over the term of the annuity. At the end of the term, the remaining assets are available for the Foundation's use. In the period the trust is established, the portion of the trust attributable to the present value of the future benefits to be received by the Foundation is recorded in the statement of activities as a contribution. Assets held for gift annuities totaled \$293,280 at June 30, 2017 and are reported at fair value in the Foundation's statement of financial position as investments. The Foundation records a liability to make distributions to the designated beneficiaries; the estimated future payments total \$73,160 at June 30, 2017.

Unrecorded Assets

The Foundation transferred land and buildings to the Audubon Society of Western Pennsylvania (ASWP) during the year ended June 30, 2012. The Foundation retained the oil and gas rights to the property. The market value of the asset is not determinable by the Foundation. As oil and gas rights are recorded at the lower of cost or market value, and the Foundation's cost basis is \$0, no amount has been recorded on the financial statements.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

10. Leases

Operating Leases

BCCC has entered into various leases for buildings and miscellaneous equipment. It is expected that in the normal course of business, such leases will continue to be required.

Net expenditures for rentals under leases for the year ended June 30, 2017 amounted to approximately \$945,930.

In April 2007, BCCC entered into a lease agreement for a site in Lawrence County to begin during 2008. The terms of the lease begin April 1, 2008 and extend for 10 years through and including March 31, 2018. In August of 2015, the terms of the lease were amended. The commencement date changed from April 1, 2008 to October 1, 2015 and the expiration date changed from March 31, 2018 to June 30, 2025.

In February 2010, BCCC entered into a lease agreement for a site in Mercer County with the Foundation. The terms of the lease begin March 1, 2010 and extend for 11 years through February 28, 2021.

In September 2014, BCCC renewed a lease agreement with ComDoc for their printers. The terms of the lease begin January 2015 and extend for five years through December 2020.

In September 2014, BCCC entered into a lease agreement for a site in Brockway, Pennsylvania. The terms of the lease begin September 2013 and extend for five years through June 30, 2018.

In April 2015, BCCC entered into a lease agreement for a site in Manor Township, Pennsylvania. The terms of the lease begin July 1, 2015 and extend for three years through June 30, 2017. BCCC has renewed the lease for a 4% increase in rent through June 30, 2018.

In May 2016, BCCC entered into a service agreement with Ellucian for their colleague software. The terms of the lease begin July 1, 2016 through June 30, 2021.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

Future minimum lease payments on the leases are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$ 1,121,507
2019	930,094
2020	894,976
2021	760,335
2022	340,776
Thereafter	<u>1,022,328</u>
	<u>\$ 5,070,016</u>

11. Line of Credit

Line of credit consists of the following at June 30, 2017:

	<u>Balance at June 30, 2016</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at June 30, 2017</u>
State Public School Building Authority:				
Line of credit	<u>\$ 425,297</u>	<u>\$ 27,779</u>	<u>\$ (292,661)</u>	<u>\$ 160,415</u>
Total lines of credit	<u>\$ 425,297</u>	<u>\$ 27,779</u>	<u>\$ (292,661)</u>	<u>\$ 160,415</u>

During 2014, BCCC obtained a line of credit with the State Public School Building Authority for capital purchases. At June 30, 2017, BCCC had an outstanding balance of \$160,415. The line of credit has a maximum borrowing amount of \$1,419,297 with an interest rate of 2%, and matures in January 2019.

During 2016, BCCC obtained a line of credit to fund short-term working capital needs of the College due to the Commonwealth of Pennsylvania's budget impasse in the amount of \$2,000,000. At June 30, 2017, BCCC had an outstanding balance of \$0. The interest rate in the future is variable based on changes in the index rate and BCCC has opted to keep the line of credit open in case of future needs.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

12. Notes Payable

Notes payable consists of the following:

	Balance at June 30, 2016	Proceeds	Payments	Balance at June 30, 2017	Due within one year
Library loan	\$ 1,946,429	\$ -	\$ (213,262)	\$ 1,733,167	\$ 221,227
Equipment loan	86,641	-	(33,673)	52,968	34,976
Children's Center loan	-	1,100,000	(54,662)	1,045,338	86,238
	<u>\$ 2,033,070</u>	<u>\$ 1,100,000</u>	<u>\$ (301,597)</u>	<u>\$ 2,831,473</u>	<u>\$ 342,441</u>

In June 2014, BCCC obtained a loan in the amount of \$2,350,000 to finance the cost of construction, renovation and equipping of the Heaton Family Learning Commons (formerly Beck Library) and the cost of issuing the Note. The loan has a stated interest rate of 3.65% with semi-annual principal and interest payments of \$141,680, and a maturity of ten years ending on June 30, 2024. The outstanding balance at June 30, 2017 was \$1,733,167. Interest paid during fiscal year 2017 was \$70,130.

In December 2015, BCCC obtained a loan in the amount of \$103,000 to finance the cost of purchasing computers and technology equipment for use at the off-campus sites. The loan has a stated interest rate of 3.75% with monthly principal and interest payments of \$3,032, and a maturity of three years ending on December 16, 2018. The outstanding balance at June 30, 2017 was \$52,968. Interest paid during fiscal year 2017 was \$2,712.

In March 2017, BCCC obtained a loan in the amount of \$1,100,000 to finance the State's portion of the Children's Creative Learning Center building renovation. The loan has a stated interest rate of 5.5% with semi-annual principal and interest payments of \$71,636, and a maturity of ten years ending on December 31, 2026. The outstanding balance at June 30, 2017 was \$1,045,338. Interest paid during fiscal year 2017 was \$16,469.

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

The future annual payments required to amortize notes payable outstanding as of June 30, 2017 are as follows:

	Principal	Interest	Total
2018	\$ 342,441	\$ 120,666	\$ 463,107
2019	338,501	106,324	444,825
2020	333,983	92,649	426,632
2021	347,423	78,088	425,511
2022	363,511	63,120	426,631
2023-2027	1,105,614	106,862	1,212,476
	<u>\$ 2,831,473</u>	<u>\$ 567,709</u>	<u>\$ 3,399,182</u>

In February 2010, the Foundation authorized the Mortgage Revenue Drawdown Note, Series of 2010 in the aggregate principal amount of \$2,940,000, to assist with the construction costs of the LindenPointe expansion project. The 2010 Note bears an interest rate of the Federal Home Loan Bank (FHLB) rate plus 2.50%, fixed for the first five years, then reset to the current FHLB rate plus 2.50% for the next five years, with a final one-year reset to the then-existing FHLB rate plus 2.50%. The Note is secured by property of the Foundation and matures in 2021. The interest rate at June 30, 2017 approximated 2.87%. At June 30, 2017, \$2,196,082 remains outstanding. Interest expense for the year ended June 30, 2017 totaled \$66,503.

The annual maturities of the Foundation's long-term debt are as follows:

Year ending June 30,	
2018	\$ 134,443
2019	138,347
2020	142,365
2021	146,499
2022	150,754
Thereafter	<u>1,483,674</u>
Total	<u>\$ 2,196,082</u>

In February 2010, the Foundation was given land valued at \$113,883 to be used as a parking facility for BCCC's LindenPointe campus. An interest-free Mortgage Note was attached to

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

the land to be repaid only in the event that the Foundation transfer the property to another entity or use the property for any purpose other than as a parking facility for BCCC.

The Note obligation decreases by ten percent each anniversary date for ten years from the date of the Note such that the entire Note will be forgiven as of February 9, 2020. As of June 30, 2017, the value of the contingent obligation on the Note is \$34,165 and is reported in unearned revenue on the statement of net position.

13. Contingencies

BCCC is subject to state and federal audits by grantor agencies. Applicable laws and regulations are complex and subject to interpretation. BCCC is not aware of any pending audit findings involving prior or current years. However, compliance with such laws and regulations can be subject to future reviews and interpretation which could result in disallowed costs.

BCCC and the U.S. Department of Education are currently in discussion about the timing of the accreditation and student aid site recognition of BCCC's Armstrong instructional site. Currently, no material financial consequences to BCCC are anticipated as a result of this matter.

14. Commitments

For the year ended June 30, 2017, BCCC has various construction contracts outstanding for which the bids had been accepted but work had not begun for the renovation of the Children's Creative Learning Center. The total amount of the bids was \$2,266,974.

15. Subsequent Events

BCCC had a tuition rate increase for fiscal year 2018. The approved 2017-2018 tuition rate increased to \$108 per credit hour for County residents from \$104 per credit hour in 2016-2017. The comprehensive fee also increased \$3 per credit.

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REQUIRED SUPPLEMENTARY INFORMATION

BUTLER COUNTY COMMUNITY COLLEGE

SCHEDULE OF BCCC'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last 10 Fiscal years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
BCCC's proportion of the net pension liability	0.0174%	0.0173%	0.0177%
BCCC's proportionate share of the net pension liability	\$ 8,623,000	\$ 7,494,000	\$ 7,006,000
State's proportionate share of the net pension liability associated with BCCC	<u>8,620,573</u>	<u>7,507,572</u>	<u>7,032,050</u>
Total	<u>\$ 17,243,573</u>	<u>\$ 15,001,572</u>	<u>\$ 14,038,050</u>
BCCC's covered payroll	\$ 2,253,346	\$ 2,230,094	\$ 2,264,744
BCCC's proportionate share of the net pension liability as a percentage of its covered payroll	382.6754%	336.0396%	309.3506%
PSERS' plan fiduciary net position as a percentage of PSERS' total pension liability	50.1400%	54.3600%	57.2382%

* The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, BCCC is presenting information for those years only for which information is available.

SCHEDULE OF BCCC CONTRIBUTIONS

Last 10 Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required employer contribution	\$ 1,308,041	\$ 1,139,711	\$ 950,092
Contributions recognized by PSERS	<u>1,308,041</u>	<u>1,139,711</u>	<u>950,092</u>
Difference between contractually required employer contribution and contributions recognized by PSERS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BCCC's covered payroll	\$ 2,203,779	\$ 2,253,870	\$ 2,230,094
Contributions as a percentage of covered payroll	59.35%	50.57%	42.60%

** The amounts presented for each fiscal year were determined as of the fiscal year end date. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, BCCC is presenting information for those years only for which information is available.

See accompanying note to required supplementary information.

BUTLER COUNTY COMMUNITY COLLEGE

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2017

1. Factors and Trends Used in the Actuarial Valuation for Pension Benefits

The actuarially determined contributions are calculated as of the June 30 preceding the fiscal year in which contributions are made. That is, the contributions calculated as of the June 30, 2015 actuarial valuation were made during the fiscal year ended June 30, 2017. The following actuarial methods and assumptions were used to determine contribution rates reported in the pension required supplementary schedules:

Changes in benefit terms	None
Changes in assumptions	None
Actuarial assumptions:	
Investment rate of return	7.50%, includes inflation at 3.00%
Salary increases	Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
Benefit payments	No postretirement benefit increases assumed in the future
Multiple decrement tables	Mortality, vesting, retirement age, and withdrawal estimates are based upon tables provided by the actuary

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SUPPLEMENTARY INFORMATION

BUTLER COUNTY COMMUNITY COLLEGE

STATEMENT OF NET POSITION CURRENT FUNDS - UNRESTRICTED

JUNE 30, 2017

	Operating Fund	Bookstore	Academic Enhancement	Student Activities and Club Accounts	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 15,235,488	\$ 2,656,242	\$ 1,076,588	\$ 39,446	\$ 19,007,764
Due from (to):					
Grantor agencies	-	-	-	10,425	10,425
College Foundation	41,369	-	-	-	41,369
Other funds	51,717	(28,947)	-	(22,770)	-
Accounts receivable - other	331,307	162,097	-	-	493,404
Accounts receivable - students	5,681,364	-	-	-	5,681,364
Prepaid expenses	422,817	-	-	-	422,817
Inventories	-	233,176	-	-	233,176
Other asset	19,091	-	-	-	19,091
Total current assets	21,783,153	3,022,568	1,076,588	27,101	25,909,410
Noncurrent assets:					
Investments	596,966	-	-	-	596,966
Total Assets	22,380,119	3,022,568	1,076,588	27,101	26,506,376
Deferred Outflows of Resources					
Deferred outflows of resources for pension	1,643,324	-	-	-	1,643,324
Liabilities					
Current liabilities:					
Accounts payable	156,902	6,372	-	36,406	199,680
Accrued wages	820,469	1,706	-	-	822,175
Employee payroll deductions	201,629	-	-	-	201,629
Accumulated compensated absences	924,309	-	-	-	924,309
Unearned revenue	5,078,465	-	-	-	5,078,465
Total current liabilities	7,181,774	8,078	-	36,406	7,226,258
Noncurrent liability:					
Pension liability	8,623,000	-	-	-	8,623,000
Notes Payable	1,045,338	-	-	-	1,045,338
Total noncurrent liabilities	9,668,338	-	-	-	9,668,338
Total Liabilities	16,850,112	8,078	-	36,406	16,894,596
Deferred Inflows of Resources					
Deferred inflows of resources for pension	174,000	-	-	-	174,000
Net Position					
Unrestricted	6,999,331	3,014,490	1,076,588	(9,305)	11,081,104
Total Net Position	\$ 6,999,331	\$ 3,014,490	\$ 1,076,588	\$ (9,305)	\$ 11,081,104

BUTLER COUNTY COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION CURRENT FUNDS - UNRESTRICTED

YEAR ENDED JUNE 30, 2017

	Operating Fund	Bookstore	Academic Enhancement	Student Activities and Club Accounts	Total
Revenues:					
Operating revenues:					
Student tuition and fees	\$ 16,187,418	\$ -	\$ -	\$ -	\$ 16,187,418
Auxiliary enterprises:					
Sale of books and merchandise - net of cost of \$1,274,876	-	575,141	-	-	575,141
Contributions	24,832	-	-	-	24,832
Other operating revenues	167,771	10,377	-	14,420	192,568
Total operating revenues	16,380,021	585,518	-	14,420	16,979,959
Expenses:					
Operating expenses:					
Instruction - credit	12,613,025	-	-	-	12,613,025
Instruction - noncredit	2,185,980	-	-	-	2,185,980
Academic support	1,083,893	-	-	-	1,083,893
Student services	2,888,407	-	-	-	2,888,407
Institutional support	6,335,075	-	-	-	6,335,075
Operation and maintenance of plant	3,318,345	-	-	-	3,318,345
Auxiliary enterprises:					
Salaries	-	211,467	-	-	211,467
Payroll expense	-	114,381	-	-	114,381
Student activities	-	-	-	188,622	188,622
Other	-	121,585	-	-	121,585
Total operating expenses	28,424,725	447,433	-	188,622	29,060,780
Operating Income (Loss)	(12,044,704)	138,085	-	(174,202)	(12,080,821)
Nonoperating Revenues (Expenses):					
Investment income	58,785	1,714	-	1,004	61,503
State appropriations and grants	9,542,909	-	-	-	9,542,909
County appropriations and local grants	3,939,648	-	-	-	3,939,648
Transfer (to) from college work study fund	(3,910)	-	-	-	(3,910)
Transfer (to) from bookstore fund	(49,750)	-	-	-	(49,750)
Transfer (to) from student activities	(174,200)	-	-	-	(174,200)
Transfer (to) from operating fund	-	26,661	-	174,200	200,861
Net nonoperating revenues (expenses)	13,313,482	28,375	-	175,204	13,517,061
Changes in Net Position	1,268,778	166,460	-	1,002	1,436,240
Net position - beginning of year	5,730,553	2,848,030	1,076,588	(10,307)	9,644,864
Net position - end of year	<u>\$ 6,999,331</u>	<u>\$ 3,014,490</u>	<u>\$ 1,076,588</u>	<u>\$ (9,305)</u>	<u>\$ 11,081,104</u>

BUTLER COUNTY COMMUNITY COLLEGE

STATEMENT OF NET POSITION CURRENT FUNDS - RESTRICTED

JUNE 30, 2017

	Special Programs	Federal Student Aid	Total
Assets			
Cash and cash equivalents (overdraft)	\$ (109,979)	\$ (69,445)	\$ (179,424)
Due from grantor agencies:			
Federal government	-	75,180	75,180
State government	79,570	-	79,570
College Foundation	89,529	-	89,529
Prepaid expenses	(4)	-	(4)
Total Assets	59,116	5,735	64,851
Liabilities			
Accounts payable	41,347	-	41,347
Accrued wages	13,365	5,735	19,100
Unearned revenue	4,404	-	4,404
Total Liabilities	59,116	5,735	64,851
Net Position			
Restricted	-	-	-
Total Net Position	\$ -	\$ -	\$ -

BUTLER COUNTY COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION CURRENT FUNDS - RESTRICTED

YEAR ENDED JUNE 30, 2017

	Special Programs	Federal Student Aid	Total
Revenues:			
Operating revenues:			
Federal grants	\$ 585,815	\$ 5,073,478	\$ 5,659,293
Expenses:			
Operating expenses:			
Special programs	1,638,049	-	1,638,049
Student wages - federal - regular	-	115,682	115,682
Student grants and scholarships	-	4,961,706	4,961,706
Total operating expenses	1,638,049	5,077,388	6,715,437
Operating Income (Loss)	(1,052,234)	(3,910)	(1,056,144)
Nonoperating Revenues (Expenses):			
State appropriations and grants	924,629	-	924,629
County appropriations and grants	104,518	-	104,518
Transfer from (to) operating fund	23,089	3,910	26,999
Net nonoperating revenues (expenses)	1,052,236	3,910	1,056,146
Changes in Net Position	2	-	2
Net position - beginning of year	(2)	-	(2)
Net position - end of year	\$ -	\$ -	\$ -

BUTLER COUNTY COMMUNITY COLLEGE

STATEMENT OF NET POSITION LOAN FUNDS

JUNE 30, 2017

	Scholarship Loan Funds
Assets	
Cash and cash equivalents	\$ 9,868
Total Assets	<u>\$ 9,868</u>
Net Position	
Unrestricted	\$ 9,868
Total Net Position	<u>\$ 9,868</u>

BUTLER COUNTY COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION - LOAN FUNDS

YEAR ENDED JUNE 30, 2017

	Scholarship Loan Funds
Revenues:	
Operating revenues:	
Contributions received	\$ -
Other operating revenues	-
Total operating revenues	-
Expenses:	
Operating expenses:	
Repayment to federal government	-
Other	-
Total operating expenses	-
Operating Income (Loss)	-
Change in Net Position	-
Net position - beginning of year	9,868
Net position - end of year	\$ 9,868

BUTLER COUNTY COMMUNITY COLLEGE

STATEMENT OF NET POSITION PLANT FUND

JUNE 30, 2017

Assets	Capital/Debt Service
Current assets:	
Cash and cash equivalents (overdraft)	\$ (6,755,833)
Grants receivable	500,000
Accounts receivable - other	4,000
Support agreement receivable	123,200
Total current assets	<u>(6,128,633)</u>
Noncurrent assets:	
Grants receivable	500,000
Support agreement receivable	6,014,277
Capital assets:	
Land	341,710
Land improvements	2,292,076
Buildings	52,132,367
Instructional equipment	6,553,713
Non-instructional equipment	3,499,507
Audio-visual equipment	465,455
Instructional furniture	454,727
Non-instructional furniture	633,615
Vehicles	399,674
Library books and films	1,201,503
Parking lots	2,664,348
Construction in progress	157,950
Total capital assets	70,796,645
Less accumulated depreciation	<u>(38,372,946)</u>
Net capital assets	<u>32,423,699</u>
Total noncurrent assets	<u>38,937,976</u>
Total Assets	<u>32,809,343</u>
Deferred Outflows of Resources	
Deferred charge on refunding	<u>908,168</u>
Liabilities	
Current liabilities:	
Accounts payable	14,618
Accrued interest payable	207,619
Line of credit	160,415
Bonds payable, current portion	1,460,000
Note payable, current portion	342,441
Total current liabilities	<u>2,185,093</u>
Noncurrent liabilities:	
Bonds payable, net	20,408,546
Note payable	1,443,694
Total noncurrent liabilities	<u>21,852,240</u>
Total Liabilities	<u>24,037,333</u>
Net Position	
Net investment in capital assets	8,471,433
Restricted - expendable	7,137,477
Unrestricted	<u>(5,928,732)</u>
Total Net Position	<u>\$ 9,680,178</u>

BUTLER COUNTY COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION - PLANT FUND

YEAR ENDED JUNE 30, 2017

	Capital
Revenues:	
Operating revenues:	
Support and grant agreement	\$ 397,499
Expenses:	
Operating expenses:	
Equipment purchases:	
Instructional equipment	349,915
Non-instructional equipment	95,499
Non-instructional furniture	26,183
Other	78,332
Equipment rentals	157,041
Depreciation/amortization	2,292,805
Total operating expenses	2,999,775
Operating Income (Loss)	(2,602,276)
Nonoperating Revenues (Expenses):	
Other nonoperating expenses	(631)
Debt service - interest expense	(1,054,175)
Net nonoperating revenues (expenses)	(1,054,806)
Income (loss) before other revenues, expenses, gains, or losses	(3,657,082)
State appropriations and grants - capital	1,907,421
County appropriations and grants - capital	1,175,445
Change in Net Position	(574,216)
Net position - beginning of year	10,254,394
Net position - end of year	\$ 9,680,178

BUTLER COUNTY COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Project Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant Period Beginning/ Ending Dates	Expenditures	Passed Through to Subrecipients
<u>U.S. Department of Education:</u>					
Student Financial Assistance Cluster:					
Federal Pell Grant Program	84.063	n/a	7/1/16-6/30/17	\$ 4,883,267	\$ -
Federal Work-Study Program	84.033	n/a	7/1/16-6/30/17	106,769	-
Federal Supplemental Educational Opportunity Grants	84.007	n/a	7/1/16-6/30/17	78,439	-
Federal Direct Student Loans	84.268	n/a	7/1/16-6/30/17	2,989,372	-
Student Financial Assistance Cluster Subtotal				8,057,847	-
Passed through the Pennsylvania Department of Education:					
Adult Education - Basic Grants to States	84.002	FA-064-11-0006	7/1/16-6/30/17	126,000	-
Career and Technical Education - Basic Grants to States	84.048	FA-381-17-0016	7/1/16-6/30/17	143,260	-
Total U.S. Department of Education				8,327,107	-
<u>U.S. Department of Labor:</u>					
Passed through the Pennsylvania Department of Labor and Industry:					
Trade Adjustment Assistance	17.245	TAA-0141-14	7/1/16-6/30/17	295,991	-
WIOA Cluster:					
Passed through Career T.R.A.C.K., Inc.:					
WIA/WIOA Dislocated Worker Formula Grants	17.278	WIOA-CLA-NFA-005-17	7/1/16-6/30/17	33,669	-
Passed through Tri-County Workforce Investment Board, Inc.:					
WIA/WIOA Adult Program	17.258	TRI-IP-016-16	7/1/16-6/30/17	58,585	-
WIOA Cluster Subtotal				92,254	-
Total U.S. Department of Labor				388,245	-
<u>U.S. Department of Health and Human Services:</u>					
Passed through the Pennsylvania Department of Human Services:					
Temporary Assistance for Needy Families - TANF Cluster	93.558	4100063806	7/1/16-6/30/17	106,197	-
<u>U.S. Department of Agriculture:</u>					
Passed through the Pennsylvania Department of Human Services:					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - SNAP Cluster	10.561	4100063806	7/1/16-6/30/17	59,216	-
Total Expenditures of Federal Awards				\$ 8,880,765	\$ -

See accompanying notes to schedule of expenditures of federal awards

BUTLER COUNTY COMMUNITY COLLEGE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Butler County Community College (College) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position or changes in net position of the College.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The College has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Student Financial Assistance Loan Programs

During the year ended June 30, 2017, the College processed \$2,989,372 of new loans under the Federal Direct Student Loans Program. New loans made during the fiscal year relating to these programs are considered current year expenditures in the Schedule. Since these programs are administered by outside financial institutions, Federal Direct Student Loans are not reflected within the financial statements of the College, as revenue and their subsequent expense. Funds are received by the College and recorded as payables until disbursed.

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Butler County Community College

Independent Auditor's Reports
Required by
the Uniform Guidance

Year Ended June 30, 2017

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

**Board of Trustees
Butler County
Community College**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the

United States, the financial statements of the Butler County Community College (BCCC), a component unit of Butler County, and its discretely presented component unit, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise BCCC's basic financial statements, and have issued our report thereon dated December 20, 2017. The financial statements of the Butler County Community College Educational Foundation (Foundation) were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting and on compliance and other matters associated with BCCC.

Internal Control over Financial Reporting

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

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

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

Board of Trustees
Butler County Community College
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters

we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Pittsburgh, Pennsylvania
December 20, 2017

Independent Auditor's Report on Compliance for its Major Program and on Internal Control over Compliance Required by the Uniform Guidance

**Board of Trustees
Butler County
Community College**

Report on Compliance for its Major Federal Program

We have audited Butler County Community College's (BCCC), a component unit of Butler County, and its discretely presented component unit, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on BCCC's major federal program for the year ended June 30, 2017. BCCC's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for BCCC's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 BCCC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of BCCC's compliance.

Board of Trustees
Butler County Community College
Independent Auditor's Report on Compliance
for its Major Program

Opinion on its Major Federal Program

In our opinion, BCCC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as finding number 2017-001 and finding number 2017-002. Our opinion on BCCC's major federal program is not modified with respect to these matters.

BCCC's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. BCCC's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be

Board of Trustees
Butler County Community College
Independent Auditor's Report on Compliance
for its Major Program

prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompany schedule of findings and questioned costs as finding number 2017-001 and finding number 2017-002, that we consider to be significant deficiencies.

BCCC's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. BCCC's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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



Pittsburgh, Pennsylvania
December 20, 2017

BUTLER COUNTY COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified, prepared in accordance with Generally Accepted Accounting Principles

2. Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiencies identified that are not considered to be material weakness(es)?
☐ yes ☒ none reported

3. Noncompliance material to financial statements noted? ☐ yes ☒ no

4. Internal control over major programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiencies identified that are not considered to be material weakness(es)?
☒ yes ☐ none reported

5. Type of auditor's report issued on compliance for major programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? ☒ yes ☐ no

7. Major Programs:

CFDA Number(s)

Name of Federal Program or Cluster

Student Financial Assistance Cluster:

84.063

Federal Pell Grant Program

84.033

Federal Work-Study Program

84.007

Federal Supplemental Educational Opportunity Grants

84.268

Federal Direct Student Loans

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000

9. Auditee qualified as low-risk auditee? ☒ yes ☐ no

II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

No matters were reported.

BUTLER COUNTY COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

III. Findings and questioned costs for federal awards.

Finding 2017-001: Return of Title IV Funds

Criteria: In accordance with 34 CFR section 668.22, when a recipient of Title IV grant or loan assistance withdraws during the payment period, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date, and if the total amount earned is less than the amount of Title IV funds that were disbursed, the difference must be returned to the Title IV programs.

Condition: During our review of Title IV refunds, we noted two of nine refunds selected for testing that were calculated incorrectly, resulting in BCCC returning \$323.45 less in Federal Pell Grant funds and \$31.88 less in Subsidized Federal Direct Stafford Loan funds. We did note with only 81 total refunds during the year ended June 30, 2017, and relatively low tuition rates, the dollar amounts related to withdrawal refunds would not be material to the Student Financial Assistance Cluster.

Cause: The Title IV refunds in question resulted in incorrect returned amounts due to human error in mathematical calculations. There was not a process in place for calculations to be double checked (reperformed) by an independent person, which would have likely caught the error prior to processing the refund payment.

Effect: Errors in mathematical calculations resulted in incorrect amounts returned by BCCC; resulting in noncompliance with 34 CFR section 668.22.

Questioned costs: Unknown

Recommendation: We recommend that BCCC develop a process for an independent review (including reperformance of the calculations) of the refund calculations to help catch human errors in the calculation process. It is our understanding a portion of the calculation is automated; however, the initial part of the calculation requires manual calculation of institutional charges. BCCC should also explore ways to automate the entire process to eliminate manual errors.

Views of Responsible Officials and Planned Corrective Action: BCCC agrees with the finding. In response to the finding, BCCC will immediately implement all aspects of the recommendation listed under the Finding for mistakes made in the calculation of Title IV refunds. BCCC will place special emphasis on training and on additional reviews of the calculations for Title IV refunds in order to eliminate future mistakes. Training will include a review of the regulations regarding the calculation as prescribed by the Department of Education along with how our Enterprise Software System (Ellucian's Colleague) computes the refund automatically. Reviews will include an additional review by a Financial Aid Staffer who did not perform the original calculation and is who properly trained regarding the refund calculation. See separate corrective action plan.

BUTLER COUNTY COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

Finding 2017-002: Accreditation of BC3@Armstrong

Criteria: In accordance with 34 CFR section 600.21, institutions must report to the U.S. Department of Education (the Department) no later than 10 days after its establishment of an accredited and licensed additional location at which it offers or will offer 50 percent or more of an educational program if the institution wants to disburse Title IV funds to students enrolled at that location.

Condition: During our review of BCCC's most recent Eligibility and Certification Approval Report (ECAR), which lists the institution's main campus and any additional approved locations, we noted that BC3@Armstrong was not included as an approved location. Based on our understanding of programs offered at BC3@Armstrong, we inquired of management whether BCCC notified the Department of the Armstrong location, to which we were informed that BC3@Armstrong is currently approved as an instructional site, and that BCCC is in the process of applying for accreditation as a location, and that application would be filed in December 2017. It is our understanding that BCCC and the Department are currently in discussion about the timing of the accreditation and student aid recognition of the Armstrong location, and the Department has indicated that repayment liabilities will be established for students who received Title IV funds and have taken 30 or more credits at BC3@Armstrong. The total amount of those repayment liabilities has not yet been determined as of the date of our report. Per communication from the Department, until such time as the Armstrong location is approved as an additional location, BCCC must not disburse Title IV funds to students attending classes at BC3@Armstrong. We did note with only a small number of students attending BC3@Armstrong during the year ended June 30, 2017, and relatively low tuition rates, the dollar amounts of Title IV funds paid to students at the location being scrutinized would likely not be material to the Student Financial Assistance Cluster.

Cause: BCCC's management followed an established internal timeline that they would seek approval for BC3@Armstrong as a location only once there was evidence that the site was sustainable. In July 2017, BCCC began the process of seeking substantive change approval from Middle States Commission on Higher Education (MSCHE), and once BC3@Armstrong was accredited through MSCHE, BCCC planned to then report the additional location to the Department.

Effect: The Department found BC3@Armstrong to be not in compliance with the applicable regulations.

Questioned costs: Unknown – still being determined by the Department.

Recommendation: We recommend that BCCC clarify its process for obtaining accreditation for and notifying the Department of additional locations. The accreditation should be completed and the Department notified prior to (or at the latest, within 10 days after) offering 50 percent or more of a program at the new location. We also recommend that BCCC ensure compliance with any remedial action with the Department.

BUTLER COUNTY COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

Views of Responsible Officials and Planned Corrective Action: BCCC will seek a legal opinion on the Federal Code of Regulations, Section 600.21 since written guidelines from Middle States Commission on Higher Education (MSCHE) specifically state "the Commission may include an additional location within the scope of accreditation only after it determines that the institution has the fiscal and administrative capacity to operate the additional location and continues to meet the accreditation standards and requirements of affiliation."

BCCC interprets this statement from MSCHE to mean that we would seek approval for BC3@Armstrong as an additional location only once there was evidence that the instructional site was sustainable. In July 2017, based on the annual enrollment report for this site, BCCC determined to extend the space and use agreement that expired on June 30, 2017 and only after this extension did BCCC feel that the site had the "fiscal and administrative capacity" to operate this site as an additional location.

The College has completed and submitted a substantive change request for Middle States Commission on Higher Education and fully expects the Armstrong site to be certified and accredited as an additional location. Once the College receives this certification, the College will work with the Department of Education to get their approval of the Armstrong site as an additional location. See separate corrective action plan.

BUTLER COUNTY COMMUNITY COLLEGE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2017

NONE

Butler County Community College

Single Audit Report: Corrective Action Plan

Year ended June 30, 2017

Finding 2017-001: Return of Title IV Funds

CFDA #: 84.063 Federal PELL Grant, 84.268 Federal Direct Student Loans.

Criteria: In accordance with 34 CFR section 668.22, when a recipient of Title IV grant or loan assistance withdraws during the payment period, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date, and if the total amount earned is less than the amount of Title IV funds that were disbursed, the difference must be returned to the Title IV programs.

Condition: During our review of Title IV refunds, we noted two of nine refunds selected for testing that were calculated incorrectly, resulting in BCCC returning \$323.45 less in Federal Pell Grant funds and \$31.88 less in Subsidized Federal Direct Stafford Loan funds. We did note with only 81 total refunds during the year ended June 30, 2017, and relatively low tuition rates, the dollar amounts related to withdrawal refunds would not be material to the Student Financial Assistance Cluster.

Cause: The Title IV refunds in question resulted in incorrect returned amounts due to human error in mathematical calculations. There was not a process in place for calculations to be double checked (reperformed) by an independent person, which would have likely caught the error prior to processing the refund payment.

Effect: Errors in mathematical calculations resulted in incorrect amounts returned by BCCC; resulting in noncompliance with 34 CFR section 668.22.

Questioned costs: Unknown

Recommendation: We recommend that BCCC develop a process for an independent review (including reperformance of the calculations) of the refund calculations to help catch human errors in the calculation process. It is our understanding a portion of the calculation is automated; however, the initial part of the calculation requires manual calculation of institutional charges. BCCC should also explore ways to automate the entire process to eliminate manual errors.

Corrective Action Plan: BC3 agrees with the finding in our 2017 single audit under the Schedule of Findings and Questioned Costs. In response to that finding BC3 will immediately implement all aspects of the recommendation listed under the Finding for mistakes made in the calculation of Title IV refunds. BC3 will place special emphasis on training and on additional reviews of the calculations for Title IV refunds in order to eliminate future mistakes. Training will include a review of the regulations regarding the calculation as prescribed by the Department of Education along with how our Enterprise Software System (Ellucian's Colleague) computes the refund automatically. Reviews will include an additional review by a Financial Aid Staffer who did not perform the original calculation and who is properly trained regarding the refund calculation. This plan will be coordinated by the College Controller (Wm. Jake Friel) and managed by the Director of Financial Aid (Juli Louttit). This plan will begin on November 30, 2017 and with all aspects of the plan fully implemented by June 30, 2018.

Finding 2017-002: Accreditation of BC3@Armstrong

CFDA #: Student Financial Aid Cluster 84.063, 84.033, 84.007, 84.268

Criteria: In accordance with 34 CFR section 600.21, institutions must report to the U.S. Department of Education (the Department) no later than 10 days after its establishment of an accredited and licensed additional location at which it offers or will offer 50 percent or more of an educational program if the institution wants to disburse Title IV funds to students enrolled at that location.

Condition: During our review of BCCC's most recent Eligibility and Certification Approval Report (ECAR), which lists the institution's main campus and any additional approved locations, we noted that BC3@Armstrong was not included as an approved location. Based on our understanding of programs offered at BC3@Armstrong, we inquired of management whether BCCC notified the Department of the Armstrong location, to which we were informed that BC3@Armstrong is

currently approved as an instructional site, and that BCCC is in the process of applying for accreditation as a location, and that application would be filed in December 2017. It is our understanding that BCCC and the Department are currently in discussion about the timing of the accreditation and student aid recognition of the Armstrong location, and the Department has indicated that repayment liabilities will be established for students who received Title IV funds and have taken 30 or more credits at BC3@Armstrong. The total amount of those repayment liabilities has not yet been determined as of the date of our report. Per communication from the Department, until such time as the Armstrong location is approved as an additional location, BCCC must not disburse Title IV funds to students attending classes at BC3@Armstrong. We did note with only a small number of students attending BC3@Armstrong during the year ended June 30, 2017, and relatively low tuition rates, the dollar amounts of Title IV funds paid to students at the location being scrutinized would likely not be material to the Student Financial Assistance Cluster.

Cause: BCCC's management followed an established internal timeline that they would seek approval for BC3@Armstrong as a location only once there was evidence that the site was sustainable. In July 2017, BCCC began the process of seeking substantive change approval from Middle States Commission on Higher Education (MSCHE), and once BC3@Armstrong was accredited through MSCHE, BCCC planned to then report the additional location to the Department.

Effect: The Department found BC3@Armstrong to be not in compliance with the applicable regulations.

Questioned costs: Unknown – still being determined by the Department.

Recommendation: We recommend that BCCC clarify its process for obtaining accreditation for and notifying the Department of additional locations. The accreditation should be completed and the Department notified prior to (or at the latest, within 10 days after) offering 50 percent or more of a program at the new location. We also recommend that BCCC ensure compliance with any remedial action with the Department.

Corrective Action Plan: The College will implement all recommendations supplied by our auditor to prevent future findings. In order to address the current finding the College has completed and submitted a substantive change request for Middle States Commission on Higher Education and fully expects the Armstrong site to be certified and accredited as an additional location. Once the College receives this certification, the College will work with the Department of Education to get their approval of the Armstrong site as an additional location. This plan will be coordinated by the Vice President of Finance and Administration (James Hrabosky) with key components of the plan being managed by the College Controller (Wm. Jake Friel), the Director of Financial Aid, (Juli Louttit), and the Vice President for Student Affairs and Enrollment Management. (Dr. G. Case Willoughby). This plan will begin November 30, 2017 with all aspect of the plan fully implemented by June 30, 2018.

Respectfully Submitted,



James Hrabosky

Vice President For Finance and Administration

Butler County Community College

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APPENDIX B

FORM OF OPINION OF BOND COUNSEL

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\$6,375,000
STATE PUBLIC SCHOOL BUILDING AUTHORITY
COLLEGE REVENUE REFUNDING BONDS
(BUTLER COUNTY COMMUNITY COLLEGE PROJECT)
SERIES A OF 2018

To and for the attention
of the Purchaser(s) of
the Described Bonds:

November 20, 2018

We have acted as Bond Counsel in connection with the issuance by the State Public School Building Authority (the "Authority") of the Authority's College Revenue Refunding Bonds (Butler County Community College Project), Series A of 2018 in the principal amount of \$6,375,000 (the "Bonds") issued pursuant to a Trust Indenture dated as of November 1, 2018 (the "Indenture") between the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee"). The Bonds are being issued to refund the Authority's College Revenue Refunding Bonds (Butler County Community College Project) Series A of 2011 issued for Butler County Community College (the "College") and the payment of the costs of issuing and insuring the Bonds (the "Project"). The proceeds of the Bonds will be loaned by the Authority to the College for the purpose of financing the Project pursuant to a Loan Agreement between the Authority and the College dated as of November 1, 2018 (the "Loan Agreement"). Pursuant to the Loan Agreement, the College will make Loan Payments, assigned by the Authority to the Trustee, at the times and in the amounts sufficient to pay debt service due in respect of the Bonds (the "Loan Payments"). Pursuant to the Indenture, the Authority has pledged and assigned to the Trustee as security for the payment of the Bonds all revenues and all right, title and interest of the Authority in, to and under the Loan Agreement (except certain rights to indemnification and payments of its expenses thereunder). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

We have reviewed the form of the Bonds, the Indenture and the Loan Agreement (collectively, the "Authority Documents"); opinions of counsel to the Authority and the College; certificates of the Authority, the Trustee and the College, and others; and such other documents, opinions and matters to the extent we deemed necessary to provide the opinions or conclusions set forth herein.

We also have examined such constitutional and statutory provisions and such other resolutions, certificates, instruments and documents as we have deemed necessary or appropriate to enable us to render an informed opinion as to the matters set forth herein.

In rendering the opinions herein, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents (and the authenticity of such originals) of all documents submitted to us as copies and the accuracy and completeness of all documents submitted to us. As to the accuracy of various factual matters material to our opinion, we have relied upon the representations and warranties of the Authority contained in the Authority Documents. Unless separately noted, we have not independently verified factual certifications, either contained in the

Official Statement or other similar document used in connection with the sale of the Bonds, or made to us by either the Authority or the College, nor their officers and agents during the course of our engagement.

Based upon and subject to the foregoing, as well as to the additional qualifications and other matters hereinafter set forth, we are of the opinion, as of the date hereof and under existing law, that:

1. The Authority is a public instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth") and a public body corporate and politic, duly organized and validly existing under the Constitution and the laws of the Commonwealth with full power and authority, among other things, to perform its duties and obligations under and to consummate the transactions contemplated by the Authority Documents.

2. The proceedings of the Authority authorizing the execution and delivery of the Indenture and the Loan Agreement are valid and legally sufficient, and the Indenture and the Loan Agreement have been duly authorized, executed and delivered by the Authority, and are legal, binding and enforceable instruments in accordance with their terms, except as may be limited by bankruptcy, insolvency, reorganization, or other laws or equitable principles affecting creditors' rights generally.

3. The proceedings of the Authority authorizing the execution, sale and delivery of the Bonds are valid and legally sufficient, and the Bonds have been duly and validly authorized, executed, issued and delivered by the Authority, and all conditions precedent to their sale and delivery have been satisfied. The Bonds constitute special limited obligations of the Authority and the principal of, premium, if any, and interest on the Bonds are payable solely from the revenues and other moneys pledged and assigned by the Indenture to secure their payment.

4. The obligation of the College to make the Loan Payments pursuant to the Loan Agreement is a valid and binding general obligation of the College. The payment by the College of the Loan Payments is subject to, and such payment is further assured by, the "State Intercept" and withholding provisions of Section 1913-A of the Public School Code of 1949, as amended.

5. All right, title and interest of the Authority in and to the Loan Agreement and the Loan Payments (except for payments with respect to certain fees and expenses of the Authority and its right to indemnification) have been validly assigned to the Trustee.

6. Under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and corporate net income tax, and the Bonds are exempt from personal property taxes in the Commonwealth of Pennsylvania. No opinion is expressed as to the treatment of original issue discount in the computation of gain from the sale of the Bonds.

7. Assuming compliance by the Authority with certain covenants contained in the Indenture, and by the College with certain covenants contained in the Loan Agreement, in each case pertaining to tax matters, interest on the Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. Interest on the Bonds is not a specific preference item for purposes of the Federal individual alternative minimum tax, and for corporations, for tax years beginning prior to January 1, 2018, interest on the Bonds held by a corporation (as defined for federal income tax purposes) may be indirectly subject to alternative minimum tax because of its inclusion in the adjusted current earnings of the corporate holder.

The foregoing opinions are further subject to the following qualifications and limitations:

a. Our opinions are limited solely to the laws, as now in effect, of the Commonwealth of Pennsylvania and the United States of America. We have not considered and express no opinions as to the laws of other jurisdictions; we have assumed compliance with all such laws.

b. The enforceability of rights and remedies provided in the Authority Documents (whether such enforceability is considered in a proceeding in equity or at law or in a bankruptcy proceeding) is subject to the effect of bankruptcy, reorganization, insolvency, receivership, fraudulent conveyance or transfer, moratorium and other similar laws affecting the rights and remedies of creditors generally and is further subject to the exercise of judicial discretion and principles of equity.

c. Certain agreements, waivers, rights, remedies and other provisions of the Authority Documents may be unenforceable in whole or in part under the laws of the Commonwealth of Pennsylvania, but the inclusion of such provisions does not affect the overall validity of the Authority Documents or make the remedies afforded by the Authority Documents inadequate for the practical realization of the rights and benefits purported to be provided thereby.

d. The Bonds do not pledge the general credit of the Authority or the credit or taxing power of the Commonwealth of Pennsylvania or of any political subdivision thereof, nor will the Commonwealth of Pennsylvania, or any political subdivision thereof, be liable for payment of the principal of, premium, if any, or interest on the Bonds.

e. Except as set forth in Paragraphs 6 and 7 above, we express no opinion as to any Federal or state tax consequences of ownership of the Bonds.

The opinions herein are given as of the date hereof. We assume no obligation to update or supplement any of the opinions to reflect any facts or circumstances which may hereafter come to our attention or any changes in laws which may hereafter occur.

This opinion is being delivered to you solely for your benefit. This opinion may not be used for any other purpose without our express prior written consent. The opinions expressed herein are limited to the matters set forth herein, and no other opinions should be inferred beyond the matters expressly stated herein.

Very truly yours,

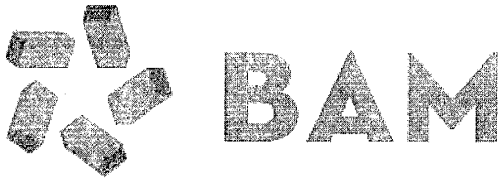
CLARK HILL PLC

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APPENDIX C

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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