

*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 compliance with 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, if any, 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 tax. 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)**

**\$3,770,000 College Revenue Bonds (Butler County Community College Refunding Project), Series A of 2019**

**\$2,605,000 College Revenue Bonds (Butler County Community College Refunding Project), Series B of 2019**

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

**Principal Due:** January 15, as shown on inside front cover  
**First Interest Payment:** January 15, 2020

The bonds described herein are in the aggregate principal amount of \$6,375,000 and consist of two series, the \$3,770,000 College Revenue Bonds (Butler County Community College Refunding Project), Series A of 2019 (the “2019A Bonds”) and the \$2,605,000 College Revenue Bonds (Butler County Community College Refunding Project), Series B of 2019 (the “2019B Bonds”). The 2019A Bonds and the 2019B Bonds are collectively referred to as the “Bonds”. The Bonds will be fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the registered owner, as nominee of DTC, references herein to “Owner,” “Registered Owner,” or “Bondholders” shall mean Cede & Co., as aforesaid and shall not mean beneficial owners of the Bonds. Beneficial ownership in the Bonds may be acquired in denominations of \$5,000 or multiples thereof, only under the book-entry-only system maintained by DTC, as more fully described herein.

Principal of, premium, if any, and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., Pittsburgh, Pennsylvania, as trustee for the Bonds (the “Trustee”). So long as DTC or its nominee, Cede & Co., is the registered owner, such payments will be made directly to Cede & Co. Disbursements of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the beneficial owners is the responsibility of DTC Participants and the Indirect Participants, as more fully described herein. Interest on the Bonds will be payable commencing on January 15, 2020, and semiannually thereafter on January 15 and July 15 of each year (each, an “Interest Payment Date”).

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

The Bonds will be issued by the State Public School Building Authority (the “Authority”) and will be secured by a Trust Indenture, dated as of the dated date of the Bonds (the “Indenture”) between the Authority and the Trustee. The Bonds are limited obligations of the Authority, payable solely from the payments to be made by the Butler County Community College (the “College” or “BCCC”) under a Loan Agreement, dated as of the dated date of the Bonds (the “Loan Agreement”) between the Authority and the College.

The 2019A Bonds are being issued by the Authority to (1) currently refund the Authority’s College Revenue Refunding Bonds (Butler County Community College Project), Series A of 2012 (the “2012A Bonds”) and (2) to pay the costs and expenses of issuing and insuring the 2019A Bonds.

The 2019B Bonds are being issued by the Authority to (1) currently refund the Authority’s College Revenue Refunding Bonds (Butler County Community College Project), Series B of 2012 (the “2012B Bonds”) and (2) to pay the costs and expenses of issuing and insuring the 2019B Bonds.

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

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



**MATURITIES, AMOUNTS, RATES AND PRICES/YIELDS**

See Inside Front Cover

The Bonds are offered for delivery when, as and if issued by the Authority 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, 2019.

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**BOENNING & SCATTERGOOD INC.**

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**\$6,375,000**  
**STATE PUBLIC SCHOOL BUILDING AUTHORITY**  
**(Commonwealth of Pennsylvania)**

Consisting of:

**\$3,770,000 College Revenue Bonds (Butler County Community College Refunding Project)**  
**Series A of 2019**

**Dated:** Date of Delivery

**Interest Due:** January 15 and July 15

**Principal Due:** January 15, as shown on below

**First Interest Payment:** January 15, 2020

| <b>Maturity Date<br/>(January 15)</b> | <b>Principal<br/>Amount</b> | <b>Interest<br/>Rate</b> | <b>Yield</b> | <b>Price</b> | <b>CUSIP<br/>Numbers<sup>(1)</sup></b> |
|---------------------------------------|-----------------------------|--------------------------|--------------|--------------|--|
| 2020                                  | \$110,000                   | 2.000%                   | 1.550%       | 100.066%     | 85732M2W6                              |
| 2021                                  | 170,000                     | 3.000                    | 1.700        | 101.476      | 85732M2X4                              |
| 2022                                  | 180,000                     | 3.000                    | 1.800        | 102.521      | 85732M2Y2                              |
| 2023                                  | 190,000                     | 3.000                    | 1.900        | 103.349      | 85732M2Z9                              |
| 2024                                  | 190,000                     | 3.000                    | 1.950        | 104.167      | 85732M3A3                              |
| 2025                                  | 195,000                     | 2.000                    | 2.050        | 99.755       | 85732M3B1                              |
| 2026                                  | 200,000                     | 2.000                    | 2.250        | 98.853       | 85732M3C9                              |
| 2027                                  | 200,000                     | 2.100                    | 2.250        | 99.012       | 85732M3D7                              |
| 2028                                  | 205,000                     | 2.150                    | 2.350        | 98.522       | 85732M3E5                              |
| 2029                                  | 215,000                     | 2.300                    | 2.500        | 98.371       | 85732M3F2                              |
| 2030                                  | 215,000                     | 2.400                    | 2.600        | 98.223       | 85732M3G0                              |
| 2033*                                 | 690,000                     | 2.750                    | 2.850        | 98.907       | 85732M3H8                              |
| 2037*                                 | 1,010,000                   | 3.000                    | 3.070        | 99.069       | 85732M3J4                              |

**\$2,605,000 College Revenue Bonds (Butler County Community College Refunding Project)**  
**Series B of 2019**

**Dated:** Date of Delivery

**Interest Due:** January 15 and July 15

**Principal Due:** January 15, as shown on below

**First Interest Payment:** January 15, 2020

| <b>Maturity Date<br/>(January 15)</b> | <b>Principal<br/>Amount</b> | <b>Interest<br/>Rate</b> | <b>Yield</b> | <b>Price</b> | <b>CUSIP<br/>Numbers<sup>(1)</sup></b> |
|---------------------------------------|-----------------------------|--------------------------|--------------|--------------|--|
| 2020                                  | \$245,000                   | 2.000%                   | 1.550%       | 100.066%     | 85732M3K1                              |
| 2021                                  | 270,000                     | 3.000                    | 1.700        | 101.476      | 85732M3L9                              |
| 2022                                  | 275,000                     | 3.000                    | 1.800        | 102.521      | 85732M3M7                              |
| 2023                                  | 285,000                     | 3.000                    | 1.900        | 103.349      | 85732M3N5                              |
| 2024                                  | 290,000                     | 3.000                    | 1.950        | 104.167      | 85732M3P0                              |
| 2025                                  | 300,000                     | 2.000                    | 2.050        | 99.755       | 85732M3Q8                              |
| 2026                                  | 310,000                     | 2.000                    | 2.200        | 98.853       | 85732M3R6                              |
| 2027                                  | 310,000                     | 2.100                    | 2.250        | 99.012       | 85732M3S4                              |
| 2028                                  | 320,000                     | 2.150                    | 2.350        | 98.522       | 85732M3T2                              |

<sup>(1)</sup>The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the Authority or the Underwriter, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the Authority nor the Underwriter has agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

\*Term Bonds.

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

**MEMBERS OF THE AUTHORITY**

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

Honorable Wayne Langerhole, 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 Curtis G. Sonney  
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  
Acting Secretary of Education ..... Board Member

**ACTING EXECUTIVE DIRECTOR**

BEVERLY M. NAWA

**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

**SOLICITOR TO THE COLLEGE**

DILLON, MCCANDLESS, KING, COULTER & GRAHAM, LLP

Butler, Pennsylvania

**FINANCIAL ADVISOR TO THE COLLEGE**

PFM FINANCIAL ADVISORS LLC

Harrisburg, Pennsylvania

**UNDERWRITER**

BOENNING & SCATTERGOOD INC.

Pittsburgh, Pennsylvania

**TRUSTEE**

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

Pittsburgh, Pennsylvania

**AUTHORITY ADDRESS**

STATE PUBLIC SCHOOL BUILDING AUTHORITY

1035 Mumma Road, Suite 300

Wormleysburg, Pennsylvania 17043

# BUTLER COUNTY COMMUNITY COLLEGE

## BOARD OF TRUSTEES

| <u>Name</u>               | <u>Office</u> | <u>Term Expiration</u> |
|---------------------------|---------------|------------------------|
| Joseph E. Kubit, Esq.     | Chairman      | 6/30/2025              |
| William A. DiCuccio, M.D. | Vice Chairman | 6/30/2023              |
| Jennifer R. Pullar, Esq.  | Secretary     | 6/30/2025              |
| Scott A. McDowell         | Treasurer     | 6/30/2021              |
| Kenneth DeFurio           | Member        | 6/30/2025              |
| Glenn T. Miller           | Member        | 6/30/2025              |
| Kimberly D. Geyer         | Member        | Ex Officio             |
| 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        | 6/30/2025              |
| Nancy H. Staible          | Member        | 6/30/2023              |
| Joe Taylor                | Member        | 6/30/2023              |

**COLLEGE PRESIDENT**  
DR. NICHOLAS NEUPAUER

**VICE PRESIDENT FOR ADMINISTRATION AND FINANCE**  
JAMES HRABOSKY

**COLLEGE ADDRESS**  
College Drive  
P.O. Box 1203  
Butler, PA 16003-1203

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

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

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

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

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

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# **PRELIMINARY OFFICIAL STATEMENT**

**\$6,375,000**

## **STATE PUBLIC SCHOOL BUILDING AUTHORITY**

**(Commonwealth of Pennsylvania)**

**\$3,770,000 College Revenue Bonds (Butler County Community College Refunding Project), Series A of 2019**

**\$2,605,000 College Revenue Bonds (Butler County Community College Refunding Project), Series B of 2019**

### **INTRODUCTION**

This Preliminary Official Statement which includes the cover page hereof and the Appendices hereto, provides certain information relating to the Authority and the \$6,375,000 aggregate principal amount of college revenue bonds to be issued by the State Public School Building Authority (the "Authority") consisting of two series, the \$3,770,000 College Revenue Bonds (Butler County Community College Refunding Project), Series A of 2019 (the "2019A Bonds") and the \$2,605,000 College Revenue Bonds (Butler County Community College Refunding Project), Series B of 2019 (the "2019B Bonds"). The 2019A Bonds and the 2019B Bonds are collectively referred to as the "Bonds". The Bonds are being issued pursuant to the State Public School Building Authority Act of 1947, P.L. 1217, as supplemented and amended (the "Act"), and a resolution duly adopted by the Authority on October 17, 2019 (the "Resolution"), and are secured by a Trust Indenture, dated as of the date of delivery of the Bonds (the "Indenture"), entered into by the Authority and The Bank of New York Mellon Trust Company, N.A., Pittsburgh, Pennsylvania, as Trustee (the "Trustee").

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

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 2019A Bonds are being issued by the Authority to (1) currently refund the Authority's College Revenue Refunding Bonds (Butler County Community College Project) Series A of 2012 (the "2012A Bonds") and (2) pay the costs and expenses of issuing and insuring the 2019A Bonds.

The 2019B Bonds are being issued by the Authority to (1) currently refund the Authority's College Revenue Refunding Bonds (Butler County Community College Project) Series B of 2012 (the "2012B Bonds") and (2) pay the costs and expenses of issuing and insuring the 2019B Bonds.

Upon issuance of the Bonds, a portion of the proceeds will be deposited with The Bank of New York Mellon Trust Company, N.A., as Trustee for the 2012A Bonds and the 2012B Bonds, which will be used to redeem the 2012A Bonds and the 2012B Bonds at a redemption price of 100% of the principal amount thereof plus accrued interest, pursuant to the optional redemption provisions applicable to the 2012A Bonds and the 2012B Bonds, on January 15, 2020.

## Sources and Uses of Bond Proceeds

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

| <b><u>SOURCE OF FUNDS</u></b>         | <b><u>Total</u></b>   |
|---------------------------------------|-----------------------|
| Par Amount.....                       | \$6,375,000.00        |
| Net Original Issue Premium.....       | 9,980.15              |
| Total Sources of Funds .....          | <u>\$6,384,980.15</u> |
| <br><b><u>USE OF FUNDS</u></b>        |                       |
| Required to Call Bonds.....           | \$6,240,394.38        |
| Cost of Issuance <sup>(1)</sup> ..... | 144,585.77            |
| Total Uses of Funds .....             | <u>\$6,384,980.15</u> |

<sup>(1)</sup>Includes legal, financial advisor, printing, rating, municipal bond insurance premium, underwriter's discount, trustee, redemption fee and miscellaneous costs.

## THE AUTHORITY

The Authority and the Pennsylvania Higher Educational Facilities Authority (PHEFA), (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 any other of its bonds/notes.

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

### **Beverly M. Nawa** **Acting Executive Director**

Mrs. Nawa is serving as the Acting Executive Director of both the Authority and PHEFA. She has been with the Authorities since 2004. Prior to her present position, she served as Administrative Officer for both Authorities. Ms. Nawa is a graduate of Alvernia University with a bachelor's degree in business administration.

### **David Player** **Comptroller and Director of Financial Management**

Mr. Player serves as the Comptroller and Director of Financial Management of both the Authority and PHEFA. He has been with the Authorities since 1999. Mr. Player is a graduate of The Pennsylvania State University and a Certified Public Accountant.



## 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 January 15, 2020 (until maturity or prior redemption), and will mature on the dates and in the amounts set forth on the inside front cover page hereof. The Bonds when issued will be registered in the name of Cede & Co., as a nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. While the Bonds are in the Book-Entry-Only System, references to the "owner" or the "registered owner" as described herein are to Cede & Co., as registered owner for DTC. Each beneficial owner of a Bond may desire to make arrangements with a DTC Participant to receive notices or communications with respect to matters described herein. See "BOOK-ENTRY-ONLY SYSTEM" herein.

The Bonds will be issued in fully registered form in denominations of \$5,000 or any multiple thereof. While all of the Bonds are held in Book-Entry Only form, payments thereon shall be made to Cede & Co., as holder thereof. See "BOOK-ENTRY ONLY SYSTEM" herein. At all other times, the principal of the Bonds, and the premium, if any, payable upon redemption, are payable at the designated corporate trust office of the Trustee, and the interest thereon is payable by check mailed by the Trustee on each Interest Payment Date to the persons who were the registered owners of the Bonds on the registration books maintained by the Trustee, at the close of the 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, the Financial Advisor, and the Underwriter make no representation as to the accuracy of such information.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 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](http://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 payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

NEITHER THE AUTHORITY NOR THE TRUSTEE SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF

THE TRUSTEE AS BEING A BONDHOLDER WITH RESPECT TO EITHER: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (3) THE DELIVERY OR THE TIMELINESS OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO THE OWNER OF THE BONDS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

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

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

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

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

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

#### **Discontinuance of Book-Entry Only System**

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

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

## REDEMPTION OF THE BONDS

### Mandatory Redemption

The 2019A Bonds stated to mature on January 15, 2033 and January 15, 2037 are subject to annual mandatory sinking fund redemptions in direct order of maturity pursuant to operation of the Sinking Fund in the manner set forth in the Indenture at a redemption price equal to one-hundred percent (100%) of the principal amount thereof, together with accrued interest on January 15 of the following years in the following principals amounts:

#### Bonds stated to mature January 15, 2033:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2031        | \$220,000     |
| 2032        | 230,000       |
| 2033*       | 240,000       |

\*Final maturity

#### Bonds stated to mature January 15, 2037:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2034        | \$240,000     |
| 2035        | 250,000       |
| 2036        | 260,000       |
| 2037*       | 260,000       |

\*Final maturity

### Optional Redemption

The Bonds stated to mature on or after January 15, 2028 are subject to redemption prior to maturity, at the option of the Authority at the direction of the College in a whole or from time to time in part, on and after January 15, 2027, 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 in such maturity or maturities as designated by the College. In the case of any Bond subject to mandatory redemption, the Authority at the direction of the College shall be entitled to designate whether any optional redemption shall be credited against principal amounts due at maturity or against particular scheduled mandatory redemption obligations with respect to such Bond. The Bonds to be redeemed within a maturity will be selected by the Trustee by lot.

### Extraordinary Optional Redemption

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

### Notice of Redemption

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

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

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

## **BOND INSURANCE**

### ***Bond Insurance Policy***

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as Appendix D 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, 27<sup>th</sup> Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://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](http://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, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$525 million, \$114 million and \$411 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](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

### ***Additional Information Available from BAM***

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM’s analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM’s website at [buildamerica.com/creditsights/](http://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/](http://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 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 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 Bonds. The College will deliver to the Authority the General Obligation Note, Series A of 2019, (the "2019A Note") and the General Obligation Note, Series B of 2019 (the "2019B Note") (collectively the 2019A Note and the 2019B Note referred to as the "Notes") which are each a general obligation of the College, dated the date of delivery thereof, evidencing its payment obligation under the Loan Agreement with respect to the 2019A Bonds and 2019B Bonds. The Bonds are limited obligations of the Authority, payable solely from (i) payments received from the College under the Loan Agreement and the 2019A Note and 2019B 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 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 Notes 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 Notes 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. 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 Bonds.

## **COMMUNITY COLLEGE FUNDING STRUCTURE**

### **Local Sponsor Obligation**

*General:* Under the Community College Act, all community colleges must be supported by a local sponsor, which in the College's case 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, 2019 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 to 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 E “SUMMARY OF OUTSTANDING DEBT SERVICE (BONDS AND NOTES 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 \$4,113,625 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 (operating and capital) for the College for calendar year 2019 was \$5,224,426 and for 2018 it was \$5,143,780. 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 Notes, 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 \$2,736,000 after issuance of the Bonds and the amount of Commonwealth operating and capital expense appropriations presently budgeted at \$10,477,133 by the College for fiscal 2018-19, the Commonwealth coverage of the College's maximum anticipated debt service would be approximately 3.83 times.

#### **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 2019A Note and 2019B 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 Bonds and the Loan Agreement in such fiscal year.

If the College defaults in its payments on the Bonds in any fiscal year because its revenues in such fiscal year are insufficient to pay its obligations as they become due and payable or for any other reason, 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 Bonds, and to pay over to the Trustee, as sinking fund depository for the 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 2019A Note and 2019B 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 Bonds, which correspond in amounts and time of payment with those due on the 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 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 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 2019A Note and 2019B Note are required to be deposited in the Revenue Fund established under the Indenture with the Trustee on or before the date of any required or permitted payment of principal of or interest on the Bonds. Moneys in the Revenue Fund established under the Indenture are required to be transferred by the Trustee at the times set forth in the Indenture to the various other funds established under the Indenture.

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 College 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 that the College will generate sufficient revenues to meet the College's payment obligations under the Loan Agreement and the 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 affected thereby.

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 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. 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) of the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength and claims 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 Bonds and under the Loan Agreement, which are the source of payment of the Bonds.**

## **BUTLER COUNTY COMMUNITY 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 2019-20 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:

| <b>Employees</b>          | <b><u>2013-14</u></b> | <b><u>2014-15</u></b> | <b><u>2015-16</u></b> | <b><u>2016-17</u></b> | <b><u>2017-18</u></b> | <b><u>2018-19</u></b> |
|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 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 expires on June 30, 2022. 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 "ANNUAL FINANCIAL REPORT- Year ended June 30, 2018" Note 5 & 6.

## Enrollment

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

| <b>Fiscal Year</b> | <b>Credit</b> | <b>Non-Credit</b> | <b>Total</b> |
|--------------------|---------------|-------------------|--------------|
| 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 Commonwealth funding for the College for the 2018-19 year was \$10,164,795 and for 2019-20 is \$10,477,133.

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 operating appropriation for the College for calendar year 2013 was \$3,469,214, for 2014 was \$3,376,691, for 2015 was \$3,621,055, for 2016 was \$3,897,419, for 2017 was \$3,939,648 and for 2018 was \$4,153,166. 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 FY2018-19 was \$113.00 credit hour for students from the Local Sponsor, \$213.00 credit hour for students from non-sponsoring Pennsylvania school districts, and \$313.00 credit hour for students from outside Pennsylvania. The College's tuition rate for FY2019-20- is \$118.00 credit hour for students from the Local Sponsor, \$218.00 credit hour for students from non-sponsoring Pennsylvania school districts, and \$318.00 credit hour for students from outside Pennsylvania. There is also a general fee of \$52.00 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, 2018 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, 2018 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, 2018, 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, 2018 see "MANAGEMENT'S DISCUSSION AND ANALYSIS" included in the financial information included in Appendix A hereto.

The financial statements ending June 30, 2014, 2015, 2016, 2017 and 2018 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 and 2019-20 Operating Budget.

**BULTLER COUNTY COMMUNITY COLLEGE**  
**STATEMENT OF NET POSITION**  
**FOR YEAR ENDED JUNE 30**

| <b>ASSETS</b>                                   | <b>2014</b>         | <b>2015</b>         | <b>2016</b>         | <b>2017</b>         | <b>2018</b>         |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Current Assets:                                 |                     |                     |                     |                     |                     |
| Cash and cash equivalents                       | \$12,026,939        | \$10,574,332        | \$9,977,207         | \$12,082,375        | \$15,032,241        |
| Due from Grantor agencies                       | 1,159,074           | 970,929             | 700,563             | 165,175             | 141,340             |
| Due from College Foundation                     | 112,475             | 94,546              | 72,210              | 130,898             | 105,599             |
| Grants Receivable                               | 0                   | 0                   | 500,000             | 500,000             | 500,000             |
| Accounts Receivable - Other                     | 861,643             | 554,895             | 316,277             | 497,404             | 449,198             |
| Accounts Receivable - Students                  | 4,796,279           | 4,897,473           | 5,375,586           | 5,681,364           | 5,452,961           |
| Support Agreement Receivable                    | 129,000             | 127,000             | 127,000             | 123,200             | 120,200             |
| Prepaid Expenses                                | 100,930             | 303,810             | 444,471             | 422,813             | 350,413             |
| Inventories                                     | 333,213             | 268,176             | 231,603             | 233,176             | 256,251             |
| Other Asset                                     | 0                   | 0                   | 10,000              | 19,091              | 19,091              |
| <b>Total Current Assets</b>                     | <b>\$19,519,553</b> | <b>\$17,791,161</b> | <b>\$17,754,917</b> | <b>\$19,855,496</b> | <b>\$22,427,294</b> |
| Noncurrent Assets:                              |                     |                     |                     |                     |                     |
| Grants Receivable                               | \$0                 | \$0                 | \$1,000,000         | \$500,000           | \$0                 |
| Support Agreement Receivable                    | 5,247,830           | 5,486,798           | 5,739,978           | 6,014,277           | 6,310,172           |
| Investments                                     | 2,953,574           | 2,454,535           | 1,270,701           | 596,966             | 248,361             |
| Capital Assets, not being depreciated           | 5,245,478           | 5,537,778           | 11,066,996          | 5,456,084           | 5,339,875           |
| Capital Assets, net of accumulated depreciation | 25,738,634          | 24,706,390          | 22,770,901          | 26,967,615          | 27,008,130          |
| <b>Total Noncurrent Assets</b>                  | <b>\$39,185,516</b> | <b>\$38,185,501</b> | <b>\$41,848,576</b> | <b>\$39,534,942</b> | <b>\$38,906,538</b> |
| <b>Total Assets</b>                             | <b>\$58,705,069</b> | <b>\$55,976,662</b> | <b>\$59,603,493</b> | <b>\$59,390,438</b> | <b>\$61,333,832</b> |
| DEFERRED OUTFLOWS OF RESOURCES                  |                     |                     |                     |                     |                     |
| Deferred Charge on Refunding                    | \$1,116,353         | \$1,046,958         | \$977,563           | \$908,168           | \$838,773           |
| Deferred Outflows of Resources for Pension      | 0                   | 778,747             | 807,168             | 1,643,324           | 1,278,779           |
| Deferred Outflows of Resources for OPEB         | 0                   | 0                   | 0                   | 0                   | 17,567              |
| <b>Total Deferred Outflows of Resources</b>     | <b>\$1,116,353</b>  | <b>\$1,825,705</b>  | <b>\$1,784,731</b>  | <b>\$2,551,492</b>  | <b>\$2,135,119</b>  |
| LIABILITIES                                     |                     |                     |                     |                     |                     |
| Current Liabilities:                            |                     |                     |                     |                     |                     |
| Accounts Payable                                | \$151,978           | \$231,941           | \$1,213,705         | \$255,645           | \$735,245           |
| Accounts Payable - State                        | 25,288              | 0                   | 2,198               | 0                   | 0                   |
| Accrued Interest Payable                        | 207,619             | 207,619             | 207,619             | 207,619             | 207,619             |
| Line of Credit                                  | 659,036             | 564,672             | 425,297             | 160,415             | 230,896             |
| Accrued Wages                                   | 819,234             | 815,174             | 785,873             | 841,275             | 779,554             |
| Bonds Payable, Current Portion                  | 1,410,000           | 1,435,000           | 1,450,000           | 1,460,000           | 1,500,000           |
| Note Payable, Current Portion                   | 233,122             | 223,353             | 246,935             | 342,411             | 335,507             |
| Employee Payroll Deduction                      | 244,089             | 253,261             | 362,457             | 201,629             | 277,991             |
| Support Agreement Payable                       | 0                   | 0                   | 0                   | 0                   | 0                   |
| Unearned Revenue                                | 4,515,042           | 4,673,958           | 4,801,272           | 5,082,869           | 5,737,109           |
| <b>Total Current Liabilities</b>                | <b>\$8,265,408</b>  | <b>\$8,404,978</b>  | <b>\$9,495,356</b>  | <b>\$8,551,863</b>  | <b>\$9,803,921</b>  |
| Noncurrent liabilities:                         |                     |                     |                     |                     |                     |
| Accumulated Compensated Absences                | \$1,040,234         | \$1,065,797         | \$980,069           | \$924,309           | \$883,907           |
| Pension Liability                               | 0                   | 7,006,000           | 7,494,000           | 8,623,000           | 8,198,000           |
| OPEB Liability                                  | 0                   | 0                   | 0                   | 0                   | 338,000             |
| Bonds Payable, Net                              | 23,774,968          | 22,665,678          | 21,541,540          | 20,408,546          | 19,253,074          |
| Note Payable                                    | 2,169,780           | 1,946,428           | 1,786,135           | 2,489,032           | 2,153,614           |
| Support Agreement Payable                       | 0                   | 0                   | 0                   | 0                   | 0                   |
| <b>Total Noncurrent Liabilities</b>             | <b>\$26,984,982</b> | <b>\$32,683,903</b> | <b>\$31,801,744</b> | <b>\$32,444,887</b> | <b>\$30,826,595</b> |
| <b>Total Liabilities</b>                        | <b>\$35,250,390</b> | <b>\$41,088,881</b> | <b>\$41,297,100</b> | <b>\$40,996,750</b> | <b>\$40,630,516</b> |
| DEFERRED INFLOWS OF RESOURCES                   |                     |                     |                     |                     |                     |
| Deferred Inflows of Resources for Pension       | \$0                 | \$0                 | \$182,000           | \$174,000           | \$409,000           |
| Deferred inflows of Resources for OPEB          | 0                   | 0                   | 0                   | 0                   | 31,000              |
| <b>Total Deferred Outflows of Resources</b>     | <b>\$0</b>          | <b>\$0</b>          | <b>\$182,000</b>    | <b>\$174,000</b>    | <b>\$440,000</b>    |
| NET POSITION                                    |                     |                     |                     |                     |                     |
| Net Investment in Capital Leases                | \$6,203,559         | \$6,494,450         | \$9,365,553         | \$8,471,433         | \$9,378,180         |
| Restricted                                      |                     |                     |                     |                     |                     |
| Expendable                                      | 7,726,830           | 7,652,253           | 7,366,978           | 7,137,477           | 6,930,372           |
| Nonexpendable                                   | 0                   | 0                   | 0                   | 0                   | 0                   |
| Unrestricted                                    | 10,640,643          | 2,065,783           | 3,176,593           | 5,162,240           | 6,089,883           |
| <b>Total Net Position</b>                       | <b>\$24,571,032</b> | <b>\$16,212,486</b> | <b>\$19,909,124</b> | <b>\$20,771,150</b> | <b>\$22,398,435</b> |

Source: College Audited Financial Statements.

**BULTER COUNTY COMMUNITY COLLEGE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR YEAR ENDED JUNE 30**

|  | <u>2014</u>         | <u>2015</u>         | <u>2016</u>         | <u>2017</u>         | <u>2018</u>         |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Revenues:</b>   |                     |                     |                     |                     |                     |
| <i>Operating Revenues</i>  |                     |                     |                     |                     |                     |
| Student Tuition and Fees   | \$14,117,230        | \$14,079,198        | \$15,593,601        | \$16,187,418        | \$16,112,401        |
| Federal Grants   | 6,054,851           | 5,919,376           | 5,465,903           | 5,659,293           | 6,004,041           |
| Sale of Books and Merchandise- Net of Cost                       | 530,301             | 578,565             | 572,999             | 575,141             | 527,869             |
| Contributions  | 7,316               | 24,142              | 0                   | 24,832              | 0                   |
| Support Agreement  | 350,648             | 365,968             | 2,941,628           | 397,499             | 427,780             |
| Other Operating Revenues   | 179,831             | 112,148             | 137,346             | 192,568             | 149,217             |
| <b>Total Operating Revenues</b>                                  | <u>\$21,240,177</u> | <u>\$21,079,397</u> | <u>\$24,711,477</u> | <u>\$23,036,751</u> | <u>\$23,221,308</u> |
| <b>Expenses:</b>   |                     |                     |                     |                     |                     |
| <i>Operating Expenses</i>  |                     |                     |                     |                     |                     |
| Regular Programs   | \$26,032,963        | \$27,662,610        | \$27,339,419        | \$28,424,725        | \$28,271,454        |
| Special Programs   | 1,437,436           | 1,467,945           | 1,290,253           | 1,638,049           | 2,196,948           |
| Equipment Purchases  | 971,937             | 682,170             | 384,347             | 549,929             | 255,831             |
| Equipment Rentals  | 152,347             | 157,816             | 160,360             | 157,041             | 154,105             |
| Salaries, Wages and Expenses- Students and Auxiliary Enterprises | 368,386             | 401,802             | 450,380             | 441,530             | 414,431             |
| Student Activities   | 156,275             | 158,752             | 161,958             | 188,622             | 171,366             |
| Student Grants and Scholarships                                  | 5,355,545           | 5,421,740           | 5,083,152           | 4,961,706           | 5,137,668           |
| Other  | 130,918             | 153,362             | 118,083             | 121,585             | 122,037             |
| Rental Expense   | 0                   | 0                   | 0                   | 0                   | 0                   |
| Depreciation/Amortization  | 2,147,549           | 2,162,905           | 2,234,736           | 2,292,805           | 2,187,044           |
| <b>Total Operating Expenses</b>                                  | <u>\$36,753,356</u> | <u>\$38,269,102</u> | <u>\$37,222,688</u> | <u>\$38,775,992</u> | <u>\$38,910,884</u> |
| <b>Operating Income (Loss)</b>                                   | <u>(15,513,179)</u> | <u>(17,189,705)</u> | <u>(12,511,211)</u> | <u>(15,739,241)</u> | <u>(15,689,576)</u> |
| <b>Nonoperating Revenues (Expenses):</b>                         |                     |                     |                     |                     |                     |
| Investment Income  | \$73,384            | \$49,551            | \$44,289            | \$61,503            | \$73,146            |
| State Appropriation and Grants                                   | 8,891,516           | 9,501,060           | 9,925,738           | 10,467,538          | 10,709,173          |
| County Appropriations and Grants                                 | 3,445,121           | 3,890,875           | 4,040,000           | 4,044,166           | 4,199,564           |
| State Appropriation and Grants- Capital                          | 1,625,096           | 1,833,214           | 0                   | 0                   |                     |
| County Appropriations and Grants- Capital                        | 1,187,455           | 1,200,445           | 0                   | 0                   |                     |
| Other Nonoperating Revenues                                      | (1,228)             | (62,938)            | (5,823)             | (631)               | 596,853             |
| Debt Service- Interest Expense                                   | (1,019,275)         | (1,087,472)         | (1,073,642)         | (1,054,175)         | (1,073,204)         |
| <b>Net Nonoperating Revenues (Expenses)</b>                      | <u>\$14,202,069</u> | <u>\$15,324,735</u> | <u>\$12,930,562</u> | <u>\$13,518,401</u> | <u>\$14,505,532</u> |
| Income (loss) before Other Revenues, Expenses                    |                     |                     |                     |                     |                     |
| Gains, or Losses   | 0                   | 0                   | 419,351             | (2,220,840)         | (1,184,044)         |
| State Appropriations and Grants-Capital                          | 0                   | 0                   | 2,076,842           | 1,907,421           | 2,010,884           |
| County Appropriations and Grants- Capital                        | 0                   | 0                   | 1,200,445           | 1,175,445           | 1,175,445           |
| <b>Changes in Net Position</b>                                   | <u>(1,311,110)</u>  | <u>(1,864,970)</u>  | <u>3,696,638</u>    | <u>862,026</u>      | <u>2,002,285</u>    |
| <b>Net Position - Beginning of Year</b>                          | <u>\$25,882,152</u> | <u>\$18,077,456</u> | <u>\$16,212,486</u> | <u>\$19,909,124</u> | <u>\$20,396,150</u> |
| <b>Net Position - End of Year</b>                                | <u>\$24,571,042</u> | <u>\$16,212,486</u> | <u>\$19,909,124</u> | <u>\$20,771,150</u> | <u>\$22,398,435</u> |

\*Restatement.

Source: College Audited Financial Statements.



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

|                                   | <b>2018-19</b>             | <b>2019-20</b>             |
|-----------------------------------|----------------------------|----------------------------|
|                                   | <b><u>Budget</u></b>       | <b><u>Budget</u></b>       |
| <b>Revenues (By Source)</b>       |                            |                            |
| Students                          | \$16,922,463               | \$16,741,375               |
| State                             | 10,164,795                 | 10,477,133                 |
| County                            | 5,172,945                  | 5,289,070                  |
| Borrowing                         | 600,000                    | 500,000                    |
| Interest                          | 65,000                     | 85,000                     |
| Miscellaneous                     | 275,450                    | 160,000                    |
| Foundation Appropriation          | 122,200                    | 122,200                    |
| Academic Enhancement              | 0                          | 0                          |
| College Reserves                  | 2,351,697                  | 1,080,000                  |
| <b>Total</b>                      | <b><u>\$35,674,550</u></b> | <b><u>\$34,454,778</u></b> |
| <b>Expenditures (By Category)</b> |                            |                            |
| Salaries & Benefits               | \$23,285,000               | \$23,518,458               |
| Supplies & Services               | 3,413,785                  | 3,567,445                  |
| Utilities & Insurance             | 1,124,800                  | 1,152,800                  |
| Other Operating Expenses          | 1,136,300                  | 952,100                    |
| Rentals, Leases & Licenses        | 984,253                    | 1,009,253                  |
| Debt Service                      | 2,730,412                  | 2,732,222                  |
| Building & Site Improvements      | 1,650,000                  | 625,000                    |
| Furniture and Equipment           | 1,350,000                  | 723,300                    |
| Transfers Out                     | 0                          | 174,200                    |
| <b>Total</b>                      | <b><u>\$35,674,550</u></b> | <b><u>\$34,454,778</u></b> |

Source: College Budget Reports.

**Long Term Indebtedness**

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

|  | <b><u>Gross<br/>Outstanding*</u></b> |
|--|--------------------------------------|
| College Revenue Bonds, Series A & B of 2019 (this issue) | \$6,375,000                          |
| College Revenue Bonds, Series A of 2018                  | 5,900,000                            |
| Series B of 2017 Note**                                  | 879,022                              |
| Series B of 2014 Note**                                  | 1,282,451                            |
| College Revenue Bonds, Series B of 2011                  | 695,000                              |
| College Revenue Bonds, Series G of 2000                  | 2,061,861                            |
| <b>TOTAL DEBT</b>  | <b><u>\$17,193,334</u></b>           |

\*Includes the Bonds offered through this Official Statement.

\*\*Payable from State appropriations.

*Upon the issuance of the Bonds, the Bonds and each series of College Revenue Bonds identified above, will be equally and ratably secured and payable under a Trust Indenture relating to each separate series of College Revenue Bonds from loan payments of the College under a Loan Agreement and any note of the College issued in accordance with such Loan Agreement, except with respect to any fund or account established under a Trust Indenture 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 E - "SUMMARY OF OUTSTANDING DEBT SERVICE (BONDS AND NOTES 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

|                         | <u>2014-15</u>  | <u>2015-16</u>  | <u>2016-17</u>  | <u>2017-18</u>  | <u>2018-19</u>  | <u>2019-20</u>  |
|-------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Tuition (per credit)    | \$96.00         | \$100.00        | \$104.00        | \$108.00        | \$113.00        | \$118.00        |
| Academic Fee            | 0               | 0               | 0               | 0               | 0               | 0               |
| Comp. Fee               | <u>31</u>       | <u>41</u>       | <u>49</u>       | <u>52</u>       | <u>52</u>       | <u>52</u>       |
| Total<br>(per credit)   | <u>\$127.00</u> | <u>\$141.00</u> | <u>\$153.00</u> | <u>\$160.00</u> | <u>\$165.00</u> | <u>\$170.00</u> |
| Tuition % Change        | 3.23%           | 4.17%           | 4.00%           | 3.80%           | 4.60%           | 4.42%           |
| Fee % Change            | 0.00%           | 32.25%          | 19.51%          | 6.10%           | 0%              | 0%              |
| Total Percentage Change | <u>2.42%</u>    | <u>11.02%</u>   | <u>8.51%</u>    | <u>4.50%</u>    | <u>3.10%</u>    | <u>3.03%</u>    |

Source: The College.

### All other Pennsylvania Residents

|                         | <u>2014-15</u>  | <u>2015-16</u>  | <u>2016-17</u>  | <u>2017-18</u>  | <u>2018-19</u>  | <u>2019-20</u>  |
|-------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Tuition (per credit)    | \$192.00        | \$200.00        | \$208.00        | \$208.00        | \$213.00        | \$218.00        |
| Academic Fee            | 0               | 0               | 0               | 0               | 0               | 0               |
| Comp. Fee               | <u>31</u>       | <u>41</u>       | <u>49</u>       | <u>52</u>       | <u>52</u>       | <u>52</u>       |
| Total<br>(per credit)   | <u>\$223.00</u> | <u>\$241.00</u> | <u>\$257.00</u> | <u>\$260.00</u> | <u>\$265.00</u> | <u>\$270.00</u> |
| Tuition % Change        | 3.23%           | 4.17%           | 4.00%           | 0.00%           | 2.40%           | 2.35%           |
| Fee % Change            | 0.00%           | 32.25%          | 19.51%          | 6.10%           | 0%              | 0%              |
| Total Percentage Change | <u>2.76%</u>    | <u>8.07%</u>    | <u>6.64%</u>    | <u>1.20%</u>    | <u>1.90%</u>    | <u>1.89%</u>    |

Source: The College.

**Out of State or International Residents**

|                         | <u>2014-15</u>  | <u>2015-16</u>  | <u>2016-17</u>  | <u>2017-18</u>  | <u>2018-19</u>  | <u>2019-20</u>  |
|-------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Tuition (per credit)    | \$288.00        | \$300.00        | \$312.00        | \$308.00        | \$313.00        | \$318.00        |
| Academic Fee            | 0               | 0               | 0               | 0               | 0               | 0               |
| Comp. Fee               | 31              | 41              | \$49.00         | \$52.00         | \$52.00         | \$52.00         |
| Total (per credit)      | <u>\$319.00</u> | <u>\$341.00</u> | <u>\$361.00</u> | <u>\$360.00</u> | <u>\$365.00</u> | <u>\$370.00</u> |
| Tuition % Change        | 3.23%           | 4.17%           | 4.00%           | -1.30%          | 1.60%           | 1.60%           |
| Fee % Change            | 0               | 32.25%          | 19.51%          | 6.10%           | 0%              | 0%              |
| Total Percentage Change | 6.90%           | 2.90%           | 6.90%           | 5.86%           | -0.20%          | 1.40%           |

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> |
|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>GRANTS</b>              |                |                |                |                |                |                |
| 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            |
| <b>LOANS</b>               |                |                |                |                |                |                |
| Stafford                   | 845            | 920            | 815            | 722            | 690            | N/A            |
| <b>EMPLOYMENT</b>          |                |                |                |                |                |                |
| College Work-Study Program | 69             | 70             | 85             | 124            | 106            | N/A            |

Source: The College.

**Special Fundraising Activities**

The College receives approximately \$1 million dollars per fiscal year from external funding sources to support initiatives at the College. The College has funding commitments totaling over \$1.1 million dollars for 2019-20 fiscal year. These grants support college-wide projects which include funds for faculty/staff compensation, travel, student tuition, instructional supplies, and other related program costs. The College's Foundation, the BC3 Education Foundation, has raised approximately \$2.5 million to date for the construction of a new Nursing and Allied Health Building, expected to be built in 2021-22. In addition, the Foundation provides approximately \$250,000-\$300,000 annually in direct student scholarship support.

## 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 Certificate (See Appendix B- Form of Continuing Disclosure Certificate), 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, 2019, within 270 days following the end of such fiscal year;
  - the financial statements for the most recent fiscal year, prepared in accordance with generally accepted accounting principles as applied to educational entities such as the College and audited in accordance with generally accepted auditing standards; and
  - certain operating data being the College's funding structure showing the source of funding (Commonwealth of Pennsylvania, County of Butler, tuition/fees and other revenues), by percentage, for its operating budget; enrollment; student tuition and fees;
- (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; (15) incurrence of a financial obligation of the College or other obligated person, if any, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the College or other obligated person, if any, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the College or other obligated person, if any, any of which reflect financial difficulties; and
- (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 obligations of the College described above may be amended without the consent of the holders of the Bonds, to the extent permitted by the Rule, as from time to time amended, and as set forth in the Continuing Disclosure Certificate.

The MSRB has been designated by the SEC to be the central and sole repository for continuing disclosure information filed by issues of municipal securities since July 1, 2009. Information and notices filed by municipal issuers (and other "obligated persons" with respect to municipal securities issues) are made available through the MSRB's Electronic Municipal Market Access (EMMA) System, which may be accessed on the internet at <http://www.emma.msrb.org>.

In the event of a breach or default by the College of its covenants to provide annual financial information and notices as provided above, 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.

Under the Continuing Disclosure Certificate, the College is initially the disclosure agent thereunder. However, pursuant to the Continuing Disclosure Certificate, after the Bonds have been issued, the College may appoint or engage a third party disclosure agent.

## 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 <sup>(1)</sup> | Financial Statements   |                        | Budget      |                        | Operating Data |                        |
|--------------------|--------------------------------|------------------------|------------------------|-------------|------------------------|----------------|------------------------|
|                    |                                | Filing Date            | EMMA ID <sup>(2)</sup> | Filing Date | EMMA ID <sup>(2)</sup> | Filing Date    | EMMA ID <sup>(2)</sup> |
| 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<br>3/2/2018 | ES839570               | 12/20/2017  | ES839570               | 12/20/2017     | ES839570               |
| 6/30/2018          | 12/27/2018                     | 12/14/2018             | ER910982               | 12/14/2018  | ER910982               | 12/14/2018     | ER910989               |

### **Bonds**

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

<sup>(2)</sup> 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=>

Certain filings inadvertently omitted CUSIPs associated with the College's then outstanding bonds.

## LITIGATION

*The Authority.* There is no litigation of any nature now pending or, to the Authority's knowledge, threatened against it restraining or enjoining or seeking to restrain or enjoin, 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 2019A Note and 2019B 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 associations, investment companies and other persons carrying on a banking business, all insurance companies, insurance associations and other persons carrying on an insurance business, and all administrators, executors, guardians, trustees and other fiduciaries, and all other persons who are authorized to invest in Bonds or other financial obligations of the Commonwealth may properly and legally invest any funds, including capital belonging to them or within their control, and the Bonds are securities which may properly and legally be deposited with and received by any Commonwealth and municipal officers or agency of the Commonwealth for any purpose for which the deposit of other bonds or other obligations of the Commonwealth is authorized by law.

## TAX EXEMPTION AND OTHER TAX MATTERS

### **Federal Income Tax Matters**

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 Bonds." 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.

## **UNDERWRITING**

The Underwriter has agreed to purchase the Bonds from the Authority, subject to certain conditions precedent, and will purchase all of the Bonds if any of such Bonds are purchased. The Bonds will be purchased for a purchase price of \$6,340,355.15, equal to the par value of the Bonds plus a net original issue premium of \$9,980.15, less an underwriter's discount of \$44,625.00.

## **BOND RATING**

Standard & Poor's Rating Services is expected to assign its municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of principal of and interest on the Bonds will be issued by BAM. Such ratings reflect only the view of such organization and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following address: 55 Water Street, 38<sup>th</sup> 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.

## **FINANCIAL ADVISOR**

The 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 Preliminary Official Statement. PFM Financial Advisors LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **MISCELLANEOUS MATTERS**

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

## **STATE PUBLIC SCHOOL BUILDING AUTHORITY**

By: /s/ Beverly M. Nawa  
Title: Acting Executive Director

The College hereby approves the use and distribution of this Preliminary 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 Preliminary 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/ James Hrabosky  
Title: Vice President of Finance

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**APPENDIX A  
BUTLER COUNTY COMMUNITY COLLEGE  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2018  
INDEPENDENT AUDITOR'S REPORT**

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**Butler County Community College**  
(A Component Unit of the County of Butler, Pennsylvania)

Single Audit

June 30, 2018

**MaherDuessel**

Pursuing the profession while promoting the public good®  
[www.md-cpas.com](http://www.md-cpas.com)

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# BUTLER COUNTY COMMUNITY COLLEGE

YEAR ENDED JUNE 30, 2018

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# BUTLER COUNTY COMMUNITY COLLEGE

YEAR ENDED JUNE 30, 2018

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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, 2018, 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, 2018, 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*

#### *Prior Year Comparative Information*

We have previously audited BCCC's fiscal year-end 2017 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated December 20, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension, and OPEB information on pages i through viii and pages 41 through 45, 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 10, 2018 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 solely 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 effectiveness of BCCC's 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 10, 2018

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## **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, 2018. This MD&A reflects on current activities, resulting changes, 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<br>As of June 30, |               | Increase<br>(Decrease) | Percent<br>Change |
|--|--------------------------------|---------------|------------------------|-------------------|
|  | 2018                           | 2017          |                        |                   |
| Current Assets                             | \$ 22,427,294                  | \$ 19,855,496 | \$ 2,571,798           | 12.95%            |
| Non-current Assets:                        |                                |               |                        |                   |
| Capital assets, net of depreciation        | 32,348,005                     | 32,423,699    | (75,694)               | -0.23%            |
| Investments                                | 248,361                        | 596,966       | (348,605)              | -58.40%           |
| Others                                     | 6,310,172                      | 6,514,277     | (204,105)              | -3.13%            |
| Total Assets                               | 61,333,832                     | 59,390,438    | 1,943,394              | 3.27%             |
| Deferred Outflows of Resources:            |                                |               |                        |                   |
| Deferred charge on refunding               | 838,773                        | 908,168       | (69,395)               | -7.64%            |
| Deferred outflows of resources for pension | 1,278,779                      | 1,643,324     | (364,545)              | -22.18%           |
| Deferred outflows of resources for OPEB    | 17,567                         | -             | 17,567                 | 100.00%           |
| Total Deferred Outflows of Resources       | 2,135,119                      | 2,551,492     | (416,373)              | -16.32%           |
| Current Liabilities                        | 9,803,921                      | 8,551,893     | 1,252,028              | 14.64%            |
| Non-current Liabilities                    | 30,826,595                     | 32,444,887    | (1,618,292)            | -4.99%            |
| Total Liabilities                          | 40,630,516                     | 40,996,780    | (366,264)              | -0.89%            |
| Deferred Inflows of Resources:             |                                |               |                        |                   |
| Deferred inflows of resources for pension  | 409,000                        | 174,000       | 583,000                | 335.06%           |
| Deferred inflows of resources for OPEB     | 31,000                         | -             | 31,000                 | 100.00%           |
| Total Deferred Inflows of Resources        | 440,000                        | 174,000       | 614,000                | 352.87%           |
| Net Position:                              |                                |               |                        |                   |
| Net investment in capital assets           | 9,378,180                      | 8,471,433     | 906,747                | 10.70%            |
| Restricted, expendable                     | 6,930,372                      | 7,137,477     | (207,105)              | -2.90%            |
| Unrestricted                               | 6,089,883                      | 5,162,240     | 927,643                | 17.97%            |
| Total Net Position                         | \$ 22,398,435                  | \$ 20,771,150 | \$ 1,627,285           | 7.83%             |

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 \$13.3 million reflects the continuing ability of BCCC to meet its short-term obligations. Total Current Assets increased by approximately \$2.6 million, primarily due to increases in cash. Receivables consist of student accounts, agency receivables, interest, and various operating receivables. During 2018, total cash and cash equivalents increased by approximately \$2.9 million. This increase was primarily the result of an operating surplus, conversion of

investments into cash, and the receipt of State and Foundation grant funds for capital projects. Receivables, prepaid expenses and bookstore inventories remained consistent with prior years.

Other Non-current Assets decreased by approximately \$200,000, while Capital Assets increased by approximately \$76,000, and Investments decreased by approximately \$349,000. 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, 2018 was \$248,361. BCCC has withdrawn and spent funds from this account over the past few years for important capital projects. BCCC will need to designate a portion of unrestricted 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, the deferred outflows of resources for pension, and the deferred outflows of resources for OPEB.

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 increased by approximately \$1.25 million from 2017 to 2018. For the most part, this is attributable to an increase in accounts payable. Accounts payable increased mainly due to construction projects under contract that were not completed as of June 30, 2018. Non-current Liabilities total approximately \$30.8 million. This has decreased from the prior year by approximately \$1.6 million as a result of a decrease to the net pension liability and pay down on outstanding long-term debt.

BCCC's total Net Position increased in fiscal year 2018 to a total of approximately \$22.4 million. Approximately, \$10 million is the value of the Net Investment in Capital Assets; approximately, \$6.9 million is Restricted, Expendable; and approximately, \$6.1 million is classified as Unrestricted Net Position. The net investment in capital assets increased by approximately \$907,000 and unrestricted net position increased by approximately \$928,000 in fiscal year 2018.

Statements of Revenues, Expenses, and Changes in Net Position

| Operating Results<br>For the Fiscal Years Ended June 30,   |               |               |                        |                   |
|--|---------------|---------------|------------------------|-------------------|
|  | 2018          | 2017          | Increase<br>(Decrease) | Percent<br>Change |
| Operating Revenues:  |               |               |                        |                   |
| Tuition and Fees   | \$ 16,112,401 | \$ 16,187,418 | \$ (75,017)            | -0.46%            |
| Grants and Contributions                                   | 6,004,041     | 5,659,293     | 344,748                | 6.09%             |
| Auxiliary Enterprise                                       | 527,869       | 575,141       | (47,272)               | -8.22%            |
| Other Operating  | 576,997       | 614,899       | (37,902)               | -6.16%            |
| Total Operating Revenues                                   | 23,221,308    | 23,036,751    | 184,557                | 0.80%             |
| Less Operating Expenses                                    | 38,910,884    | 38,775,992    | 134,892                | 0.35%             |
| Operating Loss   | (15,689,576)  | (15,739,241)  | 49,665                 | -0.32%            |
| Nonoperating Revenues (Expenses):                          |               |               |                        |                   |
| State Appropriation and Grants                             | 10,709,173    | 10,467,538    | 241,635                | 2.31%             |
| County Appropriation and Grants                            | 4,199,564     | 4,044,166     | 155,398                | 3.84%             |
| Foundation grant   | 1,048,705     | -             | 1,048,705              | 100.00%           |
| Investment Income  | 73,146        | 61,503        | 11,643                 | 18.93%            |
| Loss on disposition of asset                               | (451,852)     | -             | (451,852)              | 100.00%           |
| Other Non-operating Expense                                | -             | (631)         | 631                    | -100.00%          |
| Debt Service Interest Expense                              | (1,073,204)   | (1,054,175)   | (19,029)               | 1.81%             |
| Net nonoperating revenues (expenses)                       | 14,505,532    | 13,518,401    | 987,131                | 7.30%             |
| Income before other revenues, expenses<br>gains, or losses | (1,184,044)   | (2,220,840)   | 1,036,796              | -46.68%           |
| State appropriations and grants - capital                  | 2,010,884     | 1,907,421     | 103,463                | 5.42%             |
| County appropriations and grants - capital                 | 1,175,445     | 1,175,445     | -                      | 0.00%             |
| Change in Net Position                                     | 2,002,285     | 862,026       | 1,140,259              |                   |
| Net Position:  |               |               |                        |                   |
| Beginning of the Year                                      | 20,771,150    | 19,909,124    |                        |                   |
| Adjustment for implementation of GASB 75                   | (375,000)     | -             |                        |                   |
| Beginning of the Year, Restated                            | 20,396,150    | -             |                        |                   |
| Net Position, End of the Year                              | \$ 22,398,435 | \$ 20,771,150 | \$ 1,627,285           |                   |

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, 2018, Operating Revenues increased approximately \$185,000.

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 \$16.1 million. Tuition and fees revenue decreased in fiscal year 2018 by 0.46% due to the fact that an enrollment decline offset any marginal revenue generated by a tuition rate increase. Overall credit enrollment declined by approximately 2.20% in 2017/18.

Federal, operating state and local grants and contracts totaled approximately \$6 million, which is an increase of 6.09%. This increase was primarily a result of increased funding for worker training. Sales of books and merchandise (Auxiliary Enterprise) amounted to \$527,869 for the year, which was a decrease of 8.22% from 2016/17.

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 \$14.9 million, covering the majority of the operating deficit mentioned above. Funding from the State for capital grants showed an increase compared to 2017 of approximately \$103,000, due to an increase in the State's support. During 2017/2018, the State contributed \$10,709,173 towards the operating costs of BCCC and \$2,669,027 in capital grants.

Compared to 2017, investment income was relatively consistent at approximately \$73,000. Also reported as a nonoperating activity is the interest expense related to BCCC debt, which increased by approximately \$19,000 and the loss on the disposition of an asset in the amount of \$451,852.

BCCC received approximately 15% of its annual funding (excluding student financial aid and grants) from its local sponsor, the County. In 2018, BCCC received a total of \$5,219,611, which is relatively consistent with the prior year. Of this amount, \$4,199,564 was allocated to operating and \$1,175,445 to debt and capital expenditures.

| Total Expenses<br>For the Fiscal Years Ended June 30, |                      |                      |                        |                   |
|---|----------------------|----------------------|------------------------|-------------------|
|   | 2018                 | 2017                 | Increase<br>(Decrease) | Percent<br>Change |
| Operating Expenses:                                   |                      |                      |                        |                   |
| Instruction   | \$ 14,775,905        | \$ 14,799,005        | \$ (23,100)            | -0.16%            |
| Academic Support                                      | 957,939              | 1,083,893            | (125,954)              | -11.62%           |
| Student Services                                      | 2,968,631            | 2,888,407            | 80,224                 | 2.78%             |
| Institutional Support (incl. benefits)                | 6,134,160            | 6,335,075            | (200,915)              | -3.17%            |
| Physical Plant  | 3,434,819            | 3,318,345            | 116,474                | 3.51%             |
| Auxiliary Enterprises                                 | 414,431              | 441,530              | (27,099)               | -6.14%            |
| Student Activities                                    | 171,366              | 188,622              | (17,256)               | -9.15%            |
| Student Grants and Scholarships                       | 5,137,668            | 4,961,706            | 175,962                | 3.55%             |
| Special Programs                                      | 2,196,948            | 1,638,049            | 558,899                | 34.12%            |
| Capital Purchases/Leases                              | 409,936              | 706,970              | (297,034)              | -42.02%           |
| Depreciation/Amortization                             | 2,187,044            | 2,292,805            | (105,761)              | -4.61%            |
| Other   | 122,037              | 121,585              | 452                    | 0.37%             |
| Total Operating Expenses                              | 38,910,884           | 38,775,992           | 134,892                | 0.35%             |
| Nonoperating Expenses                                 | 1,525,056            | 1,054,806            | 470,250                | 44.58%            |
| Total Expenses  | <u>\$ 40,435,940</u> | <u>\$ 39,830,798</u> | <u>\$ 605,142</u>      | 1.52%             |

Overall operating cost increases were minimal in 2017/18 due to a strategic effort by BCCC to manage expenses given a very challenging situation related to demographics and overall enrollment. Operating Expenses include all annual expenses related to delivery of education, financial aid awards, and depreciation.

Special Program expenses increased as a direct result of increased grant funding for worker training. Finally, capital purchases/leases were down in 2017/18 as the College completed a major renovation project in 2016/17.



### Capital Assets and Debt

| Net Capital Assets<br>As of June 30, |                      |                      |                        |                   |
|--------------------------------------|----------------------|----------------------|------------------------|-------------------|
|                                      | 2018                 | 2017                 | Increase<br>(Decrease) | Percent<br>Change |
| Capital Assets:                      |                      |                      |                        |                   |
| Land and Improvements                | \$ 5,298,134         | \$ 5,298,134         | \$ -                   | 0.00%             |
| Construction in Progress             | 41,741               | 157,950              | (116,209)              | -73.57%           |
| Buildings                            | 54,384,087           | 52,132,367           | 2,251,720              | 4.32%             |
| Equipment and Furnishings            | 12,782,342           | 13,208,103           | (425,761)              | -3.22%            |
| Total                                | 72,506,304           | 70,796,554           | 1,709,750              | 2.42%             |
| Less Accumulated Depreciation        | (40,158,299)         | (38,372,855)         | (1,785,444)            | 4.65%             |
| Net Capital Assets                   | <u>\$ 32,348,005</u> | <u>\$ 32,423,699</u> | <u>\$ (75,694)</u>     | -0.23%            |

As of June 30, 2018, BCCC had recorded over \$72.5 million invested in Capital Assets, \$40.1 million in Accumulated Depreciation, netting to over \$32.3 million in Net Capital Assets.

BCCC did complete an important renovation to three buildings in 2017/18, the most significant being BCCC's Children's Creative Learning Center. This project resulted in a net increase of \$2,251,720 in buildings. Overall, BCCC experienced a change in accumulated depreciation of \$1,785,444 due to normal recording of asset allocation of the cost of assets to periods in which the assets are used.

During 2017, BCCC paid down approximately \$1.5 million in bond principal and added \$330,192 due to accretion of zero-coupon bonds. The year-end bonds payable balance was \$20,923,336. 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, 9, and 11 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 expired in 2018. Contract negotiations with this unit have been preliminary and ongoing.

# BUTLER COUNTY COMMUNITY COLLEGE

## STATEMENTS OF NET POSITION

JUNE 30, 2018

(With Comparative Totals at June 30, 2017)

| Assets  | 2018              |                   | 2017              |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | BCCC              | BCCC Foundation   | BCCC              | BCCC Foundation   |
| <b>Current assets:</b>                          |                   |                   |                   |                   |
| Cash and cash equivalents                       | \$ 15,032,241     | \$ 1,927,752      | \$ 12,082,375     | \$ 2,154,120      |
| Investments:                                    |                   |                   |                   |                   |
| Held by Trustee                                 | -                 | -                 | -                 | 5,683,452         |
| Due from grantor agencies                       | 141,340           | 6,744,218         | 165,175           | -                 |
| Due from College Foundation                     | 105,599           | -                 | 130,898           | -                 |
| Grants receivable from College Foundation       | 500,000           | -                 | 500,000           | -                 |
| Accounts receivable - other                     | 449,198           | 1,002             | 497,404           | 3,595             |
| Accounts receivable - students                  | 5,452,961         | -                 | 5,681,364         | -                 |
| Pledges receivable                              | -                 | 229,054           | -                 | 381,288           |
| Support agreement receivable                    | 120,200           | -                 | 123,200           | -                 |
| Prepaid expenses                                | 350,413           | 249               | 422,813           | 4,975             |
| Inventories                                     | 256,251           | -                 | 233,176           | -                 |
| Other asset                                     | 19,091            | -                 | 19,091            | -                 |
| <b>Total current assets</b>                     | <b>22,427,294</b> | <b>8,902,275</b>  | <b>19,855,496</b> | <b>8,227,430</b>  |
| <b>Noncurrent assets:</b>                       |                   |                   |                   |                   |
| Grants receivable from College Foundation       | -                 | 6,430,372         | -                 | 6,137,477         |
| Grant receivable from College Foundation        | -                 | -                 | 500,000           | -                 |
| Pledges receivable                              | -                 | 850,339           | -                 | 323,050           |
| Support agreement receivable                    | 6,310,172         | -                 | 6,014,277         | -                 |
| Investments                                     | 248,361           | -                 | 596,966           | -                 |
| Capital assets, not being depreciated           | 5,339,875         | 455,991           | 5,456,084         | 455,991           |
| Capital assets, net of accumulated depreciation | 27,008,130        | 1,964,873         | 26,967,615        | 2,076,090         |
| <b>Total noncurrent assets</b>                  | <b>38,906,538</b> | <b>9,701,575</b>  | <b>39,534,942</b> | <b>8,992,608</b>  |
| <b>Total Assets</b>                             | <b>61,333,832</b> | <b>18,603,850</b> | <b>59,390,438</b> | <b>17,220,038</b> |
| <b>Deferred Outflows of Resources</b>           |                   |                   |                   |                   |
| Deferred charge on refunding                    | 838,773           | -                 | 908,168           | -                 |
| Deferred outflows of resources for pension      | 1,278,779         | -                 | 1,643,324         | -                 |
| Deferred outflows of resources for OPEB         | 17,567            | -                 | -                 | -                 |
| <b>Total Deferred Outflows of Resources</b>     | <b>2,135,119</b>  | <b>-</b>          | <b>2,551,492</b>  | <b>-</b>          |

(Continued)

See accompanying notes to financial statements.

# BUTLER COUNTY COMMUNITY COLLEGE

## STATEMENTS OF NET POSITION

JUNE 30, 2018

(With Comparative Totals at June 30, 2017)

(Continued)

|  | 2018                 |                     | 2017                 |                     |
|--|----------------------|---------------------|----------------------|---------------------|
|  | BCCC                 | BCCC Foundation     | BCCC                 | BCCC Foundation     |
| <b>Liabilities</b>                         |                      |                     |                      |                     |
| Current liabilities:                       |                      |                     |                      |                     |
| Accounts payable                           | \$ 735,245           | \$ 477              | \$ 255,645           | \$ 12,249           |
| Payable to College                         | -                    | 110,737             | -                    | 130,898             |
| Grants payable to College                  | -                    | 500,000             | -                    | 500,000             |
| Accrued interest payable                   | 207,619              | -                   | 207,619              | -                   |
| Line of credit                             | 230,896              | -                   | 160,415              | -                   |
| Accrued wages                              | 779,554              | -                   | 841,275              | -                   |
| Bonds payable, current portion             | 1,500,000            | -                   | 1,460,000            | -                   |
| Notes payable, current portion             | 335,507              | 138,347             | 342,441              | 134,443             |
| Employee payroll deductions                | 277,991              | -                   | 201,629              | -                   |
| Support agreement payable                  | -                    | 120,200             | -                    | 123,200             |
| Unearned revenue                           | 5,737,109            | 100,923             | 5,082,869            | 76,687              |
| <b>Total current liabilities</b>           | <b>9,803,921</b>     | <b>970,684</b>      | <b>8,551,893</b>     | <b>977,477</b>      |
| Noncurrent liabilities:                    |                      |                     |                      |                     |
| Gift annuity payable                       | -                    | 68,333              | -                    | 73,160              |
| Grants payable to College                  | -                    | -                   | -                    | 500,000             |
| Accumulated compensated absences           | 883,907              | -                   | 924,309              | -                   |
| Pension liability                          | 8,198,000            | -                   | 8,623,000            | -                   |
| OPEB liability                             | 338,000              | -                   | -                    | -                   |
| Bonds payable, net                         | 19,253,074           | -                   | 20,408,546           | -                   |
| Notes payable                              | 2,153,614            | 1,912,911           | 2,489,032            | 2,061,639           |
| Support agreement payable                  | -                    | 6,310,172           | -                    | 6,014,277           |
| <b>Total noncurrent liabilities</b>        | <b>30,826,595</b>    | <b>8,291,416</b>    | <b>32,444,887</b>    | <b>8,649,076</b>    |
| <b>Total Liabilities</b>                   | <b>40,630,516</b>    | <b>9,262,100</b>    | <b>40,996,780</b>    | <b>9,626,553</b>    |
| <b>Deferred Inflows of Resources</b>       |                      |                     |                      |                     |
| Deferred inflows of resources for pension  | 409,000              | -                   | 174,000              | -                   |
| Deferred inflows of resources for OPEB     | 31,000               | -                   | -                    | -                   |
| <b>Total Deferred Inflows of Resources</b> | <b>440,000</b>       | <b>-</b>            | <b>174,000</b>       | <b>-</b>            |
| <b>Net Position</b>                        |                      |                     |                      |                     |
| Net investment in capital assets           | 9,378,180            | 369,606             | 8,471,433            | 335,999             |
| Restricted:                                |                      |                     |                      |                     |
| Expendable                                 | 6,930,372            | 4,472,852           | 7,137,477            | 2,954,494           |
| Nonexpendable                              | -                    | 2,844,483           | -                    | 2,773,417           |
| Unrestricted                               | 6,089,883            | 1,654,809           | 5,162,240            | 1,529,575           |
| <b>Total Net Position</b>                  | <b>\$ 22,398,435</b> | <b>\$ 9,341,750</b> | <b>\$ 20,771,150</b> | <b>\$ 7,593,485</b> |

(Concluded)

See accompanying notes to financial statements.

# BUTLER COUNTY COMMUNITY COLLEGE

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2018  
(With Comparative Totals for Year Ending June 30, 2017)

|  | 2018                 |                     | 2017                 |                     |
|--|----------------------|---------------------|----------------------|---------------------|
|  | BCCC                 | BCCC Foundation     | BCCC                 | BCCC Foundation     |
| <b>Revenues:</b>   |                      |                     |                      |                     |
| Operating revenues:  |                      |                     |                      |                     |
| Student tuition and fees   | \$ 16,112,401        | \$ -                | \$ 16,187,418        | \$ -                |
| Federal grants   | 6,004,041            | -                   | 5,659,293            | -                   |
| Sale of books and merchandise,<br>net of cost of \$1,215,332         | 527,869              | -                   | 575,141              | -                   |
| Contributions  | -                    | 2,690,531           | 24,832               | 1,100,657           |
| Support and grant agreement  | 427,780              | -                   | 397,499              | -                   |
| Other operating revenues   | 149,217              | 423,811             | 192,568              | 426,976             |
| Total operating revenues   | <u>23,221,308</u>    | <u>3,114,342</u>    | <u>23,036,751</u>    | <u>1,527,633</u>    |
| <b>Expenses:</b>   |                      |                     |                      |                     |
| Operating expenses:  |                      |                     |                      |                     |
| Regular programs   | 28,271,454           | -                   | 28,424,725           | -                   |
| Special programs   | 2,196,948            | -                   | 1,638,049            | -                   |
| Equipment purchases  | 255,831              | -                   | 549,929              | -                   |
| Equipment rentals  | 154,105              | -                   | 157,041              | -                   |
| Salaries, wages, and expenses,<br>students and auxiliary enterprises | 414,431              | -                   | 441,530              | -                   |
| Student activities   | 171,366              | -                   | 188,622              | -                   |
| Student grants and scholarships                                      | 5,137,668            | 190,222             | 4,961,706            | 198,995             |
| Fundraising  | -                    | 47,318              | -                    | 57,999              |
| Grants to College  | -                    | 1,063,863           | -                    | 56,887              |
| Support agreement grant  | -                    | 416,095             | -                    | 397,499             |
| Management and general   | -                    | 130,877             | -                    | 118,853             |
| Contracted services  | -                    | 8,485               | -                    | 10,250              |
| Hospitality  | -                    | 1,280               | -                    | 3,351               |
| Other  | 122,037              | 124,079             | 121,585              | 105,256             |
| Rental expense   | -                    | 179,796             | -                    | 185,150             |
| Depreciation/amortization  | 2,187,044            | 563                 | 2,292,805            | -                   |
| Total operating expenses   | <u>38,910,884</u>    | <u>2,162,578</u>    | <u>38,775,992</u>    | <u>1,134,240</u>    |
| <b>Operating Income (Loss)</b>                                       | <u>(15,689,576)</u>  | <u>951,764</u>      | <u>(15,739,241)</u>  | <u>393,393</u>      |
| <b>Nonoperating Revenues (Expenses):</b>                             |                      |                     |                      |                     |
| Investment income  | 73,146               | 796,501             | 61,503               | 840,023             |
| Loss on disposition of asset   | (451,852)            | -                   | -                    | -                   |
| State appropriations and grants                                      | 10,709,173           | -                   | 10,467,538           | -                   |
| County appropriations and grants                                     | 4,199,564            | -                   | 4,044,166            | -                   |
| Foundation grant   | 1,048,705            | -                   | -                    | -                   |
| Other nonoperating expenses  | -                    | -                   | (631)                | -                   |
| Debt service - interest expense                                      | (1,073,204)          | -                   | (1,054,175)          | -                   |
| Net nonoperating revenues (expenses)                                 | <u>14,505,532</u>    | <u>796,501</u>      | <u>13,518,401</u>    | <u>840,023</u>      |
| Income (loss) before other revenues, expenses,<br>gains, or losses   | <u>(1,184,044)</u>   | <u>1,748,265</u>    | <u>(2,220,840)</u>   | <u>1,233,416</u>    |
| State appropriations and grants - capital                            | 2,010,884            | -                   | 1,907,421            | -                   |
| County appropriations and grants - capital                           | 1,175,445            | -                   | 1,175,445            | -                   |
| <b>Changes in Net Position</b>                                       | <u>2,002,285</u>     | <u>1,748,265</u>    | <u>862,026</u>       | <u>1,233,416</u>    |
| Net position - beginning of year                                     | 20,771,150           | 7,593,485           | 19,909,124           | 6,360,069           |
| Adjustment for implementation of GASB 75                             | (375,000)            | -                   | -                    | -                   |
| Net position - beginning of year, restated                           | <u>20,396,150</u>    | <u>-</u>            | <u>-</u>             | <u>-</u>            |
| Net position - end of year   | <u>\$ 22,398,435</u> | <u>\$ 9,341,750</u> | <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, 2018

(With Comparative Totals for Year Ending June 30, 2017)

|   | 2018                 |                     | 2017                 |                     |
|---|----------------------|---------------------|----------------------|---------------------|
|   | BCCC                 | BCCC Foundation     | BCCC                 | BCCC Foundation     |
| <b>Cash Flows From Operating Activities:</b>                            |                      |                     |                      |                     |
| Tuition and fees  | \$ 16,995,044        | \$ -                | \$ 16,163,237        | \$ -                |
| Federal grants  | 8,882,890            | -                   | 8,648,665            | -                   |
| Payments to suppliers   | (258,958)            | (205,403)           | (422,126)            | (114,460)           |
| Auxiliary enterprise charges:   |                      |                     |                      |                     |
| Bookstore   | 504,794              | -                   | 573,568              | -                   |
| Contributions   | -                    | -                   | 24,832               | -                   |
| Program expenses  | (30,425,944)         | (204,997)           | (31,625,748)         | (195,048)           |
| Payments for student activities   | (171,366)            | -                   | (178,197)            | -                   |
| Payments for grants and scholarships                                    | (8,016,517)          | (1,877,285)         | (7,951,078)          | (882,882)           |
| Support and grant agreement   | 634,885              | 2,339,712           | 627,000              | 1,556,364           |
| Other receipts (payments)   | 152,924              | 426,404             | (151,815)            | 431,927             |
| Net cash provided by (used in) operating activities                     | (11,702,248)         | 478,431             | (14,291,662)         | 795,901             |
| <b>Cash Flows From Noncapital Financing Activities:</b>                 |                      |                     |                      |                     |
| Government appropriations and grants                                    | 14,949,683           | -                   | 15,032,848           | -                   |
| Foundation grants   | 1,048,705            | -                   | -                    | -                   |
| Other   | -                    | -                   | (631)                | -                   |
| Net cash provided by (used in) noncapital financing activities          | 15,998,388           | -                   | 15,032,217           | -                   |
| <b>Cash Flows From Capital and Related Financing Activities:</b>        |                      |                     |                      |                     |
| Government appropriations and grants                                    | 3,186,329            | -                   | 3,082,866            | -                   |
| Payments for capital items  | (2,563,202)          | (2,816)             | (879,238)            | (12,340)            |
| Principal paid on capital debt and lease                                | (1,802,350)          | (144,824)           | (1,751,597)          | (140,679)           |
| Proceeds from capital debt  | -                    | -                   | 1,100,000            | -                   |
| Interest paid on capital debt and lease                                 | (659,283)            | -                   | (657,774)            | -                   |
| Proceeds from line of credit  | 366,081              | -                   | 27,779               | -                   |
| Payments on line of credit  | (295,600)            | -                   | (292,661)            | -                   |
| Net cash provided by (used in) capital and related financing activities | (1,768,025)          | (147,640)           | 629,375              | (153,019)           |
| <b>Cash Flows From Investing Activities:</b>                            |                      |                     |                      |                     |
| Sale (purchases) of investments   | 348,605              | (1,237,454)         | 673,735              | (1,244,343)         |
| Interest on investments   | 73,146               | 680,295             | 61,503               | 677,803             |
| Net cash provided by (used in) investing activities                     | 421,751              | (557,159)           | 735,238              | (566,540)           |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>             | <b>2,949,866</b>     | <b>(226,368)</b>    | <b>2,105,168</b>     | <b>76,342</b>       |
| <b>Cash and Cash Equivalents:</b>                                       |                      |                     |                      |                     |
| Beginning of year   | 12,082,375           | 2,154,120           | 9,977,207            | 2,077,778           |
| End of year   | <u>\$ 15,032,241</u> | <u>\$ 1,927,752</u> | <u>\$ 12,082,375</u> | <u>\$ 2,154,120</u> |

(Continued)

See accompanying notes to financial statements.

# BUTLER COUNTY COMMUNITY COLLEGE

## STATEMENT OF CASH FLOWS

(Continued)

YEAR ENDED JUNE 30, 2018

(With Comparative Totals for Year Ending June 30, 2017)

|  | 2018            |                 | 2017            |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | BCCC            | BCCC Foundation | BCCC            | BCCC Foundation |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b> |                 |                 |                 |                 |
| Operating income (loss)  | \$ (15,689,576) | \$ 951,764      | \$ (15,739,241) | \$ 393,393      |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: |                 |                 |                 |                 |
| Depreciation/amortization  | 2,187,044       | 114,033         | 2,292,805       | 113,445         |
| Pension expense  | 846,324         | -               | 947,168         | -               |
| OPEB expense   | (6,000)         | -               | -               | -               |
| Pension payments made subsequent to measurement date   | (689,346)       | -               | (662,324)       | -               |
| Loss on disposal of capital assets   | -               | -               | 631             | -               |
| Change in assets and liabilities:  |                 |                 |                 |                 |
| Receivables, net   | 788,885         | 2,593           | (531,349)       | 4,951           |
| Prepaid expenses   | 72,400          | 4,725           | 21,658          | (4,704)         |
| Inventories  | (23,075)        | -               | (1,573)         | -               |
| Other asset  | (7,138)         | -               | (9,091)         | -               |
| Accounts payable   | 497,291         | (11,772)        | (1,065,684)     | 8,408           |
| Payable to College   | -               | (520,161)       | -               | (441,312)       |
| Unearned revenue   | 654,240         | 24,236          | 281,597         | (9,545)         |
| Compensated absences   | (40,402)        | -               | (55,760)        | -               |
| Pledge receivable  | -               | (375,055)       | -               | 465,252         |
| Support and grant agreement  | (292,895)       | 292,895         | 229,501         | 270,499         |
| Gift annuity payable   | -               | (4,827)         | -               | (4,486)         |
| Total adjustments  | 3,987,328       | (473,333)       | 1,447,579       | 402,508         |
| Net cash provided by (used in) operating activities  | \$ (11,702,248) | \$ 478,431      | \$ (14,291,662) | \$ 795,901      |

(Concluded)

See accompanying notes to financial statements.

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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### 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 nineteen-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, 2018

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### 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, 2018, 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.

#### Prior-Year Comparative Information

The financial statements include summarized prior year comparative information. Such information does not include the prior year footnote disclosures and thus, does not include all of the information required for a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should

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# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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be read in conjunction with the College's financial information for the year-end June 30 2017 from which the summarized information was derived

### 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, 2018 of BCCC consisted of \$6,430,372 related to the support agreement receivable and \$500,000 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 11.

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# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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- 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 \$260,126 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, 2018

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### 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, 2018

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### Deferred Inflows and Outflows of Resources Related to Pensions and OPEBs

In conjunction with pension and OPEB accounting requirements, differences between expected and actual experience, changes in assumptions, the effect of the change in BCCC's proportion, the net difference between expected and actual investment earnings, and payments made to PSERS subsequent to the measurement date are recorded as a deferred inflow or outflow of resources related to pensions or a deferred inflow or outflow of resources related to OPEBs on the government-wide financial statements. These amounts are determined based on the actuarial valuations performed for PSERS. Notes 5 through 7 present additional information about PSERS and its pension and OPEB plans.

### Postemployment Benefits

In the government-wide financial statements, long-term liabilities related to postemployment benefits, including pensions, health insurance, and life insurance are calculated based on actuarial valuations as described in Notes 5 and 7.

### Adopted Pronouncements

The requirements of the following GASB Statements were adopted for BCCC's 2018 financial statements. The adoption of these pronouncements did not have a significant impact to BCCC's financial statements.

GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,"* was adopted in the current year by BCCC. As a result of this implementation, the government-wide net position as of July 1, 2017 was restated with a decrease of \$375,000 to record the BCCC's proportionate share of PSERS' net OPEB liability. PSERS' net OPEB liability is further described in Notes 5 and 7.

GASB Statement No. 85, *"Omnibus 2017,"* addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurements and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The provisions of this statement have been adopted and incorporated into these financial statements.

GASB Statement No. 86, *"Certain Debt Extinguishment Issues,"* improves 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

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. The provisions of this statement have been adopted and incorporated into these financial statements.

### Pending Pronouncements

GASB has issued statements that will become effective in future years, including Statement Nos. 83 (Asset Retirement Obligations), 84 (Fiduciary Activities), 87 (Leases), 88 (Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements), 89 (Accounting for Interest Cost Incurred before the End of a Construction Period), and 90 (Majority Equity Interest). Management has not yet determined the impact of these statements on the financial statements.

### **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.

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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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 \$15,032,241 and the related bank balances totaled \$15,076,197, 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.

As of June 30, 2018, the Foundation held cash and cash equivalents with a bank and book balance of \$1,925,739 and \$1,927,752, respectively. \$442,962 of the bank balance was on deposit with banking institutions and covered under FDIC insurance. 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 \$248,361.

BCCC's investments at June 30, 2018 are composed of the following:

|                             |                          |
|-----------------------------|--------------------------|
| Cash equivalent investments | <u>\$</u> <u>248,361</u> |
|-----------------------------|--------------------------|

At year-end, \$248,361 of the cash equivalent investments were covered by federal depository insurance.

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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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.

The Foundation's investments at June 30, 2018 are composed of the following:

|                           |                     |
|---------------------------|---------------------|
| Cash and cash equivalents | \$ 2,090,564        |
| Mutual funds              | 4,267,960           |
| Common stock              | <u>385,694</u>      |
|                           | <u>\$ 6,744,218</u> |

At June 30, 2018, the Foundation had the following recurring fair value measurements:

- Mutual funds of \$4,267,960 are valued using quoted market prices (Level 1 inputs)
- Common stock of \$385,694 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, 2018

### 4. Bonds Payable

Long-term debt consists of the following:

|                           | Balance at<br>June 30, 2017 | Issuance    | Payments              | Accretion         | Balance at<br>June 30, 2018 | Due within<br>one year |
|---------------------------|-----------------------------|-------------|-----------------------|-------------------|-----------------------------|------------------------|
| General obligation bonds: |                             |             |                       |                   |                             |                        |
| Series G of 2000          | \$ 5,483,144                | \$ -        | \$ -                  | \$ 330,192        | \$ 5,813,336                | \$ -                   |
| Series A & B of 2011      | 9,650,000                   | -           | (1,080,000)           | -                 | 8,570,000                   | 1,105,000              |
| Series A & B of 2012      | 6,920,000                   | -           | (380,000)             | -                 | 6,540,000                   | 395,000                |
|                           | <u>\$ 22,053,144</u>        | <u>\$ -</u> | <u>\$ (1,460,000)</u> | <u>\$ 330,192</u> | <u>20,923,336</u>           | <u>\$ 1,500,000</u>    |
|                           |                             |             | Unaccrued interest    |                   | 3,351,664                   |                        |
|                           |                             |             |                       |                   | <u>\$ 24,275,000</u>        |                        |

Amounts above do not reflect an amortized issue discount in the amount of \$170,262 for the bonds. This amount is amortized using the straight-line method.

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.

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 \$326,240.

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

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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 \$211,089.

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         |
|-------------------------|----------------------|--------------|---------------|
| 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                    | 1,870,000            | 342,868      | 2,212,868     |
| 2024-2028               | 9,815,000            | 1,371,855    | 11,186,855    |
| 2029-2033               | 5,125,000            | 470,300      | 5,595,300     |
| 2034-2037               | 995,000              | 138,935      | 1,133,935     |
|                         | 24,275,000           | \$ 4,060,877 | \$ 28,335,877 |
| Less unaccrued interest | (3,351,664)          |              |               |
|                         | <u>\$ 20,923,336</u> |              |               |

## 5. Public School Employee's Retirement System (PSERS)

### Plan Description

PSERS administers a governmental cost-sharing, multi-employer defined benefit pension plan (Pension Plan) and a governmental cost-sharing, multi-employer defined benefit Health Insurance Premium Assistance Program (Premium Assistance), an OPEB plan, to public school employees of the Commonwealth of Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.pa.gov](http://www.psers.pa.gov).

Employees eligible for PSERS benefits include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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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.

Retirees can participate in the Premium Assistance if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the PSERS Health Options Program or an employer-sponsored health insurance program.

### Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions or OPEBs, pension expense, and OPEB 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 and the net OPEB liability are recorded as governmental activities expected to be paid from the Operating Fund.

### Benefits Provided – Pension Plan

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

# BUTLER COUNTY COMMUNITY COLLEGE

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may be elected. For Class T-E and T-F members, the right to benefits is vested after ten years of service.

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.

### Benefits Provided – Premium Assistance

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. As of June 30, 2017, there were no assumed future benefit increases to participating eligible retirees.

### 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% |

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

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

|                      |       |
|----------------------|-------|
| Membership Class T-D | 7.50% |
|----------------------|-------|

**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 PSERS contribution rate for the fiscal year ended June 30, 2018 was 32.57% 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. This rate is composed of 31.74% rate for the Pension Plan and a 0.83% rate for the Premium Assistance.

The combined rate for the fiscal year ended June 30, 2018 was an increase from the fiscal year ended June 30, 2017 combined rate of 30.03%. The combined contribution rate will increase to 33.43% in fiscal year 2019 and is projected to grow to 36.32% by fiscal year 2023.

BCCC remits contributions to PSERS on a quarterly basis. Approximately \$173,295 is owed to PSERS as of June 30, 2018, which represents BCCC's required contribution for the end of year payroll. BCCC's contributions which were recognized by PSERS for the year ended June 30, 2018 were as follows:

|                    |                          |
|--------------------|--------------------------|
| Pension Plan       | \$ 671,779               |
| Premium Assistance | <u>17,567</u>            |
| Total              | <u><u>\$ 689,346</u></u> |

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

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### Proportionate Share

BCCC's proportion of PSERS' net pension liability and PSERS' net OPEB liability were calculated utilizing BCCC's one-year reported covered payroll as it relates to PSERS' total one-year reported covered payroll. At June 30, 2017 (measurement date), the BCCC's proportion was 0.0166%, which was a decrease of 0.0008% from its proportion measured as of June 30, 2016.

### **6. Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions**

At June 30, 2018, BCCC reported a liability of \$8,198,000 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                          | \$ | 8,198,000                |
| State's proportionate share of the net pension liability<br>associated with BCCC |    | <u>8,178,334</u>         |
| Total  | \$ | <u><u>16,376,334</u></u> |

The net pension liability was measured as of June 30, 2017, 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, 2016 to June 30, 2017. 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.

For the year ended June 30, 2018, BCCC recognized pension expense of \$846,324. At June 30, 2018, BCCC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

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|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience                               | \$ 86,000                         | \$ 50,000                        |
| Changes in assumption  | 223,000                           | -                                |
| Changes in proportion  | 108,000                           | 359,000                          |
| Net difference between projected and actual earnings on pension plan investments | 190,000                           | -                                |
| BCCC contributions subsequent to the measurement date                            | 671,779                           | -                                |
| Total  | <u>\$ 1,278,779</u>               | <u>\$ 409,000</u>                |

\$671,779 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, 2019. 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<br>Amount |
|----------------------|------------------------|
| 2019                 | \$ 79,000              |
| 2020                 | 136,000                |
| 2021                 | 82,000                 |
| 2022                 | (99,000)               |
| Total                | <u>\$ 198,000</u>      |

### Actuarial Assumptions

The total pension liability as of June 30, 2017 was determined by rolling forward PSERS' total pension liability as of the June 30, 2016 actuarial valuation to June 30, 2017 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%, comprised of 2.75% for inflation and 2.25% for real wage growth and merit or seniority increases

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

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- 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.

### Change in Assumptions

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. These changes included:

- The investment rate of return was adjusted from 7.50% to 7.25%. The inflation assumption was decreased from 3.00% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of 3.00% for inflation and 2.50% for real wage growth and for merit or seniority increases, to an effective average of 5.00%, comprised of 2.75% for inflation and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to 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. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to 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.

### Changes in Benefit Terms

With the passage of Act 5 on June 12, 2017, vested Class T-E and Class T-F members can now withdraw their accumulated contributions and interest from the Members' Savings Account upon their retirement. In addition, members hired on or after July 1, 2019 will be required to select one of three new plan design options: either one of two side-by-side hybrid defined benefit/defined contribution plans or a stand-alone defined contribution plan. No changes will be made to retirement benefits for current employees, but they would have the option to choose one of the new plan designs.



# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

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### Pension Plan Investments

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.

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

| <u>Asset Class</u>      | <u>Target<br/>Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|-------------------------|------------------------------|---|
| Global public equity    | 20.0%                        | 5.1%  |
| Fixed income            | 36.0%                        | 2.6%  |
| Commodities             | 8.0%                         | 3.0%  |
| Absolute return         | 10.0%                        | 3.4%  |
| Risk parity             | 10.0%                        | 3.8%  |
| Infrastructure/MLPs     | 8.0%                         | 4.8%  |
| Real estate             | 10.0%                        | 3.6%  |
| Alternative investments | 15.0%                        | 6.2%  |
| Cash                    | 3.0%                         | 0.6%  |
| Financing (LIBOR)       | -20.0%                       | 1.1%  |
|                         | <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

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# BUTLER COUNTY COMMUNITY COLLEGE

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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.

### 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 PSERS 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:

|  | 1% Decrease<br>(6.25%) | Current Discount<br>Rate (7.25%) | 1% Increase<br>(8.25%) |
|--|------------------------|----------------------------------|------------------------|
| BCCC's proportionate share<br>of the net pension liability | \$ 10,092,000          | \$ 8,198,000                     | \$ 6,600,000           |

### 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](http://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, 2018 was 10%.

During fiscal year 2018, BCCC contributed \$972,996 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

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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a Defined Contribution Plan. Accordingly, benefits depend solely on amounts contributed to the Defined Contribution Plan plus investment earnings.

### **7. Net OPEB Liability, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB**

At June 30, 2018, BCCC reported a liability of \$338,000 for its proportionate share of PSERS' net OPEB liability. PSERS' net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate PSERS' net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2016 to June 30, 2017.

For the year ended June 30, 2018, BCCC recognized OPEB expense of \$(6,000). At June 30, 2018, BCCC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Changes in assumptions                                   | \$ -                              | \$ 16,000                        |
| Changes in proportion                                    | -                                 | 15,000                           |
| BCCC contributions subsequent to the<br>measurement date | 17,567                            | -                                |
| Total  | <u>\$ 17,567</u>                  | <u>\$ 31,000</u>                 |

\$17,567 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 OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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Year Ending June 30:

|       |    |                 |
|-------|----|-----------------|
| 2019  | \$ | (5,000)         |
| 2020  |    | (5,000)         |
| 2021  |    | (5,000)         |
| 2022  |    | (5,000)         |
| 2023  |    | (5,000)         |
| 2024  |    | (6,000)         |
| Total | \$ | <u>(31,000)</u> |

### Actuarial Assumptions

The total OPEB liability as of June 30, 2017 was determined by rolling forward PSERS' total OPEB liability as of the June 30, 2016 actuarial valuation to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 3.13% - S&P 20-year Municipal Bond Rate
- Salary increases – Effective average of 5.00%, comprised of 2.75% for inflation and 2.25% for real wage growth and merit or seniority increases
- Premium Assistance reimbursement is capped at \$1,200 per year
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in Premium Assistance per year
- 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
- Participation rate –
  - Eligible retirees will elect to participate pre-age 65 at 50%
  - Eligible retirees will elect to participate post-age 65 at 70%

### Changes in Assumptions

The actuarial assumptions used in the June 30, 2015 valuation determined the contribution rate for fiscal year 2017. These assumptions included:

- Actuarial cost method – Amount necessary to assure solvency of the Premium Assistance through the third fiscal year after the valuation date
- Asset valuation method – market value

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

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- Participation rate – 63% of eligible retirees were assumed to elect the Premium Assistance
- Mortality rates for healthy annuitants and dependent beneficiaries were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both males and females. For disabled annuitants, rates were based on the RP-2000 Combined Disabled Table with age set back 7 years for males and 3 years for females.

### Changes in Benefit Terms

There were no changes in benefit terms for the Premium Assistance.

### OPEB Plan Investments

Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Employer contribution rates are established to provide reserves in the Health Insurance Account that are sufficient for the payment of the Premium Assistance for each succeeding year. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target<br/>Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|--------------------|------------------------------|---|
| Cash               | 76.4%                        | 0.6%  |
| Fixed income       | 23.6%                        | 1.5%  |
|                    | <u>100.0%</u>                |   |

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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### Discount Rate

The discount rate used to measure the total OPEB liability was 3.13%. Under the Premium Assistance plan's funding policy, contributions are structured for short-term funding of the Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of the Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of the Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a "pay-as-you-go" plan. A discount rate of 3.13%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability. This previous discount rate used as of June 30, 2016 was 2.71%.

### Sensitivity of BCCC's Proportionate Share of PSERS' Net OPEB Liability to Changes in the Discount Rate

The following presents BCCC's proportionate share of PSERS' net OPEB liability calculated using the discount rates described above, as well as what BCCC's proportionate share of PSERS' net OPEB 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:

|  | 1% Decrease<br>(2.13%) | Current Discount<br>Rate (3.13%) | 1% Increase<br>(4.13%) |
|--|------------------------|----------------------------------|------------------------|
| BCCC's proportionate share<br>of PSERS' net OPEB liability | \$ 384,000             | \$ 338,000                       | \$ 300,000             |

### Sensitivity of BCCC's Proportionate Share of PSERS' Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

Healthcare cost trend rates were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2017, retirees' Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on the healthcare cost trends as depicted below.

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

The following presents BCCC's proportionate share of PSERS' net OPEB liability calculated using current healthcare cost trend rates as well as what BCCC's proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

|  | <u>1% Decrease</u> | <u>Current Trend</u> | <u>1% Increase</u> |
|--|--------------------|----------------------|--------------------|
| BCCC's proportionate share<br>of PSERS' net OPEB liability | <u>\$ 338,000</u>  | <u>\$ 338,000</u>    | <u>\$ 338,000</u>  |

### OPEB 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](http://www.psers.pa.gov).

## **8. Accumulated Compensated Absences**

Accumulated compensated absences were comprised of the following at June 30, 2018:

| <u>Early<br/>Retirement<br/>Incentive</u> | <u>Accumulated<br/>Sick<br/>Leave</u> | <u>Unused<br/>Vacation<br/>Pay</u> | <u>Total</u>      |
|---|---------------------------------------|------------------------------------|-------------------|
| <u>\$ -</u>                               | <u>\$ 642,197</u>                     | <u>\$ 241,710</u>                  | <u>\$ 883,907</u> |

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

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

### 9. Capital Assets

BCCC's capital asset balances at June 30, 2018 consisted of the following:

|   | Balance at<br>June 30, 2017 | Additions   | Deletions    | Balance at<br>June 30, 2018 |
|---|-----------------------------|-------------|--------------|-----------------------------|
| Capital assets, not being depreciated/amortized:      |                             |             |              |                             |
| Land and improvements                                 | \$ 5,298,134                | \$ -        | \$ -         | \$ 5,298,134                |
| Construction in progress                              | 157,950                     | 41,741      | (157,950)    | 41,741                      |
| Total capital assets, not being depreciated/amortized | 5,456,084                   | 41,741      | (157,950)    | 5,339,875                   |
| Capital assets, being depreciated/amortized:          |                             |             |              |                             |
| Buildings   | 52,132,367                  | 2,532,608   | (280,888)    | 54,384,087                  |
| Vehicles  | 399,674                     | -           | -            | 399,674                     |
| Equipment, furniture, and fixtures                    | 12,808,429                  | 146,811     | (572,572)    | 12,382,668                  |
| Total capital assets, being depreciated/amortized     | 65,340,470                  | 2,679,419   | (853,460)    | 67,166,429                  |
| Less total accumulated depreciation/amortization      | (38,372,855)                | (2,187,044) | 401,600      | (40,158,299)                |
| Net capital assets, being depreciated/amortized       | 26,967,615                  | 492,375     | (451,860)    | 27,008,130                  |
| Net capital assets                                    | \$ 32,423,699               | \$ 534,116  | \$ (609,810) | \$ 32,348,005               |

The Foundation's capital asset balances at June 30, 2018 consisted of the following:

|   | Balance at<br>June 30, 2017 | Additions    | Deletions | Balance at<br>June 30, 2018 |
|---|-----------------------------|--------------|-----------|-----------------------------|
| 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                                   | 2,833,035                   | -            | -         | 2,833,035                   |
| Furniture and equipment                     | -                           | 2,816        | -         | 2,816                       |
| Total capital assets, being depreciated     | 2,833,035                   | 2,816        | -         | 2,835,851                   |
| Less total accumulated depreciation         | (756,945)                   | (114,033)    | -         | (870,978)                   |
| Net capital assets, being depreciated       | 2,076,090                   | (111,217)    | -         | 1,964,873                   |
| Net capital assets                          | \$ 2,532,081                | \$ (111,217) | \$ -      | \$ 2,420,864                |



# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

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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, 2018 relates to a building the Foundation rents to BCCC.

### **10. 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, 2018, the Consortium's net assets available for benefits approximated \$64 million, of which approximately \$586,000 is attributable to BCCC.

BCCC paid premiums during the year of approximately \$3.01 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.

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

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### 11. 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.

|   | Available for<br>educational and<br>related purposes<br>(Expendable) | Held in<br>perpetuity as<br>designated by donor<br>(Nonexpendable) | Total               |
|---|--|--|---------------------|
| Foundation Net Position at June 30, 2018: |  |  |                     |
| Net investment in capital assets          | \$ 369,606   | \$ -   | \$ 369,606          |
| Restricted:                               |  |  |                     |
| Expendable                                | 4,472,852  | -  | 4,472,852           |
| Nonexpendable                             | -  | 2,844,483  | 2,844,483           |
| Unrestricted                              | 1,654,809  | -  | 1,654,809           |
| Total Net Position                        | <u>\$ 6,497,267</u>  | <u>\$ 2,844,483</u>  | <u>\$ 9,341,750</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:

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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| <u>Fiscal Year</u> | <u>Amount</u>        |
|--------------------|----------------------|
| 2019               | \$ 120,200           |
| 2020               | 121,200              |
| 2021               | 120,900              |
| 2022               | 1,029,500            |
| 2023               | 1,031,600            |
| 2024-2028          | 5,138,200            |
| 2029-2031          | 2,974,800            |
|                    | <u>\$ 10,536,400</u> |

As a result of the support agreement, BCCC has recorded a receivable at net present value in the amount of \$6,430,372.

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.

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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The value of the investment and payable is recorded at June 30, 2018 in the amount of \$6,430,372. 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, 2018. Accordingly, the third-party collateral remains in place.

### Pledges Receivable

Foundation pledges receivable are expected to be received as follows:

| <u>Fiscal Year(s) ending June 30,</u> | <u>Amount</u>              |
|---------------------------------------|----------------------------|
| 2019                                  | \$ 229,054                 |
| 2020                                  | 253,368                    |
| 2021                                  | 231,000                    |
| 2022                                  | 200,000                    |
| 2023                                  | 200,000                    |
|                                       | <u>1,113,422</u>           |
| Allowance for uncollectible pledges   | <u>(34,029)</u>            |
| Pledges receivable, net               | <u><u>\$ 1,079,393</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.

### Memorandum of Understanding

In 2016, the Foundation entered into a memorandum of understanding with BCCC to support renovations of the BCCC Library into the Learning Commons. 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, 2018 totaled \$500,000. Future grants payable are due as follows:

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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| <u>Fiscal Year</u> | <u>Amount</u>     |
|--------------------|-------------------|
| 2019               | <u>\$ 500,000</u> |

As a result of the memorandum of understanding, BCCC has recorded a grant receivable from the Foundation in the amount of \$500,000.

### 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 \$295,699 at June 30, 2018 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 \$68,333 at June 30, 2018.

### 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.

## **12. 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, 2018 amounted to approximately \$956,000.

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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In April 2007, BCCC entered into a lease agreement for a site in Lawrence County. The terms of the original lease began April 1, 2008 and extended 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 began March 1, 2010 and extends 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 began 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 began 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 are year to year, and BCCC has renewed the lease for a 4% increase in rent through June 30, 2019.

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.

Future minimum lease payments on the leases are as follows:

| <u>Fiscal Year</u> | <u>Amount</u>       |
|--------------------|---------------------|
| 2019               | \$ 1,228,607        |
| 2020               | 1,161,976           |
| 2021               | 1,027,335           |
| 2022               | 607,776             |
| 2023               | 607,776             |
| Thereafter         | 681,552             |
|                    | <u>\$ 5,315,022</u> |

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

### 13. Line of Credit

Line of credit consists of the following at June 30, 2018:

|  | Balance at<br>June 30,<br>2017 | Proceeds          | Payments            | Balance at<br>June 30,<br>2018 |
|--|--------------------------------|-------------------|---------------------|--------------------------------|
| State Public School<br>Building Authority: |                                |                   |                     |                                |
| Line of credit                             | \$ 160,415                     | \$ 366,081        | \$ (295,600)        | \$ 230,896                     |
| Total line of credit                       | <u>\$ 160,415</u>              | <u>\$ 366,081</u> | <u>\$ (295,600)</u> | <u>\$ 230,896</u>              |

During 2014, BCCC obtained a line of credit with the State Public School Building Authority for capital purchases. At June 30, 2018, BCCC had an outstanding balance of \$230,896. 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, 2018, 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.

### 14. Notes Payable

Notes payable consists of the following:

|                        | Balance at<br>June 30, 2017 | Proceeds    | Payments            | Balance at<br>June 30, 2018 | Due within<br>one year |
|------------------------|-----------------------------|-------------|---------------------|-----------------------------|------------------------|
| Library loan           | \$ 1,733,167                | \$ -        | \$ (221,227)        | \$ 1,511,940                | \$ 229,490             |
| Equipment loan         | 52,968                      | -           | (34,976)            | 17,992                      | 14,998                 |
| Children's Center loan | 1,045,338                   | -           | (86,149)            | 959,189                     | 91,019                 |
|                        | <u>\$ 2,831,473</u>         | <u>\$ -</u> | <u>\$ (342,352)</u> | <u>\$ 2,489,121</u>         | <u>\$ 335,507</u>      |

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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, 2018 was \$1,511,940. Interest paid during fiscal year 2018 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, 2018 was \$17,992. Interest paid during fiscal year 2018 was \$2,713.

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, 2018 was \$959,189. Interest paid during fiscal year 2018 was \$16,469.

The future annual payments required to amortize notes payable outstanding as of June 30, 2018 are as follows:

|           | Principal           | Interest          | Total               |
|-----------|---------------------|-------------------|---------------------|
| 2019      | \$ 335,507          | \$ 106,324        | \$ 441,831          |
| 2020      | 333,983             | 92,649            | 426,632             |
| 2021      | 347,423             | 78,088            | 425,511             |
| 2022      | 363,511             | 63,120            | 426,631             |
| 2023      | 654,797             | 55,193            | 709,990             |
| 2024-2028 | 453,900             | 51,669            | 505,569             |
|           | <u>\$ 2,489,121</u> | <u>\$ 447,043</u> | <u>\$ 2,936,164</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



# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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Foundation and matures in 2021. The interest rate at June 30, 2018 approximated 2.87%. At June 30, 2018, \$2,051,258 remains outstanding. Interest expense for the year ended June 30, 2018 totaled \$61,908.

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

| Year ending<br>June 30, |                     |
|-------------------------|---------------------|
| 2019                    | \$ 138,347          |
| 2020                    | 142,365             |
| 2021                    | 146,499             |
| 2022                    | 150,754             |
| 2023                    | 155,132             |
| Thereafter              | <u>1,318,161</u>    |
| Total                   | <u>\$ 2,051,258</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 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, 2018, the value of the contingent obligation on the Note is \$22,777 and is reported in unearned revenue on the statement of net position.

### 15. Tuition Equalization

Under the provision of the Pennsylvania Code for Community Colleges, tuition revenue charged to students is limited to one-third of operating expenses of the College. "Tuition equalization" amount represents the accumulation of tuition charges to students in excess of one-third of the operating expenses of the College over time and is only to be used in a manner that will directly benefit the students. At June 30, 2018 and 2017, the tuition equalization was approximately \$13,019,232 and \$12,925,331, respectively. This amount is included in the unrestricted net assets of the College.

# **BUTLER COUNTY COMMUNITY COLLEGE**

## **NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2018

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### **16. 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.

### **17. Commitments**

For the year ended June 30, 2018, BCCC has various construction contracts outstanding for which the bids had been accepted but work had not begun for the renovation of the Cranberry campus. The total amount of the bids was \$1,078,880.

### **18. Subsequent Events**

BCCC had a tuition rate increase for fiscal year 2019. The approved 2018-2019 tuition rate increased to \$113 per credit hour for County residents from \$108 per credit hour in 2017-2018. The tuition rate for all other Pennsylvania counties residents also increased to \$213 per credit hour from \$208 per credit hour in 2017-2018.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# Butler County Community College

## SCHEDULE OF BCCC'S PROPORTIONATE SHARE OF PSERS' NET PENSION LIABILITY

Last 10 Fiscal Years<sup>1</sup>

|   | 2018         | 2017         | 2016         | 2015         |
|---|--------------|--------------|--------------|--------------|
| BCCC's proportion of PSERS' net pension liability   | 0.0166%      | 0.0174%      | 0.0173%      | 0.0177%      |
| BCCC's proportionate share of PSERS' net pension liability  | \$ 8,198,000 | \$ 8,623,000 | \$ 7,494,000 | \$ 7,006,000 |
| BCCC's covered payroll  | \$ 2,204,042 | \$ 2,253,346 | \$ 2,230,094 | \$ 2,264,744 |
| BCCC's proportionate share of PSERS' net pension liability as a percentage of its covered payroll | 371.9530%    | 382.6754%    | 336.0396%    | 309.3506%    |
| PSERS' plan fiduciary net position as a percentage of PSERS' total pension liability              | 51.84%       | 50.14%       | 54.36%       | 57.24%       |

<sup>1</sup> 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<sup>2</sup>

|   | 2018         | 2017         | 2016         | 2015         |
|---|--------------|--------------|--------------|--------------|
| Contractually required employer contribution  | \$ 1,361,275 | \$ 1,308,041 | \$ 1,139,711 | \$ 950,092   |
| Contributions recognized by PSERS   | 1,361,275    | 1,308,041    | 1,139,711    | 950,092      |
| Difference between contractually required employer contribution and contributions recognized by PSERS | \$ -         | \$ -         | \$ -         | \$ -         |
| BCCC's covered payroll  | \$ 2,204,042 | \$ 2,203,779 | \$ 2,253,870 | \$ 2,230,094 |
| Contributions as a percentage of covered payroll  | 61.76%       | 59.35%       | 50.57%       | 42.60%       |

<sup>2</sup> 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 notes to schedules of required supplementary information.

## Butler County Community College

### SCHEDULE OF BCCC'S PROPORTIONATE SHARE OF PSERS' NET OPEB LIABILITY

Last 10 Fiscal Years<sup>1</sup>

|   | <u>2018</u>  |
|---|--------------|
| BCCC's proportion of PSERS' net OPEB liability  | 0.0166%      |
| BCCC's proportionate share of PSERS' net OPEB liability   | \$ 338,000   |
| BCCC's covered payroll  | \$ 2,204,042 |
| BCCC's proportionate share of PSERS' net OPEB liability<br>as a percentage of its covered payroll | 15.3355%     |
| BCCC' plan fiduciary net position as a percentage of PSERS'<br>total OPEB liability               | 5.73%        |

<sup>1</sup> 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.

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### SCHEDULE OF BCCC'S CONTRIBUTIONS TO THE PSERS PREMIUM ASSISTANCE

Last 10 Fiscal Years<sup>2</sup>

|  | <u>2018</u>   |
|--|---------------|
| Contractually required employer contribution   | \$ 17,567     |
| Contributions recognized by PSERS  | <u>17,567</u> |
| Difference between contractually required employer contribution<br>and contributions recognized by PSERS | <u>\$ -</u>   |
| BCCC's covered payroll   | \$ 2,204,042  |
| Contributions as a percentage of covered payroll   | 0.80%         |

<sup>2</sup> 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 notes to schedules of required supplementary information.

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2018

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

#### Changes in Benefit Terms

With the passage of Act 5, Class T-E and T-F members are now permitted to elect a lump sum payment of member contributions upon retirement.

#### Changes in Assumptions Used in the Measurement of PSERS' Total Pension Liability Beginning June 30, 2017

None.

#### Changes in Assumptions Used in the Measurement of PSERS' Total Pension Liability Beginning June 30, 2016

The investment rate of return was adjusted from 7.50% to 7.25%. The inflation assumption was decreased from 3.00% to 2.75%.

Salary growth changed from an effective average of 5.50% (including inflation at 3.00%) to an effective average of 5.00% (including inflation at 2.75%).

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) to 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.

#### Actuarial Assumptions Used in Calculations of Actuarially Determined Contributions

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, 2016 actuarial valuation were made during the fiscal year ended June 30, 2018. The following actuarial methods and assumptions were used to determine contribution rates reported in the pension required supplementary schedules:

- Investment return – 7.25%, includes inflation at 2.75%
- Salary increases – Effective average of 5.00%, comprised of 2.75% for inflation and 2.25% for real wage growth and merit or seniority increases

# BUTLER COUNTY COMMUNITY COLLEGE

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2018

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- Benefit payments – no postretirement benefit increases assumed in the future
- 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.

### **2. Factors and Trends Used in the Actuarial Valuation for the PSERS Postemployment Benefits Other Than Pension Benefits (OPEBs)**

#### Changes in Benefit Terms

None.

#### Changes in Assumptions Used in the Measurement of PSERS' Total OPEB Liability Beginning June 30, 2017

The discount rate increased from 2.71% to 3.13%.

#### Changes in Assumptions Used in the Measurement of PSERS' Total OPEB Liability Beginning June 30, 2016

Salary growth changed from an effective average of 5.50% (including inflation at 3.00%) to an effective average of 5.00% (including inflation at 2.75%).

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) to 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.

#### Actuarial Assumptions Used in Calculations of Actuarially Determined Contributions

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, 2016 actuarial valuation were made during the fiscal year ended June 30, 2018. The following actuarial methods and assumptions were used to determine contribution rates reported in the OPEB required supplementary schedules:

# **BUTLER COUNTY COMMUNITY COLLEGE**

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2018**

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- Investment return – 3.13% - 20-year S&P Municipal Bond Rate
- Salary increases – Effective average of 5.00%, comprised of 2.75% for inflation and 2.25% for real wage growth and merit or seniority increases
- Benefit payments – no postretirement benefit increases assumed in the future
- 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
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in Premium Assistance per year.



## **SUPPLEMENTARY INFORMATION**

# BUTLER COUNTY COMMUNITY COLLEGE

## STATEMENT OF NET POSITION CURRENT FUNDS - UNRESTRICTED

JUNE 30, 2018  
(With Comparative Totals at June 30, 2017)

|   | 2018                |                     |                      |                                      |                      | 2017                 |
|---|---------------------|---------------------|----------------------|--------------------------------------|----------------------|----------------------|
|   | Operating Fund      | Bookstore           | Academic Enhancement | Student Activities and Club Accounts | Total                | Total                |
| <b>Assets</b>                               |                     |                     |                      |                                      |                      |                      |
| Current assets:                             |                     |                     |                      |                                      |                      |                      |
| Cash and cash equivalents                   | \$ 18,720,388       | \$ 2,751,378        | \$ 1,076,588         | \$ 61,104                            | \$ 22,609,458        | \$ 19,007,764        |
| Due from (to):                              |                     |                     |                      |                                      |                      |                      |
| Grantor agencies                            | -                   | -                   | -                    | -                                    | -                    | 10,425               |
| College Foundation                          | 3,260               | -                   | -                    | -                                    | 3,260                | 41,369               |
| Other funds                                 | 28,372              | (6,214)             | -                    | (22,158)                             | -                    | -                    |
| Accounts receivable - other                 | 363,429             | 80,631              | -                    | -                                    | 444,060              | 493,404              |
| Accounts receivable - students              | 5,452,961           | -                   | -                    | -                                    | 5,452,961            | 5,681,364            |
| Prepaid expenses                            | 350,413             | -                   | -                    | -                                    | 350,413              | 422,817              |
| Inventories                                 | -                   | 256,251             | -                    | -                                    | 256,251              | 233,176              |
| Other asset                                 | 19,091              | -                   | -                    | -                                    | 19,091               | 19,091               |
| <b>Total current assets</b>                 | <b>24,937,914</b>   | <b>3,082,046</b>    | <b>1,076,588</b>     | <b>38,946</b>                        | <b>29,135,494</b>    | <b>25,909,410</b>    |
| Noncurrent assets:                          |                     |                     |                      |                                      |                      |                      |
| Investments                                 | 248,361             | -                   | -                    | -                                    | 248,361              | 596,966              |
| <b>Total Assets</b>                         | <b>25,186,275</b>   | <b>3,082,046</b>    | <b>1,076,588</b>     | <b>38,946</b>                        | <b>29,383,855</b>    | <b>26,506,376</b>    |
| <b>Deferred Outflows of Resources</b>       |                     |                     |                      |                                      |                      |                      |
| Deferred outflows of resources for pension  | 1,278,779           | -                   | -                    | -                                    | 1,278,779            | 1,643,324            |
| Deferred outflows of resources for OPEB     | 17,567              | -                   | -                    | -                                    | 17,567               | -                    |
| <b>Total deferred outflows of resources</b> | <b>1,296,346</b>    | <b>-</b>            | <b>-</b>             | <b>-</b>                             | <b>1,296,346</b>     | <b>1,643,324</b>     |
| <b>Liabilities</b>                          |                     |                     |                      |                                      |                      |                      |
| Current liabilities:                        |                     |                     |                      |                                      |                      |                      |
| Accounts payable                            | 493,172             | 6,461               | -                    | 38,381                               | 538,014              | 199,680              |
| Accrued wages                               | 752,004             | 1,218               | -                    | -                                    | 753,222              | 822,175              |
| Employee payroll deductions                 | 277,991             | -                   | -                    | -                                    | 277,991              | 201,629              |
| Unearned revenue                            | 5,075,562           | -                   | -                    | -                                    | 5,075,562            | 5,078,465            |
| <b>Total current liabilities</b>            | <b>6,598,729</b>    | <b>7,679</b>        | <b>-</b>             | <b>38,381</b>                        | <b>6,644,789</b>     | <b>6,301,949</b>     |
| Noncurrent liability:                       |                     |                     |                      |                                      |                      |                      |
| Pension liability                           | 8,198,000           | -                   | -                    | -                                    | 8,198,000            | 8,623,000            |
| OPEB liability                              | 338,000             | -                   | -                    | -                                    | 338,000              | -                    |
| Notes payable                               | 959,189             | -                   | -                    | -                                    | 959,189              | 1,045,338            |
| Accumulated compensated absences            | 883,907             | -                   | -                    | -                                    | 883,907              | 924,309              |
| <b>Total noncurrent liabilities</b>         | <b>10,379,096</b>   | <b>-</b>            | <b>-</b>             | <b>-</b>                             | <b>10,379,096</b>    | <b>10,592,647</b>    |
| <b>Total Liabilities</b>                    | <b>16,977,825</b>   | <b>7,679</b>        | <b>-</b>             | <b>38,381</b>                        | <b>17,023,885</b>    | <b>16,894,596</b>    |
| <b>Deferred Inflows of Resources</b>        |                     |                     |                      |                                      |                      |                      |
| Deferred inflows of resources for pension   | 409,000             | -                   | -                    | -                                    | 409,000              | 174,000              |
| Deferred inflows of resources for OPEB      | 31,000              | -                   | -                    | -                                    | 31,000               | -                    |
| <b>Total deferred inflows of resources</b>  | <b>440,000</b>      | <b>-</b>            | <b>-</b>             | <b>-</b>                             | <b>440,000</b>       | <b>174,000</b>       |
| <b>Net Position</b>                         |                     |                     |                      |                                      |                      |                      |
| Unrestricted                                | 9,064,796           | 3,074,367           | 1,076,588            | 565                                  | 13,216,316           | 11,081,104           |
| <b>Total Net Position</b>                   | <b>\$ 9,064,796</b> | <b>\$ 3,074,367</b> | <b>\$ 1,076,588</b>  | <b>\$ 565</b>                        | <b>\$ 13,216,316</b> | <b>\$ 11,081,104</b> |

# BUTLER COUNTY COMMUNITY COLLEGE

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

YEAR ENDED JUNE 30, 2018  
(With Comparative Totals for Year Ending June 30, 2017)

|  | 2018           |              |                      |                                      |               | 2017          |
|--|----------------|--------------|----------------------|--------------------------------------|---------------|---------------|
|  | Operating Fund | Bookstore    | Academic Enhancement | Student Activities and Club Accounts | Total         | Total         |
| <b>Revenues:</b>   |                |              |                      |                                      |               |               |
| Operating revenues:  |                |              |                      |                                      |               |               |
| Student tuition and fees                                   | \$ 16,112,401  | \$ -         | \$ -                 | \$ -                                 | \$ 16,112,401 | \$ 16,187,418 |
| Auxiliary enterprises:                                     |                |              |                      |                                      |               |               |
| Sale of books and merchandise - net of cost of \$1,215,332 | -              | 527,869      | -                    | -                                    | 527,869       | 575,141       |
| Contributions  | -              | -            | -                    | -                                    | -             | 24,832        |
| Other operating revenues                                   | 133,029        | 10,185       | -                    | 6,003                                | 149,217       | 192,568       |
| Total operating revenues                                   | 16,245,430     | 538,054      | -                    | 6,003                                | 16,789,487    | 16,979,959    |
| <b>Expenses:</b>   |                |              |                      |                                      |               |               |
| Operating expenses:  |                |              |                      |                                      |               |               |
| Instruction - credit                                       | 12,609,220     | -            | -                    | -                                    | 12,609,220    | 12,613,025    |
| Instruction - noncredit                                    | 2,166,685      | -            | -                    | -                                    | 2,166,685     | 2,185,980     |
| Academic support   | 957,939        | -            | -                    | -                                    | 957,939       | 1,083,893     |
| Student services   | 2,968,631      | -            | -                    | -                                    | 2,968,631     | 2,888,407     |
| Institutional support                                      | 6,134,160      | -            | -                    | -                                    | 6,134,160     | 6,335,075     |
| Operation and maintenance of plant                         | 3,434,819      | -            | -                    | -                                    | 3,434,819     | 3,318,345     |
| Auxiliary enterprises:                                     |                |              |                      |                                      |               |               |
| Salaries   | -              | 205,624      | -                    | -                                    | 205,624       | 211,467       |
| Payroll expense  | -              | 112,649      | -                    | -                                    | 112,649       | 114,381       |
| Student activities   | -              | -            | -                    | 171,366                              | 171,366       | 188,622       |
| Other  | -              | 122,002      | -                    | 35                                   | 122,037       | 121,585       |
| Total operating expenses                                   | 28,271,454     | 440,275      | -                    | 171,401                              | 28,883,130    | 29,060,780    |
| Operating Income (Loss)                                    | (12,026,024)   | 97,779       | -                    | (165,398)                            | (12,093,643)  | (12,080,821)  |
| <b>Nonoperating Revenues (Expenses):</b>                   |                |              |                      |                                      |               |               |
| Investment income  | 70,265         | 1,813        | -                    | 1,068                                | 73,146        | 61,503        |
| State appropriations and grants                            | 9,470,167      | -            | -                    | -                                    | 9,470,167     | 9,542,909     |
| County appropriations and local grants                     | 4,083,625      | -            | -                    | -                                    | 4,083,625     | 3,939,648     |
| Foundation grant   | 1,000,000      | -            | -                    | -                                    | 1,000,000     | -             |
| Transfer (to) from college work study fund                 | (3,885)        | -            | -                    | -                                    | (3,885)       | (3,910)       |
| Transfer (to) from bookstore fund                          | 20,517         | -            | -                    | -                                    | 20,517        | (49,750)      |
| Transfer (to) from student activities                      | (174,200)      | -            | -                    | -                                    | (174,200)     | (174,200)     |
| Transfer (to) from operating fund                          | -              | (39,715)     | -                    | 174,200                              | 134,485       | 200,861       |
| Net nonoperating revenues (expenses)                       | 14,466,489     | (37,902)     | -                    | 175,268                              | 14,603,855    | 13,517,061    |
| <b>Changes in Net Position</b>                             | 2,440,465      | 59,877       | -                    | 9,870                                | 2,510,212     | 1,436,240     |
| Net position - beginning of year                           | 6,624,331      | 3,014,490    | 1,076,588            | (9,305)                              | 10,706,104    | 9,644,864     |
| Net position - end of year                                 | \$ 9,064,796   | \$ 3,074,367 | \$ 1,076,588         | \$ 565                               | \$ 13,216,316 | \$ 11,081,104 |

# BUTLER COUNTY COMMUNITY COLLEGE

## STATEMENT OF NET POSITION CURRENT FUNDS - RESTRICTED

JUNE 30, 2018  
(With Comparative Totals at June 30, 2017)

|                                       | 2018                |                           |                | 2017          |
|---------------------------------------|---------------------|---------------------------|----------------|---------------|
|                                       | Special<br>Programs | Federal<br>Student<br>Aid | Total          | Total         |
| <b>Assets</b>                         |                     |                           |                |               |
| Cash and cash equivalents (overdraft) | \$ 14,295           | \$ (76,687)               | \$ (62,392)    | \$ (179,424)  |
| Due from grantor agencies:            |                     |                           |                |               |
| Federal government                    | -                   | 82,158                    | 82,158         | 75,180        |
| State government                      | 59,182              | -                         | 59,182         | 79,570        |
| College Foundation                    | 102,339             | -                         | 102,339        | 89,529        |
| Prepaid expenses                      | -                   | -                         | -              | (4)           |
| <b>Total Assets</b>                   | <b>175,816</b>      | <b>5,471</b>              | <b>181,287</b> | <b>64,851</b> |
| <b>Liabilities</b>                    |                     |                           |                |               |
| Accounts payable                      | 150,551             | -                         | 150,551        | 41,347        |
| Accrued wages                         | 20,861              | 5,471                     | 26,332         | 19,100        |
| Unearned revenue                      | 4,404               | -                         | 4,404          | 4,404         |
| <b>Total Liabilities</b>              | <b>175,816</b>      | <b>5,471</b>              | <b>181,287</b> | <b>64,851</b> |
| <b>Net Position</b>                   |                     |                           |                |               |
| Restricted                            | -                   | -                         | -              | -             |
| <b>Total Net Position</b>             | <b>\$ -</b>         | <b>\$ -</b>               | <b>\$ -</b>    | <b>\$ -</b>   |

# BUTLER COUNTY COMMUNITY COLLEGE

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

YEAR ENDED JUNE 30, 2018  
(With Comparative Totals for Year Ending June 30, 2017)

|  | 2018                |                           |              | 2017         |
|--|---------------------|---------------------------|--------------|--------------|
|  | Special<br>Programs | Federal<br>Student<br>Aid | Total        | Total        |
| <b>Revenues:</b>                         |                     |                           |              |              |
| Operating revenues:                      |                     |                           |              |              |
| Federal grants                           | \$ 774,100          | \$ 5,229,941              | \$ 6,004,041 | \$ 5,659,293 |
| <b>Expenses:</b>                         |                     |                           |              |              |
| Operating expenses:                      |                     |                           |              |              |
| Special programs                         | 2,196,948           | -                         | 2,196,948    | 1,638,049    |
| Student wages - federal - regular        | -                   | 96,158                    | 96,158       | 115,682      |
| Student grants and scholarships          | -                   | 5,137,668                 | 5,137,668    | 4,961,706    |
| Total operating expenses                 | 2,196,948           | 5,233,826                 | 7,430,774    | 6,715,437    |
| <b>Operating Income (Loss)</b>           | (1,422,848)         | (3,885)                   | (1,426,733)  | (1,056,144)  |
| <b>Nonoperating Revenues (Expenses):</b> |                     |                           |              |              |
| State appropriations and grants          | 1,239,006           | -                         | 1,239,006    | 924,629      |
| County appropriations and grants         | 115,939             | -                         | 115,939      | 104,518      |
| Foundation grants                        | 48,705              | -                         | 48,705       | -            |
| Transfer from (to) operating fund        | 19,198              | 3,885                     | 23,083       | 26,999       |
| Net nonoperating revenues (expenses)     | 1,422,848           | 3,885                     | 1,426,733    | 1,056,146    |
| <b>Changes in Net Position</b>           | -                   | -                         | -            | 2            |
| Net position - beginning of year         | -                   | -                         | -            | (2)          |
| Net position - end of year               | \$ -                | \$ -                      | \$ -         | \$ -         |

# BUTLER COUNTY COMMUNITY COLLEGE

## STATEMENT OF NET POSITION LOAN FUNDS

JUNE 30, 2018  
(With Comparative Totals at June 30, 2017)

|                           | <u>2018</u>                  | <u>2017</u>            |
|---------------------------|------------------------------|------------------------|
|                           | Scholarship<br>Loan<br>Funds | Total                  |
| <b>Assets</b>             |                              |                        |
| Cash and cash equivalents | <u>\$ 9,868</u>              | <u>\$ 9,868</u>        |
| <b>Total Assets</b>       | <u><u>\$ 9,868</u></u>       | <u><u>\$ 9,868</u></u> |
| <b>Net Position</b>       |                              |                        |
| Unrestricted              | <u>\$ 9,868</u>              | <u>\$ 9,868</u>        |
| <b>Total Net Position</b> | <u><u>\$ 9,868</u></u>       | <u><u>\$ 9,868</u></u> |

# BUTLER COUNTY COMMUNITY COLLEGE

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

YEAR ENDED JUNE 30, 2018  
(With Comparative Totals for Year Ending June 30, 2017)

|                                  | <u>2018</u>                  | <u>2017</u>     |
|----------------------------------|------------------------------|-----------------|
|                                  | Scholarship<br>Loan<br>Funds | Total           |
| <b>Revenues:</b>                 |                              |                 |
| Operating revenues:              |                              |                 |
| Contributions received           | \$ -                         | \$ -            |
| Other operating revenues         | -                            | -               |
|                                  | <u>-</u>                     | <u>-</u>        |
| Total operating revenues         | -                            | -               |
|                                  | <u>-</u>                     | <u>-</u>        |
| <b>Expenses:</b>                 |                              |                 |
| Operating expenses:              |                              |                 |
| Repayment to federal government  | -                            | -               |
| Other                            | -                            | -               |
|                                  | <u>-</u>                     | <u>-</u>        |
| Total operating expenses         | -                            | -               |
|                                  | <u>-</u>                     | <u>-</u>        |
| <b>Operating Income (Loss)</b>   | -                            | -               |
|                                  | <u>-</u>                     | <u>-</u>        |
| <b>Change in Net Position</b>    | -                            | -               |
| Net position - beginning of year | <u>9,868</u>                 | <u>9,868</u>    |
| Net position - end of year       | <u>\$ 9,868</u>              | <u>\$ 9,868</u> |

# BUTLER COUNTY COMMUNITY COLLEGE

## STATEMENT OF NET POSITION PLANT FUND

JUNE 30, 2018  
(With Comparative Totals at June 30, 2017)

|                                       | 2018                 | 2017                 |
|---------------------------------------|----------------------|----------------------|
|                                       | Capital/Debt Service | Capital/Debt Service |
| <b>Assets</b>                         |                      |                      |
| Current assets:                       |                      |                      |
| Cash and cash equivalents (overdraft) | \$ (7,524,693)       | \$ (6,755,833)       |
| Grants receivable                     | 500,000              | 500,000              |
| Accounts receivable - other           | 5,138                | 4,000                |
| Support agreement receivable          | 120,200              | 123,200              |
| Total current assets                  | (6,899,355)          | (6,128,633)          |
| Noncurrent assets:                    |                      |                      |
| Grants receivable                     | -                    | 500,000              |
| Support agreement receivable          | 6,310,172            | 6,014,277            |
| Capital assets:                       |                      |                      |
| Land                                  | 341,710              | 341,710              |
| Land improvements                     | 2,292,076            | 2,292,076            |
| Buildings                             | 54,384,087           | 52,132,367           |
| Instructional equipment               | 6,182,915            | 6,553,713            |
| Non-instructional equipment           | 3,510,030            | 3,499,507            |
| Audio-visual equipment                | 439,321              | 465,455              |
| Instructional furniture               | 432,675              | 454,727              |
| Non-instructional furniture           | 616,315              | 633,615              |
| Vehicles                              | 399,674              | 399,674              |
| Library books and films               | 1,201,503            | 1,201,503            |
| Parking lots                          | 2,664,348            | 2,664,348            |
| Construction in progress              | 41,741               | 157,950              |
| Total capital assets                  | 72,506,395           | 70,796,645           |
| Less accumulated depreciation         | (40,158,390)         | (38,372,946)         |
| Net capital assets                    | 32,348,005           | 32,423,699           |
| Total noncurrent assets               | 38,658,177           | 38,937,976           |
| <b>Total Assets</b>                   | 31,758,822           | 32,809,343           |
| <b>Deferred Outflows of Resources</b> |                      |                      |
| Deferred charge on refunding          | 838,773              | 908,168              |
| <b>Liabilities</b>                    |                      |                      |
| Current liabilities:                  |                      |                      |
| Accounts payable                      | 46,680               | 14,618               |
| Accrued interest payable              | 207,619              | 207,619              |
| Line of credit                        | 230,896              | 160,415              |
| Bonds payable, current portion        | 1,500,000            | 1,460,000            |
| Note payable, current portion         | 335,507              | 342,441              |
| Unearned revenue                      | 657,143              | -                    |
| Total current liabilities             | 2,977,845            | 2,185,093            |
| Noncurrent liabilities:               |                      |                      |
| Bonds payable, net                    | 19,253,074           | 20,408,546           |
| Note payable                          | 1,194,425            | 1,443,694            |
| Total noncurrent liabilities          | 20,447,499           | 21,852,240           |
| <b>Total Liabilities</b>              | 23,425,344           | 24,037,333           |
| <b>Net Position</b>                   |                      |                      |
| Net investment in capital assets      | 9,378,180            | 8,471,433            |
| Restricted - expendable               | 6,930,372            | 7,137,477            |
| Unrestricted                          | (7,136,301)          | (5,928,732)          |
| <b>Total Net Position</b>             | \$ 9,172,251         | \$ 9,680,178         |



# BUTLER COUNTY COMMUNITY COLLEGE

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

YEAR ENDED JUNE 30, 2018  
(With Comparative Totals for Year Ending June 30, 2017)

|  | <u>2018</u><br><u>Capital</u> | <u>2017</u><br><u>Capital</u> |
|--|-------------------------------|-------------------------------|
| <b>Revenues:</b>   |                               |                               |
| Operating revenues:  |                               |                               |
| Support and grant agreement  | \$ 427,780                    | \$ 397,499                    |
| <b>Expenses:</b>   |                               |                               |
| Operating expenses:  |                               |                               |
| Equipment purchases:   |                               |                               |
| Instructional equipment  | 231,959                       | 349,915                       |
| Non-instructional equipment  | -                             | 95,499                        |
| Non-instructional furniture  | 4,032                         | 26,183                        |
| Other  | 19,840                        | 78,332                        |
| Equipment rentals  | 154,105                       | 157,041                       |
| Depreciation/amortization  | 2,187,044                     | 2,292,805                     |
| Total operating expenses   | 2,596,980                     | 2,999,775                     |
| <b>Operating Income (Loss)</b>                                     | (2,169,200)                   | (2,602,276)                   |
| <b>Nonoperating Revenues (Expenses):</b>                           |                               |                               |
| Loss on disposition of asset                                       | (451,852)                     | -                             |
| Other nonoperating expenses  | -                             | (631)                         |
| Debt service - interest expense                                    | (1,073,204)                   | (1,054,175)                   |
| Net nonoperating revenues (expenses)                               | (1,525,056)                   | (1,054,806)                   |
| Income (loss) before other revenues, expenses,<br>gains, or losses | (3,694,256)                   | (3,657,082)                   |
| State appropriations and grants - capital                          | 2,010,884                     | 1,907,421                     |
| County appropriations and grants - capital                         | 1,175,445                     | 1,175,445                     |
| <b>Change in Net Position</b>                                      | (507,927)                     | (574,216)                     |
| Net position - beginning of year                                   | 9,680,178                     | 10,254,394                    |
| Net position - end of year   | \$ 9,172,251                  | \$ 9,680,178                  |

# BUTLER COUNTY COMMUNITY COLLEGE

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2018

| <u>Federal Grantor/Pass-Through Grantor/Project Title</u>   | <u>Federal<br/>CFDA<br/>Number</u> | <u>Pass-Through<br/>Entity Identifying<br/>Number</u> | <u>Grant Period<br/>Beginning/<br/>Ending Dates</u> | <u>Expenditures</u> | <u>Passed Through<br/>to Subrecipients</u> |
|---|------------------------------------|---|---|---------------------|--|
| <u>U.S. Department of Education:</u>  |                                    |   |   |                     |  |
| Student Financial Assistance Cluster:   |                                    |   |   |                     |  |
| Federal Pell Grant Program  | 84.063                             | n/a   | 7/1/17-6/30/18                                      | \$ 5,048,655        | \$ -                                       |
| Federal Work-Study Program  | 84.093                             | n/a   | 7/1/17-6/30/18                                      | 86,238              | -  |
| Federal Supplemental Educational Opportunity Grants   | 84.007                             | n/a   | 7/1/17-6/30/18                                      | 89,013              | -  |
| Federal Direct Student Loans  | 84.268                             | n/a   | 7/1/17-6/30/18                                      | 2,878,849           | -  |
| Student Financial Assistance Cluster Subtotal   |                                    |   |   | 8,102,755           | -  |
| Passed through the Pennsylvania Department of Education:  |                                    |   |   |                     |  |
| Adult Education - Basic Grants to States  | 84.002                             | FA-064-18-0006  | 7/1/17-6/30/18                                      | 126,258             | -  |
| Career and Technical Education - Basic Grants to States   | 84.048                             | FA-381-18-0014  | 7/1/17-6/30/18                                      | 130,766             | -  |
| Total U.S. Department of Education  |                                    |   |   | 8,359,779           | -  |
| <u>U.S. Department of Labor:</u>  |                                    |   |   |                     |  |
| Passed through the Pennsylvania Department of Labor and Industry:                                     |                                    |   |   |                     |  |
| Trade Adjustment Assistance   | 17.245                             | TAA-0141-17   | 7/1/17-6/30/18                                      | 392,369             | -  |
| Passed through Career T.R.A.C.K., Inc.:   |                                    |   |   |                     |  |
| WIOA National Emergency Grants  | 17.277                             | WIOA-CLA-NFA-005-18                                   | 7/1/17-6/30/18                                      | 7,048               | -  |
| WIOA Cluster:   |                                    |   |   |                     |  |
| Passed through Career T.R.A.C.K., Inc.:   |                                    |   |   |                     |  |
| WIOA Dislocated Worker Formula Grants   | 17.278                             | WIOA-CLA-NFA-005-18                                   | 7/1/17-6/30/18                                      | 22,074              | -  |
| Passed through Tri-County Workforce Investment Board, Inc.:   |                                    |   |   |                     |  |
| WIOA Adult Program  | 17.258                             | TRI-IP-016-16   | 7/1/17-6/30/18                                      | 722                 | -  |
| WIOA Youth Activities   | 17.259                             | TRI-IP-016-16   | 7/1/17-6/30/18                                      | 3,674               | -  |
| WIOA Dislocated Worker Formula Grants   | 17.278                             | TRI-IP-016-16   | 7/1/17-6/30/18                                      | 99,000              | -  |
| WIOA Cluster Subtotal   |                                    |   |   | 125,470             | -  |
| Total U.S. Department of Labor  |                                    |   |   | 524,887             | -  |
| <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  | 7/1/17-6/30/18                                      | 19,012              | -  |
| <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  | 7/1/17-6/30/18                                      | 103,301             | -  |
| Total Expenditures of Federal Awards  |                                    |   |   | \$ 9,006,979        | \$ -                                       |

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, 2018

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### 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, 2018. 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, 2018, the College processed \$2,878,849 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, 2018



**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, 2018, and the related notes to the financial statements, which collectively comprise BCCC's basic financial statements, and have issued our report thereon dated December 10, 2018. 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



Pittsburgh, Pennsylvania  
December 10, 2018

## **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, 2018. 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, 2018.

**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 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, material weaknesses may exist that have not been identified.

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

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

A handwritten signature in black ink, reading "Maher Duesel". The signature is written in a cursive, flowing style.

Pittsburgh, Pennsylvania  
December 10, 2018

# BUTLER COUNTY COMMUNITY COLLEGE

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

### 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

84.063

84.033

84.007

84.268

Student Financial Assistance Cluster:

Federal Pell Grant Program

Federal Work-Study Program

Federal Supplemental Educational Opportunity Grants

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

# **BUTLER COUNTY COMMUNITY COLLEGE**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2018**

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

**No matters were reported.**

- III. Findings and questioned costs for federal awards.

**No matters were reported.**

# BUTLER COUNTY COMMUNITY COLLEGE

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2018

### **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 Butler County Community College (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.

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: Finding was resolved. Corrective action was taken.

### **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

# BUTLER COUNTY COMMUNITY COLLEGE

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2018

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.

Questioned costs: Approximately \$90,000.

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.

Views of Responsible Officials and Planned Corrective Action: Questioned costs were refunded to the State. Corrective action was taken.

**APPENDIX B**  
**BUTLER COUNTY COMMUNITY COLLEGE**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**

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**\$6,375,000**  
**STATE PUBLIC SCHOOL BUILDING AUTHORITY**  
**\$3,770,000 College Revenue Bonds (Butler County Community College Refunding Project),**  
**Series A of 2019**  
**\$2,605,000 College Revenue Bonds (Butler County Community College Refunding Project),**  
**Series B of 2019**

**CONTINUING DISCLOSURE CERTIFICATE**

**THIS CONTINUING DISCLOSURE CERTIFICATE** (this "*Certificate*") is executed and delivered the 20th day of November, 2019 by the Butler County Community College (the "*College*") in connection with the issuance by the State Public School Building Authority (the "*Issuer*") of its \$6,375,000 College Revenue Bonds (Butler County Community Refunding Project), Series A of 2019 and College Revenue Bonds (Butler County Community Refunding Project), Series B of 2019 (collectively the "*Bonds*"). The Bonds are being issued pursuant to a Trust Indenture, dated as of the date of the delivery of the Bonds, (the "*Indenture*") entered into by the Issuer and The Bank of New York Mellon Trust Company, N.A., as Trustee. The College, intending to be legally bound, hereby certifies, covenants and agrees as follows:

**SECTION 1. Purpose of the Certificate.**

This Certificate is being executed and delivered by the College to provide for the disclosure of certain information concerning the Bonds on an on-going basis as set forth herein for the benefit of Bondholders (as hereinafter defined) in accordance with the provisions of Securities and Exchange Commission Rule 15c2-12, as amended from time to time (the "*Rule*").

**SECTION 2. Definitions.**

All terms capitalized but not otherwise defined herein shall have the meanings assigned to those terms in the Indenture and the Bonds. Notwithstanding the foregoing, the term "*Disclosure Agent*" shall mean initially the College, or any third party disclosure agent appointed or engaged by the College after the date hereof. Any successor disclosure agent shall automatically succeed to the rights and duties of the Disclosure Agent hereunder, without any amendment hereto. The following capitalized terms shall have the following meanings:

**"Annual Financial Information"** shall mean a copy of the annual audited financial information prepared for the College which shall include, if prepared, a balance sheet, a statement of revenue and expenditure and a statement of changes in fund balances. All such financial information shall be prepared using generally accepted accounting principles as applied to educational entities such as the College, provided, however, that the College may change the accounting principles used for preparation of such financial information so long as the College includes as information provided to the public a statement to the effect that different accounting principles are being used, stating the reason for such change and providing a method by which to compare the financial information provided by the differing financial accounting principles. Any or all of the items listed above may be incorporated by reference from other documents, including official statements relating to other debt issues relating to the College, either of the Issuer or other related public entities, which have been submitted to the MSRB through EMMA or filed with the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The College shall clearly identify each such other document so incorporated by reference.

**"Beneficial Owner"** shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including personal holding Bonds through nominees, depositories or other intermediaries).

**"Bondholders"** shall mean any holder of the Bonds and any Beneficial Owner thereof.

**"EMMA"** shall mean the Electronic Municipal Market Access System created by the MSRB and located at [www.emma.msrb.org](http://www.emma.msrb.org) and as described in Securities and Exchange Commission Release No. 34-59061 and Release No. 34-59062.

**"Financial Obligation"** means a:

- (A) (i) Debt obligation;
  - (ii) Derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or
  - (iii) A guarantee of either (i) or (ii), above.
- (B) Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

**"MSRB"** shall mean the Municipal Securities Rulemaking Board.

**"Material Event"** shall mean any of the events listed in items (i) through (xvi) below the occurrence of which the College obtains knowledge. The following events with respect to the Bonds shall constitute Material Events:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of the holders of the Bonds, if material;
- (viii) Bond Calls, if material, and tender offers;
- (ix) Defeasance of all or any portion of the Bonds;
- (x) Release, substitution or sale of property securing repayment of the Bonds, if material;

- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the College;
- (xiii) 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;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of a financial obligation of the College, or other obligated person, if any, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the College or other obligated person, if any, any of which affect security holders, if material; and
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the College or other obligated person, if any, any of which reflect financial difficulties.

The SEC requires the listing of (i) through (xvi) although some of such events may not be applicable to the Bonds.

**"Official Statement"** shall mean the Official Statement dated November \_\_\_\_, 2019 relating to the Bonds.

**"Operating Data"** shall mean the College's funding structure showing the source of funding (Commonwealth of Pennsylvania, County of Butler, tuition/fees and other revenues) by percentage for its operating budget; enrollment; student tuition and fees.

**"Participating Underwriter"** shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

**"SEC"** shall mean the Securities and Exchange Commission.

**"State"** shall mean the Commonwealth of Pennsylvania.

### SECTION 3. Disclosure of Information.

(A) Information to be Disclosed. Except to the extent this Certificate is modified or otherwise altered in accordance with Section 4 hereof, the College shall make, or shall cause the Disclosure Agent to make, a filing with the MSRB through EMMA of the information set forth in subsections (1), (2) and (3) below:

(1) Annual Financial Information and Operating Data. Annual Financial Information and Operating Data at least annually not later than 270 days following the end of the fiscal year of the College, beginning with the fiscal year ending June 30, 2019, and continuing with each fiscal year thereafter. If the Disclosure Agent is an entity or person

other than the College, then the College shall provide the Annual Financial Information to the Disclosure Agent not later than fifteen (15) Business Days prior to the disclosure date referenced above. The Annual Financial Information may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information; provided that the audited financial statements of the College may be submitted separately from the balance of the Annual Financial Information.

(2) Material Events Notices. Notice of the occurrence of a Material Event, which notice shall be filed not more than ten (10) business days after the occurrence thereof.

(3) Failure to Provide Annual Financial Information or Operating Data. In a timely manner and in such electronic format as prescribed by the MSRB and accompanied by such identifying information as prescribed by the MSRB and as set forth in (B) below, notice of the failure of the College to provide the Annual Financial Information or Operating Data by the date required herein.

(B) Means of Submitting Information.

The College or the Disclosure Agent under this Certificate shall submit the information required to be disclosed under this Certificate to the MSRB using EMMA. Such information shall be transmitted in portable document format (pdf) at [www.emma.msrb.org](http://www.emma.msrb.org) and accompanied by identifying information as prescribed by the MSRB (in word-searchable format).

SECTION 4. Amendment or Modification.

Notwithstanding any other provision of this Certificate, the College may amend this Certificate and any provision of this Certificate may be waived, without the consent of Bondholders, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel expert in federal securities laws to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule as well as any change in circumstance.

SECTION 5. Miscellaneous.

(A) Termination. The College's obligations under this Certificate shall terminate when all of the Bonds are or are deemed to be no longer outstanding by reason of redemption or legal defeasance or at maturity. 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.

(B) Additional Information. Nothing in this Certificate shall be deemed to prevent the College from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Financial Statement or notice of occurrence of a Material Event, in addition to that which is required by this Certificate. If the College chooses to include any information in any Annual Financial Statement or notice of occurrence of a Material Event in addition to that which is specifically required by this Certificate, the College shall have no obligation under this Certificate to update such

information or include it in any future Annual Financial Statement or notice of occurrence of a Material Event.

(C) Defaults; Remedies. In the event of a failure of the College or the Disclosure Agent to comply with any provision of this Certificate any Bondholder may take such action as may be necessary and appropriate, including seeking an action in mandamus or specific performance to cause the College or the Disclosure Agent to comply with its obligations under this Certificate. A default under this Certificate shall not constitute a default on the Bonds and the sole remedy available in any proceeding to enforce this Certificate shall be an action to compel specific performance.

(D) Beneficiaries. This Certificate shall inure solely to the benefit of the College, the Issuer, the Disclosure Agent, the Participating Underwriters and Bondholders, or beneficial owners thereof, and shall create no rights in any other person or entity.

(E) No Obligation of the Authority; Indemnification of the Authority. The Authority shall not have any responsibility or liability in connection with this Certificate, the College's compliance with the Rule, its filing obligations under this Certificate or in connection with the contents of those filings. The College agrees to indemnify and save the Authority, and its members, officers, employees and agents, harmless against any loss, expense (including reasonable attorneys' fees) or liability arising out of (i) any breach by the College of this Certificate or (ii) any Annual Financial Information or notices provided under this Certificate or any omissions therefrom.

#### SECTION 6. Additional Disclosure Obligations.

The College acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933, the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, may apply to the College, and that under some circumstances compliance with this Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the College under such laws.

IN WITNESS WHEREOF, the College has caused its duly authorized officer to execute this Continuing Disclosure Certificate as of the day and year first above written.

BUTLER COUNTY COMMUNITY COLLEGE

By: \_\_\_\_\_

Name:

Title:

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**APPENDIX C**  
**FORM OF OPINION OF BOND COUNSEL**

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FORM OF OPINION OF BOND COUNSEL

*The form of the approving legal opinion of Clark Hill PLC, Bond Counsel, is set forth below. The actual opinion will be delivered on the date of delivery of the Bonds and may vary from the form set forth to reflect circumstances both factual and legal at the time of such delivery. Recirculation of this Official Statement shall create no implication that Clark Hill has reviewed any of the matters set forth in such opinion subsequent to the date thereof.*

\$6,375,000  
STATE PUBLIC SCHOOL BUILDING AUTHORITY  
COLLEGE REVENUE BONDS  
(BUTLER COUNTY COMMUNITY COLLEGE REFUNDING PROJECT)  
SERIES A OF 2019 AND SERIES B OF 2019

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

November 20, 2019

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 Bonds (Butler County Community College Refunding Project), Series A of 2019 and College Revenue Bonds (Butler County Community College Refunding Project), Series B of 2019 in the aggregate principal amount of \$6,215,000 (the "Bonds") issued pursuant to a Trust Indenture dated as of November 20, 2019 (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 2012 and the Authority's College Revenue Refunding Bonds (Butler County Community College Project) Series B of 2012 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 20, 2019 (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"). To evidence its obligation to make Loan Payments under the Loan Agreement, the College will deliver to the Authority its General Obligation Note, Series A of 2019 (the "2019A Note") and its General Obligation Note, Series B of 2019 (the "2019B Note" and, together with the 2019A Note, the "Notes") which are each a general obligation of the College. 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 and the Notes and all amounts payable to the Authority by the College thereunder (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; the Notes 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, the Bonds have been duly and validly authorized, executed, issued and delivered by the Authority pursuant to the Indenture, and all conditions precedent to their sale and delivery have been satisfied and all consents and approvals of any governmental authority which are required for the lawful issuance of the Bonds have been obtained. 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, the Loan Payments and the Notes (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 Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax.

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.

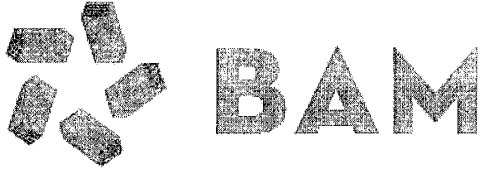
This opinion is being delivered to you solely for your benefit. This opinion may not be used for any other purpose without our express prior written consent. The opinions expressed herein are limited to the matters set forth herein, and no other opinions should be inferred beyond the matters expressly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

Very truly yours,

CLARK HILL PLC

**APPENDIX D**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

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

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer



**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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**APPENDIX E**  
**SUMMARY OF OUTSTANDING DEBT SERVICE (BONDS AND NOTES ONLY)**

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| Other        |                     | Series A of 2019   |                  |                    | Series B of 2019   |                  |                    | Total               |
|--------------|---------------------|--------------------|------------------|--------------------|--------------------|------------------|--------------------|---------------------|
| Year         | Outstanding Debt    | Principal          | Interest         | Subtotal           | Principal          | Interest         | Subtotal           | Requirements        |
| 2019-20      | \$1,822,303         | \$110,000          | \$15,276         | \$125,276          | \$245,000          | \$9,792          | \$254,792          | \$1,947,579         |
| 2020-21      | 1,837,036           | 170,000            | 97,788           | 267,788            | 270,000            | 59,190           | 329,190            | 2,104,824           |
| 2021-22      | 2,028,302           | 180,000            | 92,688           | 272,688            | 275,000            | 51,090           | 326,090            | 2,300,989           |
| 2022-23      | 2,035,132           | 190,000            | 87,288           | 277,288            | 285,000            | 42,840           | 327,840            | 2,312,419           |
| 2023-24      | 2,025,901           | 190,000            | 81,588           | 271,588            | 290,000            | 34,290           | 324,290            | 2,297,489           |
| 2024-25      | 1,746,775           | 195,000            | 75,888           | 270,888            | 300,000            | 25,590           | 325,590            | 2,017,663           |
| 2025-26      | 1,749,163           | 200,000            | 71,988           | 271,988            | 310,000            | 19,590           | 329,590            | 2,021,151           |
| 2026-27      | 1,745,705           | 200,000            | 67,988           | 267,988            | 310,000            | 13,390           | 323,390            | 2,013,693           |
| 2027-28      | 1,605,696           | 205,000            | 63,788           | 268,788            | 320,000            | 6,880            | 326,880            | 1,874,484           |
| 2028-29      | 1,599,334           | 215,000            | 59,380           | 274,380            |                    |                  |                    | 1,873,714           |
| 2029-30      | 1,601,725           | 215,000            | 54,435           | 269,435            |                    |                  |                    | 1,871,160           |
| 2030-31      | 920,000             | 220,000            | 49,275           | 269,275            |                    |                  |                    | 1,189,275           |
| 2031-32      |                     | 230,000            | 43,225           | 273,225            |                    |                  |                    | 273,225             |
| 2032-33      |                     | 240,000            | 36,900           | 276,900            |                    |                  |                    | 276,900             |
| 2033-34      |                     | 240,000            | 30,300           | 270,300            |                    |                  |                    | 270,300             |
| 2034-35      |                     | 250,000            | 23,100           | 273,100            |                    |                  |                    | 273,100             |
| 2035-36      |                     | 260,000            | 15,600           | 275,600            |                    |                  |                    | 275,600             |
| 2036-37      |                     | 260,000            | 7,800            | 267,800            |                    |                  |                    | 267,800             |
| 2037-38      |                     |                    |                  |                    |                    |                  |                    |                     |
| <b>Total</b> | <b>\$20,717,073</b> | <b>\$3,770,000</b> | <b>\$974,291</b> | <b>\$4,744,291</b> | <b>\$2,605,000</b> | <b>\$262,652</b> | <b>\$2,867,652</b> | <b>\$25,461,364</b> |

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BNY Mellon Total:

RVL Total :

