

## OFFICIAL STATEMENT

DTC Bond

**NEW ISSUE—BOOK-ENTRY ONLY**

**RATINGS:** Standard & Poor's: "AA" (Stable outlook)

AGM Insured

See "BOND RATINGS" and "MUNICIPAL BOND INSURANCE" herein

*In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the Bonds, as defined below (including Bonds sold at an original issue discount, the difference between the initial offering price and par), is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that interest on the Bonds is not a specific item of tax preference under §57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the Federal individual alternative minimum taxes. The Bonds, and 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 MATTERS" herein.)*

**\$4,820,000**

**STATE PUBLIC SCHOOL BUILDING AUTHORITY**

**(Commonwealth of Pennsylvania)**

**COLLEGE REVENUE BONDS (COMMUNITY COLLEGE OF BEAVER COUNTY PROJECT),  
SERIES OF 2020**

**Dated:** Date of Delivery

**Interest Due:** June 1 and December 1

**Principal Due:** December 1, see inside front cover

**First Interest Payment:** June 1, 2021

The State Public School Building Authority (the "Authority" or "SPSBA") is issuing its College Revenue Bonds (Community College of Beaver County Project), Series of 2020 in the aggregate principal amount of \$4,820,000 as fully registered securities (the "Bonds" or "2020 Bonds"). The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry only system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant in order to receive payment of principal of and interest on the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein. If, under the circumstances described herein, the Bonds are ever issued in certificated form, the Bonds will be subject to registration of transfer, exchange and payment as described herein. The principal of the Bonds will be paid to the registered owners or assigns, when due, upon presentation and surrender of the Bonds to U.S. Bank National Association, Pittsburgh, Pennsylvania as trustee for the Bonds (the "Trustee") acting as trustee, paying agent and registrar, at its designated corporate trust office in Pittsburgh, Pennsylvania. Interest on the Bonds is payable initially on June 1, 2021 and thereafter, semiannually June 1 and December 1 of each year, until the principal sum thereof is paid. Payment of interest on the Bonds will be made by check drawn on the Paying Agent mailed to the registered owners of the Bonds as of the Record Date. (See "THE BONDS" herein.)

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

The Bonds are being issued by the Authority to provide funds for a project consisting of: (1) refunding of the outstanding Pennsylvania Finance Authority, College Revenue Bonds Community College of Beaver County Project), Series of 2015; (2) various capital improvements of facilities of the Community College of Beaver County (the "College"); and (3) paying the costs and expenses of issuing the Bonds. See "PURPOSE OF THE BONDS" herein.

**THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY. NEITHER THE PRINCIPAL OF THE BONDS, NOR THE INTEREST ACCRUING THEREON, NOR THE OBLIGATION TO PAY THE REDEMPTION PRICE OF ANY BONDS DULY CALLED FOR REDEMPTION PRIOR TO MATURITY, SHALL (1) 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; (2) 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 (3) 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 BONDS ARE NOT GUARANTEED BY AND DO NOT EVIDENCE DEBT OF THE COUNTY OF BEAVER, PENNSYLVANIA.**

The scheduled payment of principal and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**



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

**See Inside Front Cover**

*The Bonds are offered for delivery when, as and if issued by the Authority subject to the approving legal opinion of Dinsmore & Shohl, LLP, Pittsburgh, Pennsylvania Bond Counsel. Certain legal matters will be passed upon for the College by its counsel Amato, Start & Associates, P.C., Sewickley, Pennsylvania. Certain legal matters will be passed upon for the Authority by its counsel, Barley Snyder LLP, Lancaster, Pennsylvania. It is expected that the Bonds will be available for delivery through DTC, on or about November 12, 2020.*

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**BOENNING & SCATTERGOOD INC.**

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**Dated:** October 6, 2020

**\$4,820,000**  
**STATE PUBLIC SCHOOL BUILDING AUTHORITY**  
(Commonwealth of Pennsylvania)  
**COLLEGE REVENUE BONDS (COMMUNITY COLLEGE OF BEAVER COUNTY PROJECT),**  
**SERIES OF 2020**

**Dated:** Date of Delivery  
**Interest Due:** June 1 and December 1

**Principal Due:** December 1, as shown on below  
**First Interest Payment:** June 1, 2020

**BOND MATURITY SCHEDULE**

<u>Matrurity</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> <u>85732M</u>
12/1/2021	\$270,000	2.000%	0.730%	101.329	5N3
12/1/2022	\$275,000	3.000%	0.850%	104.365	5P8
12/1/2023	\$285,000	3.000%	0.950%	106.153	5Q6
12/1/2024	\$290,000	1.500%	1.100%	101.581	5R4
12/1/2025	\$300,000	3.000%	1.250%	108.542	5S2
12/1/2026	\$310,000	3.000%	1.450%	108.950	5T0
12/1/2027	\$315,000	3.000%	1.600%	109.301	5U7

Term Bonds

12/1/2030	\$995,000	2.000%	2.130%	98.828	5V5
12/1/2033	\$1,040,000	2.100%	2.290%	97.866	5W3
12/1/2035	\$740,000	2.250%	2.450%	97.494	5X1

<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.

**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 Langerholc 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 Noe Ortega  
Acting Secretary of Education ..... Board Member

**EXECUTIVE DIRECTOR  
ERIC GUTSHALL**

**COUNSEL TO THE AUTHORITY  
BARLEY SNYDER LLP  
Lancaster, Pennsylvania**

**BOND COUNSEL  
DINSMORE & SHOHL, LLP  
Pittsburgh, Pennsylvania**

**COUNSEL TO THE COLLEGE  
AMATO, START & ASSOCIATES, P.C.  
Sewickley, Pennsylvania**

**UNDERWRITER  
BOENNING & SCATTERGOOD INC.  
Pittsburgh, Pennsylvania**

**TRUSTEE  
U.S. BANK NATIONAL ASSOCIATION  
Pittsburgh, Pennsylvania**

**DISSEMINATION AGENT  
DIGITAL ASSURANCE CERTIFICATION L.L.C.  
Orlando, Florida**

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**BOARD OF TRUSTEES**

PAMELA M. JOHNSON, CHAIR  
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FREDERICK RETSCH  
HARRY KUNSELMEN  
VACANT POSITION TO BE FILLED

**COLLEGE PRESIDENT**  
DR. ROGER DAVIS

**VICE PRESIDENT OF OPERATIONS AND INFORMATION TECHNOLOGY**  
GLENN NATALI

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

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

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

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

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

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "**MUNICIPAL BOND INSURANCE**" and "Appendix C - **Specimen Municipal Bond Insurance Policy**".

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

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

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

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

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## SUMMARY STATEMENT

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

<b>Issuer</b> .....	State Public School Building Authority (the "Authority" or "SPSBA").
<b>The Bonds</b> .....	College Revenue Bonds (Community College of Beaver County Project), Series of 2020 (the "Bonds" or "2020 Bonds"), in the aggregate principal amount of \$4,820,000. The Bonds are initially dated the Date of Delivery and will mature as shown in the <b>BOND MATURITY SCHEDULE</b> – shown on the inside of the Cover Page of this Official Statement. Interest on the Bonds will begin to accrue on the Date of Delivery and is payable initially on June 1, 2021, and on each June 1 and December 1 thereafter. (See <b>"THE BONDS"</b> herein.)
<b>Redemption Provisions</b> .....	The Bonds are subject to mandatory, optional and extraordinary redemption prior to their stated dates of maturity. (See <b>"REDEMPTION OF THE BONDS"</b> herein.)
<b>Form of Bonds</b> .....	Book-entry form only.
<b>Purpose of the Bonds</b>	The Bonds are being issued by the Authority to provide funds for a project consisting of: (1) refunding of the outstanding Pennsylvania Finance Authority, College Revenue Bonds, (Community College of Beaver County Project), Series of 2015; (2) various capital improvements of facilities of the Community College of Beaver County (the "College"); and (3) paying the costs and expenses of issuing the Bonds. See <b>"PURPOSE OF THE BONDS"</b> herein.
<b>Security for the Bonds</b> .....	The Bonds are limited obligations of the Authority secured under the provisions of the Indenture, and are payable solely from the funds held under the Indenture and from payments to be received by the Authority pursuant to the within-mentioned Loan Agreement and Note of the Community College of Beaver County (the "College"), as described herein. <b>THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY. NEITHER THE PRINCIPAL OF THE BONDS, NOR THE INTEREST ACCRUING THEREON, NOR THE OBLIGATION TO PAY THE REDEMPTION PRICE OF ANY BONDS DULY CALLED FOR REDEMPTION PRIOR TO MATURITY, SHALL (1) 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; (2) 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 (3) 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 BONDS ARE NOT GUARANTEED BY AND DO NOT EVIDENCE DEBT OF THE COUNTY OF BEAVER, PENNSYLVANIA.</b>
<b>Credit Enhancement</b> .....	The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. (See <b>"MUNICIPAL BOND INSURANCE"</b> herein.)
<b>Bond Ratings</b> .....	The Bonds are expected to receive a credit rating of "AA" (Stable outlook) from S&P Global Ratings, New York, New York, ("S&P") with the understanding that the above-described municipal bond insurance policy will be issued at the time of settlement of the Bonds. (See <b>"BOND RATINGS"</b> herein.)
<b>Continuing Disclosure Undertaking</b> .....	The College has agreed to provide, or cause to be provided, in a timely manner, certain information in accordance with the requirements of Rule 15c2-12, as promulgated under the Securities and Exchange Act of 1934, as amended and interpreted (the "Rule"). (See <b>"CONTINUING DISCLOSURE UNDERTAKING"</b> herein.)



## OFFICIAL STATEMENT

**\$4,820,000**

### **STATE PUBLIC SCHOOL BUILDING AUTHORITY (Commonwealth of Pennsylvania)**

### **COLLEGE REVENUE BONDS (COMMUNITY COLLEGE OF BEAVER COUNTY PROJECT), SERIES OF 2020**

## INTRODUCTION

This Official Statement of the State Public School Building Authority (the "Authority" or "SPSBA"), which includes the cover page hereof and the Appendices hereto, provides certain information relating to the Authority and the \$4,820,000 College Revenue Bonds (Community College of Beaver County Project), (the "Bonds"), Series of 2020, dated as of their Date of Delivery. 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 August 27, 2020 (the "Resolution"), and are secured by a Trust Indenture dated as of November 12, 2020 (the "Indenture"), entered into by the Authority and U.S. Bank National Association, Pittsburgh, Pennsylvania, as trustee (the "Trustee").

The Authority and the Community College of Beaver County (the "College") will enter into a Loan Agreement, dated as of November 12, 2020 (the "Loan Agreement") pursuant to which the Authority will lend the net proceeds of the Bonds to the College and the College will make semiannual payments to the Trustee. The obligation to make payments by the College will be evidenced by the College's General Obligation Note dated the date of the Bonds (the "2020 Note"). Such payments will be sufficient in time and amount to provide for the payment of the principal of and the premium (if any) and interest on the Bonds at the times, at the places and in the manner stated in the Bonds. The issuance and delivery of the Bonds and the execution and delivery of the Indenture and the Loan Agreement by the Authority are authorized pursuant to the Act and by the Resolution of the Authority, and execution of the Loan Agreement and the Note by the College is authorized by the Community College Act (as defined hereinafter) and by a resolution (the "College Resolution") of the Board of Trustees of the College duly adopted on August 18, 2020.

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

The College is a public, two-year, comprehensive community college located in and sponsored by the County of Beaver, Pennsylvania (the "County" or "Local Sponsor") in accordance with the provisions of the Community College Act and general guidelines for the implementation of the Community College Act prepared by the Department of Education. The College, founded in 1966, is a community college offering more than 80 different degree and certificate programs in the areas of the arts (including Culinary Arts), sciences (including Aviation Sciences), technology (including energy and advanced manufacturing process technology), business, criminal justice and police training, nursing and associated technical health training, education and others. (See "**COMMUNITY COLLEGE OF BEAVER COUNTY**", herein.)

## PURPOSE OF THE BONDS

The Bonds are being issued by the Authority to provide funds for a project consisting of: (1) refunding of the outstanding Pennsylvania Finance Authority, College Revenue Bonds (Community College of Beaver County Project), Series of 2015; (2) various capital improvements of facilities of the Community College of Beaver County (the "College"); and (3) paying the costs and expenses of issuing the Bonds.

## Sources and Uses of Bond Proceeds

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

Sources of Funds	Total
Par Amount of the Bonds	\$4,820,000.00
Plus: Net Original Issue Premium	\$67,982.75
<hr/> Total	<hr/> \$4,887,982.75
Uses of Funds	
Refund Series of 2015	\$4,465,000.00
Project Fund Deposit	\$279,529.25
Costs of Issuance	\$143,453.50
Contingency	\$0.00
<hr/> Total	<hr/> \$4,887,982.75

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

## FUTURE FINANCING

The College does not anticipate issuing any additional bonds/notes or incurring additional indebtedness in the next three years, except those to refund existing bonds, in the event that economic conditions allow the College to realize savings.

## THE AUTHORITY

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

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

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

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

### **Eric Gutshall** **Executive Director**

Mr. Gutshall was appointed by Governor Wolf as Executive Director of the Authority and PHEFA on December 9, 2019. He previously served as Governor Wolf's Secretary of Intergovernmental Affairs and as Director of Constituent Services. He obtained his Bachelor of Science degree in Business Administration from Central Pennsylvania College and his Master of Public Administration from the University of Pennsylvania.

### **Beverly M. Nawa** **Director of Operations**

Mrs. Nawa serves as the Director of Operations of both the Authority and PHEFA. She has been with the Authorities since 2004. She served as Acting Executive Director from October 2018 to December 2019. Ms. Nawa is a graduate of Alvernia University with a bachelor's degree in business administration.

**David Player**  
**Comptroller & Director of Financial Management**

Mr. Player serves as the Comptroller & 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 June 1 and December 1 of each year (each, an "Interest Payment Date"), commencing December 1, 2020 (until maturity or prior redemption), and will mature on the dates and in the amounts forth on the inside front cover page hereof. The Bonds when issued will be registered in the name of Cede & Co., as a nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. While the Bonds are in the Book-Entry-Only System, references to the "owner" or the "registered owner" as described herein are to Cede & Co., as registered owner for DTC. Each beneficial owner of a Bond may desire to make arrangements with a DTC Participant to receive notices or communications with respect to matters described herein. See **"BOOK-ENTRY-ONLY SYSTEM"** herein.

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

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

### **Transfer, Exchange and Registration of Bonds**

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

## **BOOK-ENTRY ONLY SYSTEM**

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](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 the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

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

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

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

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

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

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

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

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

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

## REDEMPTION OF THE BONDS

### Optional Redemption

The Bonds stated to mature after December 1, 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 or after December 1, 2028, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the date fixed for redemption. Any partial redemption may be in any order of maturity and in any principal amount within a maturity as designated by the College. In the case of any Bond also subject to mandatory redemption, the Authority at the direction of the College shall be entitled to designate whether any optional redemption shall be credited against principal amounts due at maturity or against particular scheduled mandatory redemption obligations with respect to such Bond. The Bonds to be redeemed within a maturity will be selected by the Trustee by lot.

### Mandatory Redemption

The Bonds maturing on December 1 2030, December 1, 2033 and December 1, 2035 are subject to mandatory redemption by the Authority, in part, by lot, at a redemption price at 100% at the principal amount thereof plus accrued interest to the date fixed for redemption, on December 1, in the years and in amounts set forth below:

#### Bonds Maturing December 1

<u>2030</u>	<u>Principal Amount</u>	<u>2033</u>	<u>Principal Amount</u>	<u>2035</u>	<u>Principal Amount</u>
<u>Redemption Date</u>	<u>to be Redeemed</u>	<u>Redemption Date</u>	<u>to be Redeemed</u>	<u>Redemption Date</u>	<u>to be Redeemed</u>
2028	\$320,000	2031	\$340,000	2034	\$365,000
2029	\$335,000	2032	\$345,000	2035*	\$375,000
2030*	\$340,000	2033*	\$355,000		

\*Stated Maturity

### 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 designated corporate trust office in Pittsburgh, Pennsylvania of the Trustee or any alternative Paying Agent, that interest will cease to accrue from the redemption date, and that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds. No defect affecting any particular Bonds, whether in the notice of redemption or mailing thereof (including any failure to mail such notice), shall affect the validity of the redemption proceedings for the redemption of any other Bonds.

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

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

## **MUNICIPAL BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as Appendix C to this Official Statement.

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

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

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

### *Current Financial Strength Ratings*

On July 16, 2020, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 19, 2019, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

### *Capitalization of AGM*

At June 30, 2020:

- The policyholders' surplus of AGM was approximately \$2,667 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,018 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,048 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc ("AGE" "UK"), and Assured Guaranty (Europe) SA ("AGE SA"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE UK and AGE SA were determined in accordance with accounting principles generally accepted in the United States of America.

#### *Incorporation of Certain Documents by Reference*

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

- (i) The Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020);
- (ii) The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020); and
- (iii) The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020 (filed by AGL with the SEC on August 7, 2020).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

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

#### *Miscellaneous Matters*

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

### **BOND INSURANCE RISK FACTORS**

In the event of a default in the payment of principal or interest with respect to the Bonds when any such payment becomes due, any owner of the Bonds shall have a claim under the Municipal Bond Insurance Policy (the "Policy") for such payment. However, in the event of any acceleration of the due date of such principal resulting from any default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, any payments to be made pursuant to the Policy will be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. In addition, the Policy does not insure the payment of any redemption premium.

Under most circumstances, any default in the payment of principal and interest does not accelerate the obligations of the Bond Insurer without its consent. The Bond Insurer may direct, and must consent to, any remedies that a trustee might exercise following such a default and the Bond Insurer's consent may be required in connection with amendments to the Indenture in those circumstances.

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claims paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors that could change over time. No assurance is given that the long-term ratings of the Bond Insurer and, therefore, the ratings on the Bonds insured, 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 RATINGS**" herein.



The obligations of the Bond Insurer under the Policy are general obligations of the Bond Insurer and, upon an event of default by the Bond Insurer, the remedies available to the Trustee may be limited by applicable bankruptcy law or other similar laws related to the insolvency of entities like the Bond Insurer.

## **SOURCE OF PAYMENTS 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 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 2020 Note, which is a general obligation of the College, dated the date of delivery thereof, evidencing its payment obligation under the Loan Agreement with respect to the Bonds. The Bonds are limited obligations of the Authority, payable solely from (i) payments received from the College under the Loan Agreement and the 2020 Note, and (ii) certain moneys held by the Trustee in funds established under the Indenture, if any, excepting, however, sinking or Indenture funds pledged to any Additional Bonds (as defined in the Indenture) and the 2020 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 2020 Note and the Loan Agreement (except for the Authority's right to payment of certain fees and expenses and to indemnification) including amounts payable thereunder. The timely payment of all payments due under the Loan Agreement and the 2020 Note is the unsecured general obligation of the College. See "**COMMUNITY COLLEGE OF BEAVER COUNTY – Long Term Indebtedness**" herein. **NEITHER THE AUTHORITY NOR THE COLLEGE HAVE TAXING POWER.**

**THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM (I) PAYMENTS RECEIVED FROM THE COLLEGE UNDER THE LOAN AGREEMENT AND THE 2020 NOTE, AND (II) CERTAIN MONEYS HELD BY THE TRUSTEE IN FUNDS ESTABLISHED UNDER THE INDENTURE, IF ANY, EXCEPTING, HOWEVER, SINKING OR INDENTURE FUNDS PLEDGED TO ANY ADDITIONAL BONDS (AS DEFINED IN THE INDENTURE) AND THE 2020 REBATE FUND. NEITHER THE PRINCIPAL OF OR REDEMPTION PRICE OF THE BONDS, NOR THE INTEREST ACCRUING ON THE BONDS, SHALL CONSTITUTE A GENERAL INDEBTEDNESS OF THE AUTHORITY OR AN INDEBTEDNESS OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER, CONSTITUTE OR GIVE RISE TO A GENERAL PECUNIARY LIABILITY OF THE AUTHORITY OR A PECUNIARY LIABILITY OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY OR THE GENERAL CREDIT OR TAXING POWER OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, OR BE DEEMED TO BE A GENERAL OBLIGATION OF THE AUTHORITY OR AN OBLIGATION OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE AUTHORITY NOR THE COLLEGE HAVE TAXING POWER.**

### **Additional Bonds**

Upon compliance with the terms and obligations and conditions of the Indenture and the Loan Agreement, the Authority, at the request of the College, may issue Additional Bonds on parity with the Bonds and bonds issued pursuant to the Indenture, for any purpose permitted under the Act. In connection with the issuance of Additional Bonds, additional funds may be established under the Indenture for the benefit of such additional series of bonds. In such event, the holders of the Bonds will have no claims or right to any such funds. For a further description of the conditions under which such Additional Bonds may be issued, see "**SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT AND THE INDENTURE**" herein.

## **COMMUNITY COLLEGE FUNDING STRUCTURE**

### **Local Sponsor Obligation**

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

**Capital Expenses:** The County, as the college's local sponsor, is obligated under the Community College Act to pay one-half of the College's annual capital expense (including debt service) to the extent that said capital expenses have been approved for reimbursement by the Department of Education. The Commonwealth is also responsible for one-half the annual capital expenses to the extent that said capital expenses have been approved for reimbursement by the Department of Education. See "Commonwealth Obligation" below. Of the \$4,304,247 paid to the College by the County in the fiscal year ending June 30, 2019, \$940,000 was used toward the College's annual capital expenditures.

**Operating Costs:** The Community College Act stipulates that the local sponsor must appropriate or provide to the community college an amount at least equal to the community college's annual operating costs, less student tuition received by the community college and less the Commonwealth's payment for operating costs. Of the community college's total annual operating costs, up to one-third may be collected from students in the form of tuition and the balance is to be provided by the local sponsor and the Commonwealth. In the fiscal year ending June 30, 2019, the County paid \$4,304,247 to the College, of which \$3,364,247 were used toward the College's annual operating expenses.

See "**COMMUNITY COLLEGE OF BEAVER COUNTY – 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 county 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 applicable sponsor has not adopted nor proposes to adopt such a tax. **THE COLLEGE 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 49 YEAR 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 certain 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 "**COMMUNITY COLLEGE OF BEAVER COUNTY – 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 2020 Note, the Secretary of Education of the Commonwealth is required to withhold from such community college out of any subsidy payment of any type due such community college from the Commonwealth, an amount equal to the debt service payment owed by such community college. Any amounts so withheld are payable to the Trustee under the Indenture. Based on the College's maximum annual debt service of \$3,021,000 after issuance of the Bonds and the amount of Commonwealth operating and capital expense appropriations presently budgeted at \$6,536,000 by the College for fiscal year 2020-21, the Commonwealth coverage of the College's maximum anticipated debt service would currently be approximately 2.16 times.

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

Notwithstanding the foregoing, the Commonwealth budget for fiscal year 2017-18 became law on July 11, 2017, when the Governor failed to sign or veto the budget as adopted by the General Assembly on June 30, 2017. Thereafter, for each of the fiscal years 2018-19 and 2019-20, the Commonwealth's budgets have been timely adopted by the General Assembly and signed by the Governor ahead of the respective June 30 deadline.

#### **Pennsylvania Department of Education Project Approval**

As discussed under the heading "Commonwealth Obligation" section above, the Community College Act provides that the Commonwealth will reimburse a community college up to one-half of the annual cost on certain capital projects assuming that said capital projects have been approved by the Department of Education. The Department has approved the project being financed by the Bonds.

#### **SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT, THE NOTE, AND THE INDENTURE**

The following pages contain descriptions of certain provisions of the Loan Agreement, the Note and the Indenture. The Bonds are secured by the Indenture and are payable from payments due under the Loan Agreement. These descriptions are brief summaries and do not purport to be and should not be regarded as complete statements of the terms of either the Loan Agreement, the Note or the Indenture or as complete synopses thereof. 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 and Note**

In connection with the issuance of the Bonds, the Authority will enter into the Loan Agreement with the College, pursuant to which the Authority will loan the net proceeds of the Bonds to the College. The Loan Agreement requires the College to make loan repayments to the Authority in an amount sufficient to pay the debt service payments on the Bonds. The obligation of the College under the Loan Agreement will be evidenced by the Note. The College covenants in the Loan Agreement and the Note to budget for each fiscal year during the term of the Loan Agreement the loan payments required to be paid to the Authority with respect to the Note and the Loan Agreement.

**Source of Payments under the Loan Agreement and the Note.** The payments due under the Loan Agreement and the Note are payable by the College from its revenues from whatever source derived. Under the terms of the Loan Agreement and in the Note, the College has covenanted to include the said payments due each fiscal year in its budget for such fiscal year.

**Assignment of Loan Agreement and Note.** The payments due under the Loan Agreement and the Note are paid by the College directly to the Trustee under an assignment by the Authority to the Trustee of such payments for the benefit and security of the bondholders under the Indenture.

**Unconditional Obligation.** The College's obligations under the Loan Agreement are a general obligation of the College and are absolute and unconditional; and the full faith and credit of the College are pledged to pay the amounts due on the Note and payable pursuant to the Loan Agreement. The payments are required to be made in full directly to the Trustee, as assignee, when due and without delay or diminution for any cause whatsoever, including, without limitation, destruction of facilities, and without right of set-off for default on the part of the Authority under the Loan Agreement.

**Maintenance and Repair.** The College covenants under the terms of the Loan Agreement to pay the costs to operate, to maintain and repair its facilities from time to time as may be necessary.

#### **The Indenture**

**Limited Obligations of the Authority.** The Bonds are limited obligations of the Authority and are secured by a pledge and assignment to the Trustee of the loan payments and other revenues or income derived by or for the Authority from or with respect to the Loan Agreement and the Note and all moneys to be paid over to the Trustee under the provisions of the Indenture. The Authority has no taxing power. Neither the general credit of the Authority or the general credit or the taxing power of the United States of America, the Commonwealth of Pennsylvania or any political subdivision thereof is pledged for the payment of the principal of or the interest on the Bonds; nor should the Bonds be deemed to be obligations of the United States of America, the Commonwealth of Pennsylvania or any political subdivision thereof.

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

**Revenue Fund.** All loan payments are required to be deposited in the Revenue Fund established with the Trustee on or before the date of any required payment of principal and interest on the Bonds. Moneys in the Revenue Fund are required to be transferred by the Trustee at the times set forth in the Indenture and to the various other Funds established under the Indenture in the order of priority set forth below.

**Debt Service Fund.** The Indenture requires the Trustee to transfer to the Debt Service Fund, from moneys in the Revenue Fund, amounts sufficient to make the interest payments and principal payments (including mandatory sinking fund redemption payments) on the Bonds when due.

**Rebate Fund.** The Indenture requires the Trustee to establish a Rebate Fund for the Bonds. The Authority will periodically, and upon retirement of the last Bond, determine the sum required to be deposited in the Rebate Fund (if any) and direct the Trustee in writing to transfer such sum from the other funds and accounts established under the Indenture. The Authority will direct the Trustee in writing 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.

**Bond Redemption Fund.** The Indenture requires the Trustee to transfer annually to the Bond Redemption Fund, the balance, if any, in the Revenue Fund after all prior required transfers have been made. Moneys in the Bond Redemption Fund must be used first to eliminate deficiencies, if any, in the Debt Service Fund. Provided there is no deficiency to be remedied and no default has occurred or is continuing, moneys in the Bond Redemption Fund will be applied by the Trustee in accordance with the Indenture.

**Construction Fund.** Under the Indenture, the Trustee may establish a Construction Fund into which it will deposit the net proceeds of any Additional Bonds following payment of costs of issuance and the transfer of an amount equal to capitalized interest (if any) to the Debt Service Fund. The College may withdraw funds from the Construction Fund from time to time to pay costs of a Capital Project (as defined in the Indenture).

**Investment of Funds.** Moneys held in the Revenue Fund, the Debt Service Fund, the Bond Redemption Fund and the Construction Fund may and, upon instructions of the Authority will, be wholly or partially deposited and redeposited in interest-bearing deposit accounts or time certificates of deposit with the commercial department of the Trustee or any other authorized depository, which deposits, to the extent not insured, must be secured as provided by the Indenture; or invested or reinvested by the Trustee at the written direction of the Authority solely in obligations which meet the requirements set forth in the Indenture, subject to the limitations provided in the Indenture.

**Additional Bonds.** The Indenture permits under certain circumstances and conditions, the issuance of additional bonds for the purposes of refunding any series of outstanding bonds of the Authority issued on behalf of the College or any obligation of the College (to the extent permissible under the Act), the Capital Project and for financing any other projects for the College that the Authority may undertake under the Act.

**Defaults and Remedies.** The Act which governs the Authority 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, in the event of any default as defined therein, the Trustee may enforce, and upon the written request of the holders of 25% in principal amount of the bonds then outstanding thereunder and accompanied by indemnity as therein provided must, enforce for the benefit of all holders of such bonds all their rights of bringing suit, action or proceeding at law or in equity and of having a receiver appointed.

Neither the Trustee nor any receiver, however, may sell, assign, mortgage, or otherwise dispose of any assets of the Authority. For a more complete statement of rights and remedies of the Bondholders and of the limitations thereon, reference is made to the Indenture.

**Modifications and Amendments.** Amendments to the Indenture are permitted without consent of Bondholders but with the consent of the Insurer, if any, 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 issued thereunder 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 consent of the Insurer, if any, and owners of not less than 66 2/3% in principal amount of outstanding bonds issued thereunder.

## **BONDHOLDERS' RISKS**

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

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

#### *Potential Effects of Bankruptcy*

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

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

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

#### *Enforceability of Remedies*

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

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

#### **No Liens on College Facilities**

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

#### *Accreditation*

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

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

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

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

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

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

#### *Other Risk Factors*

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

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

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

## COMMUNITY COLLEGE OF BEAVER COUNTY

Community College of Beaver County (CCBC), one of fourteen community colleges in the Commonwealth of Pennsylvania (the "Commonwealth"), established in 1966, is a publicly supported two-year community college in Western Pennsylvania, twenty-five miles north of Pittsburgh on Interstate Route (Designate)-376. The nine building, 100-acre site is located in Center Township, Monaca, Pennsylvania - the approximate geographic center of Beaver County. One satellite campus center is located off-property at the Beaver County Airport in Chippewa Township, Pennsylvania (CCBC Aviation Sciences Center).

The College offers transfer programs leading to Associate in Applied Science, Associate in Arts, Associate in Applied Technology, and Associate in General Studies Degrees as well as diplomas and certificates in several vocational areas. The nursing and aviation programs are two of the most popular majors.

Governance is from a nine-person Board of Trustees approved by the Local Sponsor (the County of Beaver). Funding comes from four sources: the sponsoring County (Beaver County), tuition, the Commonwealth of Pennsylvania, and the Federal Government.

### Description of Campus

The main campus is located on 100 acres of land in Center Township, Beaver County, Pennsylvania. Facilities include: a Student Services Center, Community Education Center, Administrative Services Center, Learning Resources Center, a domed Athletic and Events Center, a maintenance building and three instructional buildings. In addition to the main campus, the College also owns a building at the Beaver County Airport, which houses the College's aviation related programs.

### College Programs

The College offers programs leading to the degrees, diplomas and certificates in over 70 majors. Credits from many academic areas are transferable to other institutions of higher learning. Academic schools include the following:

- Nursing and Allied Health
- Business/Arts/Science and Technology
- Aviation Sciences

### Accreditation

CCBC is accredited by the Commission on Higher Education of the Middle States Association of Colleges and Schools. It is also approved and registered by the Pennsylvania Department of Education, and the College is also certified by the Pennsylvania Department of Education for the education and training of veterans. Programs are approved by the Accreditation Commission for Education in Nursing (ACEN) – ADN Nursing Program, and the National Accrediting Agency for Clinical Laboratory Sciences (NAACLS) – Phlebotomy Program.

### Governing Structure

A nine member Board of Trustees governs the College's operations. Trustees are appointed to a staggered six-year term by the College's sponsor, Beaver County. In addition to appointing the Trustees, the Sponsor approves the College's annual budget. Trustees may serve more than one term upon re-appointment by the Sponsor. The term of office of each Trustee expires on June 30. Officers of the Board of Trustees are elected annually by their peers in July.

The names and occupations of the current members of the Board of Trustees are set forth below:

<u>Name</u>	<u>Occupation</u>
Pamela M. Johnson, Chair	Executive Director, Gentiva Hospice
Zachery Saunders, Vice Chair	Financial Advisor at Confluence Financial Partners
Genetha M. Wood-Short, Secretary	Retired senior Account Executive, WPXI TVM
Stephen W. Robinson, Treasurer	Retired Senior Vice President, Allegheny County Airport Authority
Edward A. Palombo	Director, Engineering & Construction Peoples Natural Gas
Frederick Retsch	Retired Educator
Harry Kunselman	Attorney and shareholder at Strassburger McKenna Gutnick & Gefsky
Dr. Robert Postupac	Superintendent, Western Beaver School District
Vacant Position to be filled	

### Employee Relations

The College enjoys a positive employee relations climate. Faculty employees are represented by the Society of Faculty under a contract which expires August 31, 2020. Support employees are represented by the Educational Support Personnel Association under a contract which expired on June 30, 2022. The College and the Association are currently negotiating in good faith. Both unions are PSEA/NEA affiliates.

## Employees

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

<u>Employees</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Faculty (Full-time) .....	50	52	51	51	49	49
Faculty (Part-time).....	88	106	80	83	91	91
Administrators .....	32	31	33	33	35	35
Support Staff .....	57	59	62	61	64	64

Source: The College (Information from College payroll).

## Labor Relations

The College enjoys a positive employee relations climate with a dedicated and loyal staff. Labor contracts with the faculty's union, the Community College of Beaver County Professional Association, are three years in length and the current contract expired August 31, 2020 and is current being negotiated. Labor contracts with the support staff's union, the Clerical and Maintenance Employee Support Personnel Association, are three years in length and the current contract expires June 30, 2020. 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 "COMMUNITY COLLEGE OF BEAVER COUNTY FINANCIAL STATEMENTS" Note 9 Page 15 "RETIREMENT PLANS", Note 9 Page 16 "PSERS AND SERS PENSION PLAN" AND Page 16 of required supplemental information of the College's audited financial statements.

## Enrollment

The College experienced student credit hour decline of approximately 9% (from 47,758 to 43,774) in 2018/19. In 2019, sponsored student credit hours decreased by 10.7%. Out of state credit hours decreased by 11.9% (1,233 credit hours). Non-sponsored student credit hours increased by 6.6% (6,545 credit hours). College in high school credit hours decreased by 12.1%.

Non-credit enrollment numbers include duplicated headcount for recreational and workforce related training. Enrollment numbers have been affected by a reduction of courses that were free to certain community members (i.e., Fire School), the reduction of senior citizen tuition waivers, elimination of table game training, and returning Police Academy to a credit certificate program. FTE numbers are not currently calculated or tracked by the Workforce and Continuing Education Division.

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

<u>Annual Headcount</u>			<u>Full Time Equivalent</u>		
<u>Fiscal Year</u>	<u>Credit</u>	<u>Non-Credit</u>	<u>Total</u>	<u>Credit</u>	<u>Total</u>
2013-14	3,232	2,922	6,154	1,722	1,722
2014-15	3,102	2,624	5,726	1,604	1,604
2015-16	3,055	2,079	5,134	1,587	1,587
2016-17	3,231	2,088	5,319	1,593	1,593
2017-18	3,248	1,933	5,181	1,601	1,601
2018-19	2,966	1,933	4,899	1,457	1,457
2019-20*	2,854	1,749	4,603	1,420	1,420
2020-21**	2,460	N/A	N/A	1,230	1,230

\*Figures are pre-audit

\*\* Projected

Source: The College.

The Local Sponsor is the County of Beaver, which provides an annual appropriation for the College through its operating budget. These funds are provided through the County's general revenues, including property and other local taxes. The annual appropriation for the College for calendar year 2011 was \$3,691,000, for 2012 was \$3,691,000, for 2013 was \$3,691,000, for 2014 was \$3,994,500, for 2015 was \$4,449,243 and for 2016 was \$4,242,400 and for 2017 is \$4,242,500 and for 2018-19 is \$4,304,247.



The College's tuition rate for FY 2018-19 is \$199.00 per credit hour for students from the Local Sponsor, \$381.00 per credit hour for students from non-sponsoring Pennsylvania school districts, and \$563.00 per hour for students from outside Pennsylvania.

#### *Budgetary Procedures*

The College's annual operating and capital budget is prepared by the Vice President of Finance, Operations, and Information Technology 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 (Beaver County), and student tuition and fees. Operating funds from the Commonwealth are allocated a specified basic subsidy. The Commonwealth may provide one-half of approved capital costs, although funding approval of the Commonwealth's share of new facilities and equipment outlays is contingent upon available funding in the PDE's annual budget appropriation.

Under Act 46 passed by the State Legislature in July 2005, operating budget funding for Pennsylvania Community Colleges was changed from formula funding based upon FTE enrollments taught in the current fiscal year to an annual appropriation provided at the start of the fiscal year. The appropriation amount has three components: a base allocation equal to prior year base allocation plus any adjustment occurring through the state budget process, a small amount of additional funding if enrollments grew between the last two audited years, and economic development program funding based upon FTEs taught by the College in high priority program areas in the prior fiscal year. Economic development funding is distributed proportionately based upon each college's share of the total FTEs taught. The Commonwealth also provides one-half of approved capital costs, including debt service payments, and eligible capital purchases and equipment and property leases. Total projected Commonwealth funding for the 20-21 year is \$6,536,000.

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 of Administrative Services as delegated by the President.

#### *Accounting Matters*

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

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

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

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

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, a summary of the College's 2017-18 Operating Budget. For a more complete discussion of the College's financial position and results of operations at June 30, 2015 see "MANAGEMENT'S DISCUSSION AND ANALYSIS" included in the financial information included in Appendix A hereto.

The financial statements ending June 30, 2015, 2016, 2017, 2018 and 2019 were audited by Baker Tilly Virchow Krause, LLP, Pittsburgh, Pennsylvania.

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**COMPARATIVE SUMMARY STATEMENT OF NET POSITION**  
**FOR THE YEARS ENDING JUNE 30, 2014, 2015, 2016, 2017, 2018 AND 2019**

<b>ASSETS</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Current Assets</b>					
Cash and Cash Equivalents	\$1,089,675	\$1,359,924	\$1,129,579	\$4,103,114	\$4,279,271
Cash and Cash Equivalents - Restricted		2,936,557	1,050,483	3,041,841	51,467
Accounts Receivable - Students, net	523,127	708,272	953,311	1,089,969	1,375,669
Grants Receivable	352,522	1,084,018	1,428,562	249,109	271,195
Other Receivables	100,541	79,603	118,061	125,736	227,641
Pledges Receivable (Net)				1,322,840	330,770
Due from Component Unit	4,662	9,741	5,241		
Inventories	27,883	26,896	16,103		
Prepaid Expenses	573,713	221,133	379,544	405,318	379,285
<b>Total Current Assets</b>	<b>\$ 2,672,123</b>	<b>\$ 6,426,144</b>	<b>\$ 5,080,884</b>	<b>\$10,337,927</b>	<b>\$6,915,298</b>
<b>Non-Current Assets</b>					
Pledges Receivable				719,614	215,874
Investments				1,491,601	1,749,158
Fixed Assets, Net	31,626,208	33,643,334	37,127,872	36,210,251	38,510,585
Deferred Financing Costs					
<b>Total Non-Current Assets</b>	<b>31,626,208</b>	<b>33,643,334</b>	<b>37,127,872</b>	<b>38,421,466</b>	<b>40,475,617</b>
<b>Deferred Outflows of Resources:</b>					
Deferred Outflows - Pension	188,673	206,797	425,677	427,405	384,068
Deferred Interest on Refunding	103,412	73,145	488,397	338,107	249,265
<b>Total Deferred Outflows of Resources</b>	<b>292,085</b>	<b>279,942</b>	<b>914,074</b>	<b>765,512</b>	<b>633,333</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$34,590,416</b>	<b>\$40,349,420</b>	<b>\$43,122,830</b>	<b>\$49,524,905</b>	<b>\$48,024,238</b>
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Working capital line notes payable				\$383,978	1,362,754
Notes payable, current portion					47,523
Leases payable, current portion				150,074	150,491
Bonds payable, current portion				1,570,000	1,635,000
Accounts Payable	\$684,309	\$972,413	\$1,115,013	1,090,343	773,927
Accrued Salaries and Benefits	1,402,519	1,263,301	950,300	873,336	813,025
Payroll Tax Liabilities		24,938	151,930	144,517	247,684
Accrued Retirement Benefits - Current Portion	132,851	159,045			
Accrued Compensated Absences - Current Portion	20,000	20,000	20,000	20,000	20,000
Accrued Interest	87,666	98,631	81,425	85,103	84,044
Other Accrued Liabilities	176,002	176,072	334,600	483,400	30,900
Unearned Revenues	549,090	967,947	843,868	887,266	1,289,175
Due to Student Groups		23,940	23,750	21,101	19,119
Due to Student Groups and Foundation	22,952				
Notes Payable - Current Portion	825,000	759,092	759,092		
Bonds Payable - Current Portion		1,075,000	1,495,000		
Lease Obligation Payable - Current Portion	179,155		149,826		
<b>Total Current Liabilities</b>	<b>\$4,079,544</b>	<b>\$5,540,379</b>	<b>\$5,924,804</b>	<b>\$5,719,118</b>	<b>\$6,473,642</b>
<b>NONCURRENT LIABILITIES</b>					
Notes Payable (Net)	\$24,678,995	\$29,215,708	\$273,206		
Bonds Payable (Net)			30,819,618	31,689,485	30,086,476
Lease Obligation Payable				110,795	
Healthcare Claims Reserves					
Accrued Retirement Benefits	429,207	154,774			
Net Pension Liability	2,335,000	2,339,000	2,577,000	2,272,000	2,112,000
Accrued Compensated Absences	658,189	560,830	581,377	621,410	698,468
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>\$28,099,391</b>	<b>\$32,270,312</b>	<b>\$34,251,201</b>	<b>\$34,693,690</b>	<b>\$32,896,942</b>
<b>TOTAL LIABILITIES</b>	<b>\$32,178,935</b>	<b>\$37,810,691</b>	<b>\$40,176,005</b>	<b>\$40,412,808</b>	<b>\$39,370,584</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows Related to Pension	\$167,000	\$185,000	\$218,000	\$369.00	\$344.00
<b>Total Deferred Inflows of Resources</b>	<b>\$167,000</b>	<b>\$185,000</b>	<b>\$218,000</b>	<b>\$369.00</b>	<b>\$344.00</b>
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>	<b>\$32,345,935</b>	<b>\$37,995,691</b>	<b>\$40,176,223</b>	<b>\$40,781,808</b>	<b>\$39,714,584</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	\$6,048,470	\$5,530,091	\$4,681,613	5,347,760	5,327,321
With donor restrictions, component unit:					
Expendable				3,544,824	2,649,494
Nonexpendable				1,722,279	2,035,233
Without Donor Restrictions, component unit				639,688	689,749
Unrestricted - (Deficit)	(3,803,989)	(3,376,362)	(1,952,788)	(2,511,454)	(2,392,143)
<b>TOTAL NET POSITION</b>	<b>\$2,244,481</b>	<b>\$2,353,729</b>	<b>\$2,728,825</b>	<b>8,743,097</b>	<b>8,309,654</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$34,590,416</b>	<b>\$40,349,420</b>	<b>\$43,122,830</b>	<b>\$49,524,905</b>	<b>\$48,024,238</b>

Source: Financial Statements for the Years Ended June 30, 2014, 2015, 2016, 2017, 2018 and 2019

**COMMUNITY COLLEGE OF BEAVER COUNTY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS, JUNE 30, 2014, 2015, 2016, 2017, 2018 AND 2019**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Operating Revenues:</b>					
Student Tuition and Fees	\$ 10,618,549	\$ 10,920,172	\$ 12,377,094	\$ 12,694,881	\$ 11,901,537
Government Grants and Contract Fees	1,027,527	1,635,350	1,134,428	777,028	1,014,429
State Fiscal Stabilization Funds - ARRA	--	--	--	--	--
Federal and State Student Grants	4,627,958	4,261,402	4,309,411	5,063,802	4,271,259
Auxiliary Enterprises Revenues	87,781	91,451	84,006	78,686	55,112
Contributions	--	--	97,378	4,287,541	2,088,056
Event revenue	--	--	--	52,949	61,493
Other Operating Revenues	209,917	149,261	97,936	146,268	137,376
Total Operating Revenues	<u>\$ 16,571,732</u>	<u>\$ 17,057,636</u>	<u>\$ 18,100,253</u>	<u>\$ 23,101,155</u>	<u>\$ 19,529,262</u>
<b>Operating Expenses:</b>					
Instruction	\$ 8,281,066	\$ 7,752,860	\$ 8,135,243	\$ 8,914,952	\$ 8,954,427
Academic Support	2,374,373	2,166,247	2,269,397	2,172,632	2,216,269
Student Services	1,520,527	1,603,835	1,681,936	1,798,472	1,955,320
Institutional Support	5,365,796	5,427,693	5,551,265	5,759,327	5,355,798
Operation and Facilities	2,040,912	2,104,891	2,141,639	2,155,754	2,188,052
Government Grants	923,489	792,572	757,542	787,341	1,286,931
State Fiscal Stabilization Funds - ARRA	--	--	--	--	--
Federal and State Student Grants	4,627,958	4,261,402	4,309,411	5,063,802	4,271,259
Scholarships and other designated expenses	--	--	--	696,594	1,391,224
Fundraising	--	--	--	14,520	8,068
Auxiliary Enterprises Expenses	--	--	--	--	--
Depreciation	1,716,437	1,644,020	1,737,396	1,840,633	1,937,305
Amortization	--	--	--	--	--
Total Operating Expenses	<u>\$ 26,850,558</u>	<u>\$ 25,753,520</u>	<u>\$ 26,583,829</u>	<u>\$ 29,204,027</u>	<u>\$ 29,564,653</u>
Operating Income (Loss)	<u>(10,278,826)</u>	<u>(8,695,884)</u>	<u>(8,483,576)</u>	<u>(6,102,872)</u>	<u>(10,035,391)</u>
<b>Non-Operating Revenues:</b>					
<b>(Expenses):</b>					
Interest Income	\$ 3,298	\$ 3,130	\$ 4,952	\$ 41,125	\$ 59,397
Gain (Loss) on Investments	--	--	--	103,246	66,475
State Appropriations	5,735,447	5,782,268	6,036,227	6,145,643	6,355,079
County Appropriations	--	--	4,310,007	4,242,500	4,304,247
Bond Issuance Costs	3,994,500	4,449,243	(380,784)	(83,200)	(3,561)
Interest Expense	(1,132,782)	(1,429,509)	(1,111,730)	(1,128,455)	(1,179,689)
Total Non-Operating Revenues	<u>\$ 8,600,463</u>	<u>\$ 8,805,132</u>	<u>\$ 8,858,672</u>	<u>\$ 9,320,859</u>	<u>\$ 9,601,948</u>
Increase (Decrease) in Net Position	<u>\$ (1,678,363)</u>	<u>\$ 109,248</u>	<u>\$ 375,096</u>	<u>\$ 3,217,987</u>	<u>\$ (433,443)</u>
Net Position - July 1	\$ 6,171,379	\$ 2,244,481	\$ 2,353,729	\$ 5,525,110	\$ 8,743,097
Prior Period Adjustment	<u>(2,248,535)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Position - June 30	<u>\$ 2,244,841</u>	<u>\$ 2,353,729</u>	<u>\$ 2,728,825</u>	<u>\$ 8,743,097</u>	<u>\$ 8,309,654</u>

Source: Financial Statements for the Years Ended June 30, 2014, 2015, 2016, 2017, 2018 and 2019.

COMMUNITY COLLEGE OF BEAVER COUNTY  
STATEMENT OF REVENUES AND EXPENSES  
2019-20 BUDGET  
2020-21 PROPOSED BUDGET

	BUDGET 2019-20	PROPOSED BUDGET 2020-21
<b>REVENUES</b>		
State Funding	\$6,587,464	\$6,535,615
County Funding	4,415,993	4,030,375
Credit Based Enrollments	10,740,518	10,230,824
SITCE Tuition and Fees	417,500	241,658
Flight Fees and Plane Rentals	1,291,000	0
PTECH Capital Revenue From Foundation	0	0
Facility Rentals/Other	190,917	158,779
Total Revenue	<u>\$23,643,392</u>	<u>\$21,197,251</u>
<b>EXPENSES</b>		
Salary	\$8,750,316	\$7,680,283
Adjunct and Overload Salary	1,877,996	1,625,172
Benefit	3,183,449	3,031,679
Tuition Waiver/Reimbursement	177,614	199,934
Depreciation, Amort, Bad Debt	2,018,309	2,069,871
Contracted Services	740,028	836,379
Legal Services	65,000	81,140
Utilities	744,305	713,549
Software	502,713	529,564
Advertising and Promotions	361,925	331,946
Athletics and Academic Excellence Scholarships	232,000	181,030
Rental Cost	50,000	73,800
Equipment Maintenance & Repair	207,070	222,674
Instructional Materials and Supplies	198,135	143,098
General Supplies	235,282	166,742
Dues and Fees	225,000	158,761
Insurance	190,379	217,733
Sports (No Track and Field)	132,513	124,556
Sports (New Track and Field)	0	0
Student Life (NSO, Commence, Etc.)	102,000	116,622
Travel	120,617	56,716
Library Periodicals	86,500	90,308
Advancement Events	71,625	56,311
Professional Development	51,650	36,920
Duplicating and Postage	135,619	147,078
Food Services and Catering	0	9,978
Raise Awards	25,950	50,000
Digital Text and Materials Fee	0	295,969
Discounted Flight Fees	1,585,000	600,000
<b>Total Operating</b>	<b>21,242,403</b>	<b>19,847,813</b>
Interest Expense	1,109,880	1,051,583
<b>Total Expense</b>	<b>22,352,282</b>	<b>20,899,396</b>
Net Income	652,770	297,855
<b>EBITDA</b>	<b>2,895,398</b>	<b>2,560,782</b>
Use of Operating Cash	2,560,423	2,560,782
Bond/Long Term Loan/Lease Principle pmts (Fixed)	1,961,700	2,392,603
Increase in Reserve Fund	400,000	0
Cash Payments to Retirees	58,859	108,179
Capex Spending	139,864	60,000
<b>End of Year Cash Balance</b>	<b>334,975</b>	<b>0</b>

## Long Term Indebtedness

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

	<b>Gross Outstanding*</b>
College Revenue Bonds, Series of 2015 .....	0.00
College Revenue Bonds, Series of 2017 .....	23,470,000.00
College Revenue Bonds, Series A & B of 2018 .....	2,400,000.00
College Revenue Bonds, Series of 2020 .....	4,820,000.00
<b>TOTAL DEBT</b> .....	<b>\$29,690,000.00</b>

\*Includes the Bonds offered through this Official Statement. Excludes capital leases, bank debt and the 2015 Bonds to be refunded by this issue.

The College has previously issued several series of College Revenue Bonds which remain outstanding as of the date hereof (listed in the table above). The Bonds and each series of College Revenue Bonds issued previously have been issued under a separate indentures. With each issuance, the College has entered into a loan agreement pursuant to which the College has agreed to repay such loans in such amounts and at such times as will provide sufficient funds to meet the applicable debt service requirements. The obligations of the College under each loan agreement are general obligations secured by a note evidencing the College's obligations under the loan agreement. The Bonds and each series of College Revenue Bonds issued previously are payable from the payments under the loan agreements and the notes issued in connection therewith. The payments due under the notes are payable from the College's general revenues.

### *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:

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
<b>Tuition</b> (per credit hour for Residents of the sponsoring County)	\$120.00	\$142.00	\$153.00	\$156.00	\$157.00	\$162.00	\$167.00
<b>Student Fee</b> (per credit hour) (General Fee + Technology Fee)	\$33.00	\$40.00	\$40.00	\$40.00	\$42.00	\$52.00	\$57.00
<b>Total Per Credit Hour</b>	\$153.00	\$182.00	\$193.00	\$196.00	\$199.00	\$214.00	\$224.00
General Fee	\$12.00	\$14.00	\$14.00	\$14.00	\$15.00	\$20.00	\$22.00
Technology Fee	\$21.00	\$26.00	\$26.00	\$26.00	\$27.00	\$32.00	\$35.00

Note: In addition to these fees, the college charges academic enhancement and lab fees in high cost course areas, such as Allied Health, Aviation and Laboratory Sciences. Course fees range from \$10.00 to \$900.

Source: The College.

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## 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>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
<b>GRANTS</b>					
PELL	1,147	1,061	1,061	1,082	991
PHEAA	518	405	450	425	486
SEOG	310	333	354	312	391
Other (TRA/OVR/WIA)	23	26	51	43	24
<b>LOANS</b>					
Stafford	1,116	1,042	978	1,059	931
<b>EMPLOYMENT</b>					
College Work-Study Program	33	22	20	26	25

Source: The College.

## CONTINUING DISCLOSURE UNDERTAKING

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

- (i) to provide at least annually to the Municipal Securities Rulemaking Board (the "MSRB") Electronic Municipal Market Access ("EMMA") System, in such electronic format as is prescribed by the MSRB and accompanied by such identifying information as prescribed by the MSRB, the following annual financial information and operating data with respect to the College for each of its fiscal years, beginning with the fiscal year ending June 30, 2020, within 270 days following the end of such fiscal year:
  - the financial statements for the most recent calendar year, prepared in accordance with generally accepted accounting principles for local government units and audited in accordance with generally accepted auditing standards
  - Summary of the operating budget
- (ii) in a timely manner not in excess of ten business days after the occurrence of the event, to file with the MSRB, notice of the occurrence of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the College; (13) the consummation of a merger, consolidation, or acquisition involving the College or the sale of all or substantially all of the assets of the College, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, 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 obligated person, any of which reflect financial difficulties.
- (iii) in a timely manner, to provide to the EMMA, in such electronic format as is prescribed by the MSRB and accompanied by such identifying information as prescribed by the MSRB notice of a failure to provide required annual financial information, on or before the date specified above.

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

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

In the event of a breach or default by the College of its covenants to provide annual financial information and notices as provided above, the Disclosure Dissemination Agent or any holder or beneficial owner of Bonds shall have the right to bring an action in a court of competent jurisdiction to compel specific performance by the College. A breach or default under the Continuing Disclosure Agreement shall not constitute an event of default under the Loan Agreement, the 2020 Note, the Indenture, the Bonds or any other agreement. The Dissemination Agent shall be under no obligation to enforce the Continuing Disclosure Agreement unless (i) directed in writing by the holders or beneficial owners of at least 25% of the outstanding principal amount of the Bonds and (ii) furnished with indemnity and security for expenses satisfactory to it. The Authority is not a party to the Continuing Disclosure Agreement and has not obligation or responsibility for the College's obligations thereunder.

#### COMPLIANCE WITH PREVIOUS CONTINUING DISCLOSURE UNDERTAKINGS

The College has entered into prior undertakings to provide information pursuant to Continuing Disclosure Agreements for several outstanding bond issues. The requirements of the outstanding bond issues require the College to submit information annually, with the shortest submission period being 275 days following the close of each fiscal year of the College, which occurs on June 30th. The following table provides information regarding the undertaking, annual filing deadlines and the College's performance of its filing obligations:

Fiscal Year Ending	Filing Deadline <sup>(1)</sup>	Financial Statements		Operating Data	
		Filing Date	EMMA ID <sup>(2)</sup>	Filing Date	EMMA ID <sup>(2)</sup>
6/30/2015	03/31/2016	03/30/2016	EP724133	11/13/2015	ES780443
6/30/2016	04/01/2017	11/16/2016	ES779022	03/30/2017	EP776886
6/30/2017	04/01/2018	02/12/2018	ES858184	03/05/2018	ES866850
6/30/2018	04/01/2019	02/12/2019	ER925599	03/25/2019	ES967525
6/30/2019	04/01/2020	02/21/2020	ER1009550	N/A	N/A

#### Notes

<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: <http://emma.msrb.org/ContinuingDisclosureView/ConsultingDisclosureDetails.aspx?submissionId~>

Some of the College's bond issues that have been outstanding during the past five (5) years have been insured by various bond insurance companies that have received rating downgrades and upgrades by S&P and/or Moody's. This information was publicly available from widely accepted information sources at the time of their respective downgrades or upgrades. For informational purposes, the College has uploaded a summary of these rating changes relating to certain bond insurance companies on November 9, 2016.

As outlined in the table above, the College failed to provide certain complete annual financial information in a timely manner during the past five (5) years. However, the College subsequently filed all the required annual financial information on the dates stated on the above table along with a "Failure to Provide" notice to the MSRB's EMMA System on November 21, 2016. It is also noted that, the College did make partial filings of the required operating data in 2015 and 2016, but the filing was not complete until the date provided in the table above. The College will continue to adhere to procedures that were put in place to provide timely ongoing disclosure of annual financial information and notice of material events affecting its securities. The College will continue to adhere to procedures that were put in place to provide timely ongoing disclosure of annual financial information and notice of material events affecting its securities.

## **Infectious Disease Outbreak – COVID-19**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "COVID-19 Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and the Commonwealth of Pennsylvania. On March 13, 2020, the President of the United States declared the outbreak of COVID-19 Pandemic in the United States a national emergency. Pennsylvania Governor Tom Wolf ordered all non-life-sustaining businesses in Pennsylvania to close their physical locations as of March 19, 2020 to slow the spread of COVID-19. Thereafter, the Governor issued a Stay at Home order, initially effective for certain Pennsylvania counties and later expanding it to cover the entire Commonwealth. The Governor's orders have been modified on a regional basis, using a color-coded system. Under that system, Beaver County moved into code green on June 12, 2020, which means that certain non-essential businesses are permitted to open on a limited basis.

The COVID-19 Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. There can be no assurances regarding the extent to which the COVID-19 Pandemic will impact the national and Commonwealth economies and, accordingly, how it may adversely impact local governments and municipal authorities, including the College. While any impact of the COVID-19 Pandemic on the local economy is currently uncertain, the College is monitoring the situation and will address such impact as necessary.

## **LITIGATION**

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

*The College.* There is no litigation, currently pending or to the knowledge of the College threatened against it, which, individually or in the aggregate, will have a material adverse effect on its financial condition or which will affect the validity or enforceability of the Loan Agreement or the 2020 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 MATTERS**

### **State Tax Matters**

In the opinion of Bond Counsel, 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.

The residence of a holder of a Bond in a state other than Pennsylvania, or being subject to tax in a state other than Pennsylvania, may result in income or other tax liabilities being imposed by such other state or its political subdivisions based on the interest or other income from the Bonds.

### **Federal Income Tax Matters**

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds (including, in the case of Bonds sold at an original issue discount, the difference between the initial offering price and par) is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that interest on the Bonds is not a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of Federal individual alternative minimum taxes. It should be noted that the corporate alternative minimum tax has been eliminated for taxability years beginning after December 31, 2017.



### *Original Issue Discount*

The Bonds that mature on December 1, 2030 through and including December 1, 2035 (collectively, the "Tax-Exempt Discount Bonds") are being offered and sold to the public at an original issue discount ("OID") from the amounts payable at their maturity. OID is the excess of the stated redemption price of a bond at maturity (par) over the price to the public at which a substantial amount of bonds of the same maturity are sold pursuant to the initial offering. Under the Code, OID on each Tax-Exempt Discount Bond will accrue over its term and the amount of accretion will be based on the yield to maturity, compounded semi-annually. The amount of OID that accrues during each semi-annual period will do so ratably within that period on a daily basis. With respect to an initial purchaser of a Tax-Exempt Discount Bond at its initial offering price, the portion of OID that accrues during the period that such purchaser owns such Bond is added to the purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale, or other disposition of that Tax-Exempt Discount Bond and thus, in practical effect, is treated as interest, which is excludable from gross income for federal income tax purposes.

Holders of Tax-Exempt Discount Bonds should consult their own tax advisors as to the effect of OID with respect to their federal tax liability.

### *Original Issue Premium*

The Bonds that mature on December 1, 2021 through and including December 1, 2027 (collectively, the "Tax-Exempt Premium Bonds") are being sold at an original issue premium ("OIP"). An amount equal to the excess of the issue price of a Tax-Exempt Premium Bond over its stated redemption price at maturity constitutes OIP on such Tax-Exempt Premium Bond. An initial purchaser of a Tax-Exempt Premium Bond must amortize any OIP over such Tax-Exempt Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Tax-Exempt Premium Bonds callable prior to their maturity, by amortizing the OIP to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As OIP is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Tax-Exempt Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Tax-Exempt Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Tax-Exempt Premium Bonds should consult with their tax advisors with respect to the determination and treatment of OIP for federal income tax purposes and with respect to the state and local tax consequences of owning a Tax-Exempt Premium Bond.

### *Continuing Compliance*

The Code imposes various terms, restrictions, conditions and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Bonds. The Authority has covenanted to comply with all such requirements, including non-arbitrage requirements under Section 148 of the Code, that are necessary to ensure that interest on the Bonds will not be includable in gross income for Federal income tax purposes. Failure to comply with these covenants could result in interest on the Bonds being includable in gross income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with the aforesaid covenants. Moreover, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax-exempt status of the interest on the Bonds.

Certain requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Such changes or actions could constitute an exchange or other tax event with respect to the Bonds, which could result in gain or loss to the holder of a Bond, and a consequent tax liability.

Pursuant to its continuing disclosure obligations made pursuant to SEC Rule 15c2-12 (see "Continuing Disclosure Undertaking" herein), the Authority may be required to provide notice of such changes or actions, as Material Events under said Rule. However, holders of the Bonds should consult their own tax advisors as to the effect of such changes or actions with respect to their federal tax liability.

### *Collateral Tax Liabilities*

Although Bond Counsel has rendered an opinion that interest on the Bonds is excludable from gross income for Federal and Pennsylvania income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may result in other collateral effects on a Bondholder's Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion; each Bondholder or potential Bondholder is urged to consult with its own tax advisors with respect to the effects of purchasing, holding or disposing of the Bonds on its tax liabilities.

Examples of tax consequences for certain taxpayers include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies under Section 832 of the Code, increasing the federal tax liability of certain S corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability of certain individual recipients of social security or railroad retirement benefits under Section 86 of the Code, limiting the use of the Earned Income Credit under Section 32 of the Code, limiting the use of the refundable credit for coverage under a qualified health plan under Section 36B of the Code, and denying an interest expense deduction to certain financial institutions under Section 265 of the Code (unless, and in the circumstance when, the Bonds have been designated by the issuer as "qualified tax-exempt obligations").

### *Change in Law; Adverse Determinations*

From time to time, certain legislative proposals may be introduced, or are pending, in the Congress of the United States or the various state legislatures, including some that carry retroactive effective dates, that, if, enacted, could alter or amend the federal and state tax matters described above or affect the market value of the Bonds. No prediction can be made whether or in what form any such proposal or proposals might be enacted into law or whether, if enacted, the same would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") regularly audits tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. No prediction can be made whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures, the Service may treat the Authority as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until such time as the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, such as the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bondholder who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or to any Bondholder who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns.

**THE FOREGOING IS NOT INTENDED AS AN EXHAUSTIVE LIST OF THE PROVISIONS OF FEDERAL, STATE AND LOCAL TAX LAWS WHICH MAY HAVE AN EFFECT ON INDIVIDUALS AND CORPORATIONS HOLDING THE BONDS OR RECEIVING INTEREST THEREON. PROSPECTIVE PURCHASERS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE EFFECT ON THEIR FEDERAL, STATE OR LOCAL TAX LIABILITY AND GENERAL FINANCIAL AFFAIRS OF HOLDING THE BONDS OR RECEIVING INTEREST THEREON.**

### **Other**

The Bonds and the interest thereon may be subject to state and local taxes in jurisdictions other than the Commonwealth under applicable state or local tax laws.

**Purchasers of the Bonds should consult their independent tax advisors with regard to all state and local tax matters that may affect them.**

### **QUALIFIED TAX-EXEMPT OBLIGATIONS**

The Authority is not a qualified issuer and has not designated the Bonds as "qualified tax-exempt obligations" for the purposes and effect contemplated by Section 265 of the Code.

### **CERTAIN LEGAL MATTERS**

Purchase of the Bonds by the Underwriter is subject to the receipt of the approving legal opinion of Dinsmore & Shohl, LLP, Bond Counsel. Certain legal matters will be passed upon for the College by Amato, Start & Associates, P.C., Sewickley, Pennsylvania, at the time of the delivery of the Bonds. Certain legal matters will be passed upon for the Authority by Barley Snyder LLP, Lancaster, Pennsylvania.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result and are not binding on the IRS or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law and in reliance on the representations and covenants that it deems relevant to such opinions.

## **FINANCIAL STATEMENTS**

The financial statements of the College as of and for the fiscal years ended June 30, 2019 and 2018 included in Appendix A have been audited by Baker, Tilly, Virchow, Krause, LLP Certified Public Accountants, as stated in its report appearing in Appendix A. In the opinion of the College there has been no material adverse change in the financial conditions of the College since June 30, 2019.

## **UNDERWRITING**

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the Authority at an aggregate price of \$4,854,242.75 (which represents the par amount of the Bonds less underwriter's discount of \$33,740.00, plus net original issue premium of \$67,982.75). The Underwriter's obligations are subject to certain conditions precedent; however, the Underwriter will be obligated to purchase all such Bonds if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed from time to time, by the Underwriter.

## **THE TRUSTEE**

The Authority has appointed U.S. Bank National Association, a national banking association organized under the laws of the United States, to serve as Trustee. The Trustee is to carry out those duties assignable to it under the Indenture. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Official Statement or for the recitals contained in the Indenture or the Bonds, or for the validity, sufficiency, or legal effect of any of such documents.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application of the proceeds of such Bonds by the Authority or the College. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets or revenues pledged or assigned as security for the Bonds, the technical or financial feasibility of the project financed by the Bonds, or the investment quality of the Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

## **BOND RATING**

S&P Global Ratings is expected to assign its municipal bond rating of "AA" (Stable outlook) to the Bonds with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of principal of and interest on the Bonds will be issued by AGM. Such ratings reflect only the view of such organization and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following address: 55 Water Street, 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.

## **MISCELLANEOUS MATTERS**

This Official Statement has been prepared under the direction of the College by Boenning & Scattergood Inc., Pittsburgh, Pennsylvania, in its capacity as Underwriter to the College. The information set forth in this 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 Underwriter 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 2020 Note, the Continuing Disclosure Agreement, the Act, the Community College Act and other materials are only brief outlines of certain provisions thereof and do not purport to summarize or describe all the provisions thereof, copies of which will be furnished by the Authority upon request.

The information contained in this 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 foresaid, the Authority assumes no responsibility for the disclosures set forth in this Preliminary Official Statement.

**STATE PUBLIC SCHOOL BUILDING AUTHORITY**

By: /s/ Eric Gutshall  
Title: Executive Director

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

**APPROVED:**

**COMMUNITY COLLEGE OF BEAVER COUNTY**

By: /s/ Pamela M. Johnson  
Title: Chairperson, Board of Trustees

By: /s/ Dr. Roger Davis  
Title: President of the College

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**APPENDIX A**

**COMMUNITY COLLEGE OF BEAVER COUNTY  
ANNUAL FINANCIAL REPORT  
FOR THE YEARS ENDING JUNE 30, 2019 AND 2018**

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**Community College of Beaver County  
(a Component Unit of the  
County of Beaver, Pennsylvania)**

Financial Statements and  
Supplementary Information

June 30, 2019

**Community College of Beaver County**  
**(a Component Unit of the County of Beaver, Pennsylvania)**

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June 30, 2019

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## **Independent Auditors' Report**

To the Management and the Board of Trustees of  
Community College of Beaver County

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Community College of Beaver County (the "College"), a component unit of the County of Beaver, Pennsylvania, and its discretely presented component unit as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' 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 Community College of Beaver County and of its discretely presented component unit as of June 30, 2019, 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 the College's June 30, 2018 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated December 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 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 on pages 3 - 9 and the defined benefit pension plan information on page 40, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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*, is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 November 19, 2019 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of 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 the College'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 the College's internal control over financial reporting and compliance.

*Baker Tilly Virchow Krause, LLP*

Pittsburgh, Pennsylvania  
November 19, 2019

## **Community College of Beaver County (a Component Unit of the County of Beaver, Pennsylvania)**

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Management's Discussion and Analysis  
June 30, 2019

### **Introduction**

The following represents management's discussion and analysis of the financial activity of Community College of Beaver County (the "College") for the fiscal year ended June 30, 2019. It addresses current activities and currently known facts. The Management Discussion and Analysis report should be read in conjunction with the accompanying financial statements, including the notes.

On July 1, 2002, Beaver County assumed sponsorship of the College. Under Governmental Accounting Standards Board ("GASB") requirements, the Community College of Beaver County is considered a component unit of Beaver County.

The CCBC Foundation (the "Foundation"), a component unit of the College, has been presented as a discretely presented component unit, based on the criteria contained in accounting principles generally accepted in the United States of America. The Foundation is a nonprofit corporation, exempt under Section 501(c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fundraising organization to supplement the resources available to the College in support of its programs. A complete set of the Foundation's financial statements may be obtained at the College's administrative office.

### **Financial Highlights**

The College's net position increased approximately \$99K due to 2019 operations, from \$2.836M in 2018 to \$2.935M. The College added \$144K to the reserve fund bringing the 2019 year-end total to \$1.016M.

During Fiscal Year 2019, the College realized revenue increases and decreases from the following:

- Total revenue decreased by 1 percent from the prior year by approximately \$373K in 2019.
- Student tuition and fees decreased by approximately \$793K in 2019, as compared to 2018, which was the result of an overall 8.3 percent decrease in credit-based enrollments.
- During Fiscal Year 2019, appropriations from the Commonwealth increased by 3 percent from \$6.145M in 2018 to \$6.355M in 2019. The \$209K increase is the combination of \$141K in operating increases and \$68K in mandated capital projects.
- Local appropriations increased by 1 percent from \$4.242M to \$4.304M. The increase was to fund a mandated capital project at the Beaver County Airport.
- Government grant revenue to support restricted programs supported by the National Science Foundation ("NSF"), Act 101, Keys, Perkins, and Appalachia Regional Consortium increased in 2019 by 31 percent from \$777K to \$1.014M.
- Contributions from the Foundation to support restricted grants and restricted capital expenditures increased in 2019 by \$700K.

Total operating expenses decreased by 1 percent from the prior year by approximately \$309K in 2019.

**Community College of Beaver County**  
**(a Component Unit of the County of Beaver, Pennsylvania)**

Management's Discussion and Analysis  
June 30, 2019

Condensed Statement of Net Position June 30, 2019 and 2018			
	2019	2018	Percent Change
<b>Assets:</b>			
Current assets	\$ 3,481,924	\$ 6,618,037	-47%
Noncurrent assets	38,510,585	36,210,251	6%
Deferred outflows	633,333	765,512	-17%
<b>Total</b>	<b>\$ 42,625,842</b>	<b>\$ 43,593,800</b>	<b>-2%</b>
<b>Liabilities:</b>			
Current liabilities	\$ 6,449,722	\$ 5,694,804	13%
Noncurrent liabilities	32,896,942	34,693,690	-5%
Deferred inflows	344,000	369,000	-7%
<b>Total</b>	<b>\$ 39,690,664</b>	<b>\$ 40,757,494</b>	<b>-3%</b>
<b>Net Position:</b>			
Net investment in capital assets	\$ 5,327,321	\$ 5,347,760	0%
Restricted, expendable	-	-	
Restricted, non-expendable	-	-	
Unrestricted (Deficit)	(2,392,143)	(2,511,454)	-5%
<b>Total</b>	<b>\$ 2,935,178</b>	<b>\$ 2,836,306</b>	<b>3%</b>

Total net position on June 30, 2019, increased by approximately \$99K, from \$2.836M in 2018 to \$2.935M in 2019. The increase in net position is mainly attributable to an increase in revenue, a reduction in nonoperating expenses, and investments in capital assets. A decrease in the PSERS retirement liability and reductions in nonoperating expenses offset some increased operating expenses.

The unrestricted deficit of \$2.392M decreased by \$119K from the last fiscal year. The total unrestricted deficit is negative largely due to factors outside of managements control such as the net pension liability (\$2.112M) and accrued compensated absences (\$718K).

Current assets decreased by 47 percent from \$6.618M in 2018 to \$3.482M in 2019. The majority of the decrease in current assets is the result of drawdowns from the restricted proceeds from the Series 2018 Bond issuance used to complete the Learning Resource Center renovation and Phase I Process Technology Laboratory project. The impact of this is shown in an increase in fixed assets (see Note 8, Fixed Assets). Additionally, noncurrent assets (including capital assets, net of accumulated depreciation), increased by approximately \$2.3M.

During 2019, the College paid approximately \$1.570M of scheduled principal payments on existing bonds payable. Principal payments on capital lease obligations totaled approximately \$110K.

**Community College of Beaver County**  
**(a Component Unit of the County of Beaver, Pennsylvania)**

Management's Discussion and Analysis  
June 30, 2019

Condensed Statement of Revenue, Expenses and Changes in Net Position For the Years Ended June 30, 2019 and 2018			
	2019	2018	Percent Change
Operating Revenues:			
Tuition and Fees, net	\$ 11,901,537	\$ 12,694,881	-6%
Government Grants	1,014,429	777,028	31%
Financial Aid	4,271,259	5,063,802	-16%
Auxiliary Enterprises	55,112	78,686	-30%
Contributions	1,344,417	607,716	121%
Other Revenue	137,148	145,668	-6%
Total	<u>\$ 18,723,902</u>	<u>\$ 19,367,781</u>	<u>-3%</u>
Operating Expenses	<u>\$ 28,144,512</u>	<u>\$ 28,453,152</u>	<u>-1%</u>
Operating Loss	<u>\$ (9,420,610)</u>	<u>\$ (9,085,371)</u>	<u>4%</u>
Nonoperating revenues (expenses)			
Appropriations	\$ 10,659,326	\$ 10,388,143	3%
Bond Issuance Costs	\$ (3,561)	\$ (83,200)	-96%
Interest income and expense	<u>\$ (1,136,283)</u>	<u>\$ (1,112,091)</u>	<u>2%</u>
Nonoperating revenues, net	<u>\$ 9,519,482</u>	<u>\$ 9,192,852</u>	<u>4%</u>
Increase in Net Position	\$ 98,872	\$ 107,481	-8%
Net Position:			
Net position at beginning of year	\$ 2,836,306	\$ 2,728,825	4%
Net position at end of year	<u>2,935,178</u>	<u>2,836,306</u>	<u>3%</u>

Operating revenue decreased by 3 percent from the prior year by approximately \$643K. Tuition and fee revenue decreased by approximately \$793K due to an 8.3 percent reduction in credit-based enrollments. Student financial aid also was reduced due to declining enrollments by approximately \$793K. Revenue from Foundation contributions increased by \$700K due primarily to the Shell, Richard King Mellon, and Allegheny Foundation grants to build the Process Technology Laboratory and Pilot Plant. In addition, grants from the Benedum, American Airlines, and Grable foundations became fully operational in 2019. Renovations began in the 2017-18 fiscal year and will continue into 2019-20 when the Shell Center for Process Technology Center opens in February 2020.

Nonoperating revenue increased by 4 percent from the prior year by approximately \$326K. This increase is due mainly to appropriation increases to support restricted capital projects and a decrease in bond issuance costs.

**Community College of Beaver County**  
**(a Component Unit of the County of Beaver, Pennsylvania)**

Management's Discussion and Analysis  
June 30, 2019

<b>Operating Expenses By Natural Classification</b> <b>For the Years Ended June 30, 2019 and 2018</b>		
	<b>2019</b>	<b>2018</b>
Salaries	\$ 10,749,974	\$ 10,725,280
Benefits	3,650,621	3,656,791
Contracted Services	1,224,769	1,281,581
Professional Services	2,105,165	1,893,309
Pension	(96,158)	(66,430)
Supplies, maintenance and other	3,698,570	3,262,897
Student Aid	4,271,259	5,063,802
Utilities	603,006	753,734
Depreciation	1,937,306	1,882,187
Total operating expenses	<u>\$ 28,144,512</u>	<u>\$ 28,453,152</u>

Material factors contributing to the \$308K decrease in operating expenses are noted below.

- Professional services increased \$212K over the 2017-18 fiscal year. This increase can be attributed to an increase of \$207K in student flying time for the Aviation program. Third-party marketing expenses also increase \$12K during the 2018-19 fiscal year. However, \$11K of that amount was funded by the Benedum Foundation grant.
- The PSERS liability decreased \$160K from 2017-18 to 2018-19. This liability is an actuarial calculation provided to the College by the Pennsylvania Public School Employees' Retirement System in accordance with GASB 68.
- The \$400K increase in Supplies Maintenance and Other can be attributed to an increase of \$352K plane rental maintenance costs. During the 2018-19 academic year, there was an increase in student flight time which caused these costs to increase. In addition, the College saw an increase of grant spending of \$261K over the 2017-18 fiscal year. \$106K of that amount is the result of the Shell Community Impact grant.
- Utilities decreased by \$150K due to an 875K decrease in annual total kilowatt consumption coupled with a \$.00641kilowatts/hour rate decrease that went into effect on January 2019.
- During the 2018-19 fiscal year, construction was completed on the Learning Resource Center renovation and the Phase I Process Technology Program construction completed. The completed work in progress account for these projects was transferred to depreciable fixed assets. As a result, the College's depreciation increased by \$97K over the 2017-18 fiscal year.
- Accrued compensated absences increased about \$77K over the 2017-18 fiscal year. During the 2018-19 academic year, new College leadership made strategic reorganization decisions to align the College with its Strategic Plan.
- Student financial aid decreased by \$793K due to a reduction in enrollments.

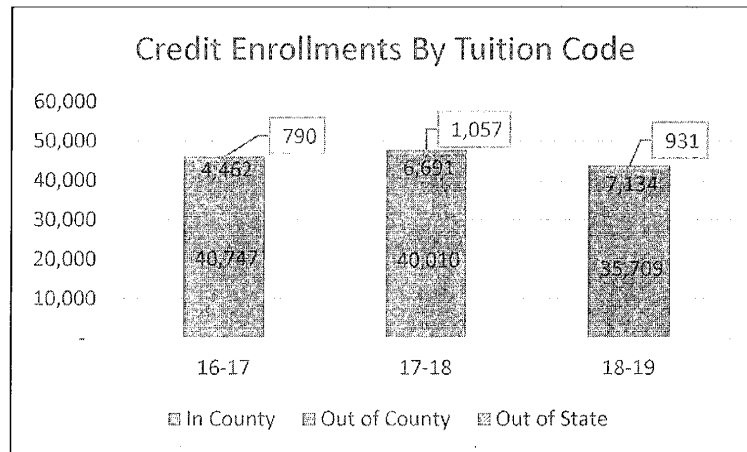
## **Enrollments**

Credit hour enrollments decreased by approximately 9 percent in 2019 from 47,758 credits in 2018 to 43,774 credits in 2019. Credit hour enrollments for out of county students increased by 6.6 percent. In-county and out of state credits decreased by 10.7 percent and 11.9 percent, respectively.

## Community College of Beaver County (a Component Unit of the County of Beaver, Pennsylvania)

Management's Discussion and Analysis  
June 30, 2019

The chart below highlights credit enrollment changes over the last three fiscal years.



The College enrolled 2,923 credit students during the fiscal year 2019, representing a decrease of 10.6 percent compared to the previous year. Noncredit unduplicated headcount was 1,903 students, a 2.1 percent decrease.

The combined unduplicated headcount for credit and noncredit enrollments for Fiscal Year 2019 was 4,664, a decrease of 7.77 percent.

### Economic Outlook

Fiscal Year 2019 marks the College's fourth straight year of growth in net position and college reserves. The College continued its leadership role in helping prepare the regional workforce for significant new employment opportunities. The College's ongoing strong partnership with Shell Chemicals and many other partners in the regional petrochemical industry puts us right at the center of the changing economy in Beaver County. College leadership is excited about what the future holds for Beaver County and the role the College will play in meeting the anticipated demand for a 21<sup>st</sup>-century workforce.

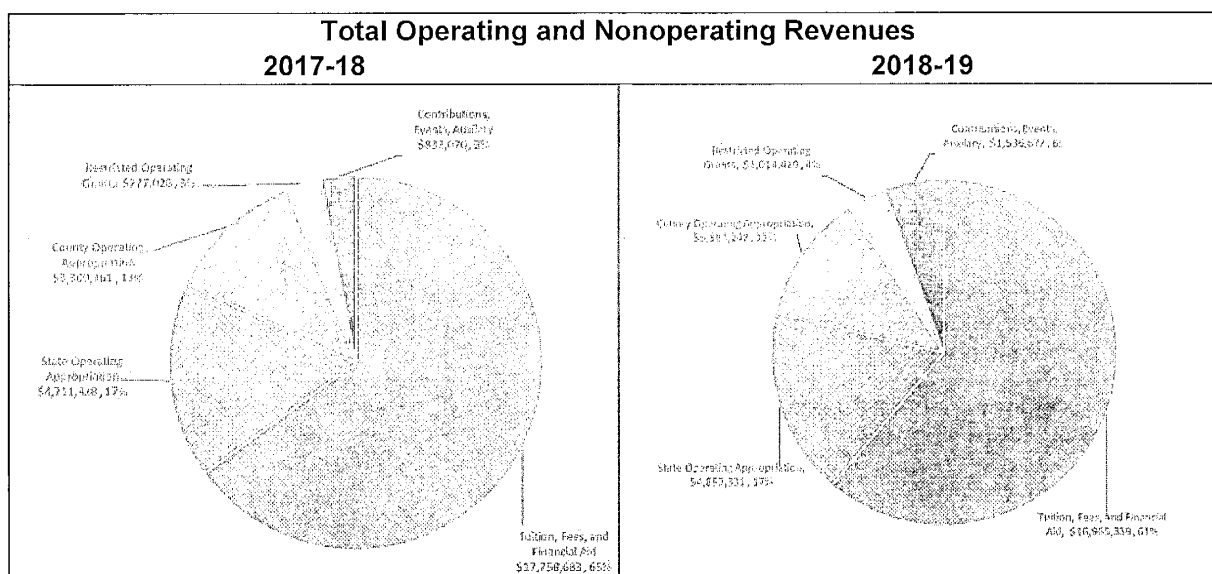
While the future is bright, there are significant external threats facing the College that require careful consideration and strategic responses. These include:

- Challenging demographic trends in the Commonwealth and the region. In addition to the declining number of high school seniors in the Commonwealth, Beaver County and the western PA region is in the midst of continuing relative declines in state and county population levels. From January 2018 through June 2018 Beaver County's unemployment rate fell from 5.9 percent to 4.8 percent, fifth-lowest of the seven counties in the Pittsburgh region. The inverse relationship between low unemployment rates and community college enrollments combined with negative changes in the region's population demographics pose considerable challenges for the College.
- Macro-economic trends at the federal level to cut funding and eliminate Pell funding for high school students who participate in the high school academy also pose considerable risks to the College and its students. CCBC was one of only a handful of community colleges approved by the Department of Education to provide Pell funding to these high school students. Nearly 83 percent of the College's students rely on financial aid, including grants and loans. Many of these students are economically disadvantaged and rely on Pell grants to support their educational goals.

# Community College of Beaver County (a Component Unit of the County of Beaver, Pennsylvania)

Management's Discussion and Analysis  
June 30, 2019

- The distribution of funding sources across community college revenue sources continues to put increasing pressure on tuition and fees to fund operations. The current proportions of the three revenue sources are quite different from the 1/3-1/3-1/3 split as originally intended when Pennsylvania's Community Colleges were established. After removing pass-through grants and restricted funding for capital expenses, Commonwealth and local sponsor appropriations are trending flat at roughly 18 percent and 16 percent, respectively. Tuition, fees, and financial aid fill the gap created by the imbalance of funding at over 60 percent of the College's total revenue. The charts below show the proportion of total revenue by source for 2017-18 and 2018-19.



The College seeks to address these predominantly external financial threats by investing in strategically relevant programming, focusing on strategic enrollment management to diversify and grow enrollments through retention and tapping new markets, establishing partnerships, and diversifying the College's revenue portfolio through grants and philanthropic donations.

The College's new president, Dr. Roger W. Davis, is the ideal candidate to embed these strategies into the College's success, now and into the future. The board named Dr. Davis as the College's ninth and first African American president on February 26, 2019. With experience in nonprofit, for-profit, traditional and nontraditional educational institutions, Dr. Davis has used these opportunities to lead, serve and teach throughout his career. Dr. Davis' vision for the College is focused on taking the College's industry-forming programmatic offerings to the next level. Through establishing partnerships with industry as well as other Institutes of Higher Education across this region and the nation, the College is well-positioned to overcome the external threats discussed above.

- The School of Industrial Technology and Continuing Education will leverage over \$5 million dollars in philanthropic funding to lead the region in creating Energy and Advanced Manufacturing careers and will prepare a new generation of workers. The College will increase enrollments and position its graduates for jobs in the 21st century through innovations like changing the curriculum to a flexible entry flexible exit where any and every student can work at their own pace from a distance, and by creating new majors like construction technology, construction engineering, architecture, mechatronics, and environmental engineering.
- The School of Aviation Sciences has placed an air traffic controller in every major tower in the nation and 1000's of pilots in every major airline carrier. The College graduates also run airport facilities around the world and drone operators from New York City to Australia. The College will leverage its nationally recognized program of excellence to meet the looming pilot job gap and will double in size in less than five years.



## **Community College of Beaver County (a Component Unit of the County of Beaver, Pennsylvania)**

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Management's Discussion and Analysis  
June 30, 2019

- The College's School of Health Sciences has a perfect pass rate on the PN exam for the last 13 out of 14 years and a full Nursing class in Fall 2019. The College now offers the program in Washington, PA and, in partnership with Geneva College, now offers a 1-2-1 program where students will earn ADN and BSN nursing degrees by taking 70 credits at Geneva and 56 credits at the College. The School of Health Sciences will continue to expand clinical locations, collaborate with other colleges and universities, and lift new in-demand majors like gerontology, vet tech, and occupational therapy.
- The School of Business, Arts, Science, and Technology ("BAST") produces stem professionals, criminologists, artists, writers, CEOs, accountants, IT professionals, programmers. The goal for BAST is to increase recruitment, retention and graduation rates which will allow this institution to compete and matriculate high performing students from the region and beyond by continuing to grow the High School Academies and increase time to degree by allowing high school students to complete one or more years of college before they graduate.
- Finally, the College is in its third year of the 5-7 year strategy to grow college reserves to the industry benchmark of roughly 10 percent of operating expenses. Achieving this strategic goal solidifies the College's financial strength to strategically respond to the challenges discussed earlier in this section. Moreover, it positions the College for a successful Middle States Commission on Higher Education Accreditation review in 2022-23.

These financial statements reinforce the College's strong financial position heading into the future. The strategic initiatives described here coupled with continued support from the College's sponsors and organizational improvements to strengthen operations will help the College diversify and strengthen its financial foundation. The College is committed to continuing the delivery of high quality, affordable education for its students and the region.

Any questions regarding this annual report and the information contained herein should be directed to the Community College of Beaver County, Attn. Business Office, One Campus Dr., Monaca, Pennsylvania 15061. The Business Office may also be contacted at (724) 480-3357.

### **Overview of Financial Statements**

The College's financial statements focus on the College as a whole, rather than upon individual funds or activities. The Governmental Accounting Standards Board reporting model is designed to provide readers with a broad overview of the College's finances and is comprised of three basic statements:

- The Statement of Net Position presents information on the College's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position serve as one indicator of how the financial position of the College is changing.
- The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the College's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.
- The Statement of Cash Flows is reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations, financing, and investing receipts and disbursements.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes contain details on both the accounting policies and procedures that the College has adopted as well as additional information for amounts reported in the financial statements.

**Community College of Beaver County**  
**(a Component Unit of the County of Beaver, Pennsylvania)**

Statement of Net Position

June 30, 2019, With Comparative Totals as of June 30, 2018

	Primary Institution	Component Unit Foundation	2019 Total	2018 Total
<b>Assets and Deferred Outflows of Resources</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 927,034	\$ 3,352,237	\$ 4,279,271	\$ 4,103,114
Cash and cash equivalents, restricted	51,457	-	51,457	3,041,841
Accounts receivable, students, net	1,375,669	-	1,375,669	1,089,969
Grants and contributions receivable	271,195	-	271,195	249,109
Other receivables	227,641	-	227,641	125,736
Pledges receivable, current portion	-	330,770	330,770	1,322,840
Due from component unit	249,643	(249,643)	-	-
Prepaid expenses	379,285	-	379,285	405,318
Total current assets	3,481,924	3,433,364	6,915,288	10,337,927
<b>Noncurrent Assets</b>				
Pledges receivable	-	215,874	215,874	719,614
Investments	-	1,749,158	1,749,158	1,491,601
Fixed assets, net	38,510,585	-	38,510,585	36,210,251
Total noncurrent assets	38,510,585	1,965,032	40,475,617	38,421,466
<b>Deferred Outflows of Resources</b>				
Deferred interest on refunding	384,068	-	384,068	427,405
Deferred outflows related to pension	249,265	-	249,265	338,107
Total deferred outflows of resources	633,333	-	633,333	765,512
Total assets and deferred outflows of resources	\$ 42,625,842	\$ 5,398,396	\$ 48,024,238	\$ 49,524,905
<b>Liabilities, Deferred Inflows and Net Position</b>				
<b>Liabilities</b>				
Working capital line notes payable	\$ 1,362,754	\$ -	\$ 1,362,754	\$ 383,978
Notes payable, current portion	47,523	-	47,523	-
Leases payable, current portion	150,491	-	150,491	150,074
Bonds payable, current portion	1,635,000	-	1,635,000	1,570,000
Accounts payable	750,007	23,920	773,927	1,090,343
Accrued salaries and benefits	813,025	-	813,025	873,336
Payroll tax liabilities	247,684	-	247,684	144,517
Accrued compensated absences, current portion	20,000	-	20,000	20,000
Accrued interest	84,044	-	84,044	95,103
Other accrued liabilities	30,900	-	30,900	483,400
Unearned revenues	1,289,175	-	1,289,175	887,266
Due to student groups	19,119	-	19,119	21,101
Total current liabilities	6,449,722	23,920	6,473,642	5,719,118
<b>Noncurrent Liabilities</b>				
Bonds payable, net	30,086,476	-	30,086,476	31,689,485
Leases payable, long-term portion	-	-	-	110,795
Net pension liability	2,112,000	-	2,112,000	2,272,000
Accrued compensated absences	698,466	-	698,466	621,410
Total noncurrent liabilities	32,896,942	-	32,896,942	34,693,690
<b>Deferred Inflows of Resources</b>				
Deferred inflows related to pensions	344,000	-	344,000	369,000
Total liabilities and deferred inflows of resources	39,690,664	23,920	39,714,584	40,781,808
<b>Net Position</b>				
Net investment in capital assets	5,327,321	-	5,327,321	5,347,760
With donor restrictions, component unit:				
Expendable	-	2,649,494	2,649,494	3,544,824
Nonexpendable	-	2,035,233	2,035,233	1,722,279
Without donor restrictions, component unit	-	689,749	689,749	639,688
Unrestricted (deficit)	(2,392,143)	-	(2,392,143)	(2,511,454)
Total net position	2,935,178	5,374,476	8,309,654	8,743,097
Total liabilities, deferred inflows and net position	\$ 42,625,842	\$ 5,398,396	\$ 48,024,238	\$ 49,524,905

See notes to financial statements

**Community College of Beaver County**  
**(a Component Unit of the County of Beaver, Pennsylvania)**

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2019, With Comparative Totals for the Year Ended June 30, 2018

	Primary Institution	Component Unit Foundation	2019 Total	2018 Total
<b>Operating Revenues</b>				
Student tuition and fees	\$ 11,901,537	\$ -	\$ 11,901,537	\$ 12,694,881
Government grants	1,014,429	-	1,014,429	777,028
Federal and state student grants	4,271,259	-	4,271,259	5,063,802
Auxiliary enterprises revenues	55,112	-	55,112	78,686
Contributions	1,344,417	743,639	2,088,056	4,287,541
Event revenue	-	61,493	61,493	52,949
Other revenue	137,148	228	137,376	146,268
Total operating revenues	18,723,902	805,360	19,529,262	23,101,155
<b>Operating Expenses</b>				
Instruction	8,954,427	-	8,954,427	8,914,952
Academic support	2,216,269	-	2,216,269	2,172,632
Student services	1,955,320	-	1,955,320	1,798,472
Institutional support	5,334,949	20,849	5,355,798	5,759,327
Operation and facilities	2,188,052	-	2,188,052	2,155,754
Government grants	1,286,931	-	1,286,931	787,341
Federal and state student grants	4,271,259	-	4,271,259	5,063,802
Scholarships and other designated expenses	-	1,391,224	1,391,224	696,594
Fundraising	-	8,068	8,068	14,520
Depreciation	1,937,305	-	1,937,305	1,840,633
Total operating expenses	28,144,512	1,420,141	29,564,653	29,204,027
Operating loss	(9,420,610)	(614,781)	(10,035,391)	(6,102,872)
<b>Nonoperating Revenues (Expenses)</b>				
Interest income	43,406	15,991	59,397	41,125
Gain on investments	-	66,475	66,475	103,246
State appropriations	6,355,079	-	6,355,079	6,145,643
County appropriations	4,304,247	-	4,304,247	4,242,500
Bond issuance costs	(3,561)	-	(3,561)	(83,200)
Interest expense	(1,179,689)	-	(1,179,689)	(1,128,455)
Total nonoperating revenues	9,519,482	82,466	9,601,948	9,320,859
Increase (decrease) in net position	98,872	(532,315)	(433,443)	3,217,987
<b>Net Position, Beginning</b>	2,836,306	5,906,791	8,743,097	5,525,110
<b>Net Position, Ending</b>	\$ 2,935,178	\$ 5,374,476	\$ 8,309,654	\$ 8,743,097

See notes to financial statements

**Community College of Beaver County**  
**(a Component Unit of the County of Beaver, Pennsylvania)**

**Statement of Cash Flows**

Year Ended June 30, 2019, With Comparative Totals for the Year Ended June 30, 2018

	Primary Institution	Component Unit Foundation	2019 Total	2018 Total
<b>Cash Flows from Operating Activities</b>				
Student tuition and fees	\$ 12,017,746	\$ -	\$ 12,017,746	\$ 12,778,621
Government grants	992,343	-	992,343	1,779,481
Federal and state student grants	4,271,259	-	4,271,259	5,063,802
Auxiliary enterprise receipts	55,112	-	55,112	78,686
Contributions	1,360,683	2,239,449	3,600,132	2,998,205
Other operating receipts	35,243	61,721	96,964	191,542
Payments to employees for wages and benefits	(14,473,628)	-	(14,473,628)	(14,459,037)
Payments for grants, scholarships and other designated expenses	(5,062,593)	(124,168)	(5,186,761)	(5,829,075)
Other program disbursements	(7,355,603)	(1,348,733)	(8,704,336)	(6,788,281)
Net cash provided by (used in) operating activities	(8,159,438)	828,269	(7,331,169)	(4,186,056)
<b>Cash Flows from Noncapital and Related Financing Activities</b>				
State appropriations	6,355,079	-	6,355,079	6,145,643
County appropriations	4,304,247	-	4,304,247	4,242,500
Net cash provided by noncapital and related financing activities	10,659,326	-	10,659,326	10,388,143
<b>Cash Flows from Capital and Related Financing Activities</b>				
Capital acquisitions	(4,237,639)	-	(4,237,639)	(923,012)
Proceeds from bond and note obligations, net of issuance costs	43,962	-	43,962	2,396,800
Principal payments on bond obligations	(1,570,000)	-	(1,570,000)	(1,495,000)
Proceeds from working capital line obligations	6,753,468	-	6,753,468	2,306,771
Principal payments on working capital line obligations	(5,774,692)	-	(5,774,692)	(2,681,885)
Principal payments on capital lease obligations	(110,378)	-	(110,378)	(162,163)
Interest paid on capital related debt	(1,115,420)	-	(1,115,420)	(1,093,918)
Net cash used in capital and related financing activities	(6,010,699)	-	(6,010,699)	(1,652,407)
<b>Cash Flows from Investing Activities</b>				
Interest income	43,406	15,991	59,397	41,125
Purchase of investments, net	-	(191,082)	(191,082)	-
Sale of investments, net	-	-	-	74,896
Net cash provided by (used in) investing activities	43,406	(175,091)	(131,685)	116,021
Net increase (decrease) in cash and cash equivalents	(3,467,405)	653,178	(2,814,227)	4,665,701
<b>Cash and Cash Equivalents, Beginning</b>	<u>4,445,896</u>	<u>2,699,059</u>	<u>7,144,955</u>	<u>2,479,254</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 978,491</u>	<u>\$ 3,352,237</u>	<u>\$ 4,330,728</u>	<u>\$ 7,144,955</u>
<b>Reconciliation to Statements of Net Position</b>				
Cash and cash equivalents	\$ 927,034	\$ 3,352,237	\$ 4,279,271	\$ 4,103,114
Cash and cash equivalents, restricted	51,457	-	51,457	3,041,841
<b>Total</b>	<u>\$ 978,491</u>	<u>\$ 3,352,237</u>	<u>\$ 4,330,728</u>	<u>\$ 7,144,955</u>

See notes to financial statements

**Community College of Beaver County**  
**(a Component Unit of the County of Beaver, Pennsylvania)**

Statement of Cash Flows

Year Ended June 30, 2019, With Comparative Totals for the Year Ended June 30, 2018

	Primary Institution	Component Unit Foundation	2019 Total	2018 Total
<b>Reconciliation of Operating Loss to Net</b>				
<b>Cash Provided by (Used in) Operating Activities</b>				
Operating loss	\$ (9,420,610)	\$ (614,781)	\$ (10,035,391)	\$ (6,102,872)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities				
Depreciation	1,937,305	-	1,937,305	1,840,633
Provision for bad debt expense	36,256	-	36,256	26,464
Accrual of GASB 68 pension expense	(96,158)	-	(96,158)	(66,430)
(Increase) decrease in accounts receivable	(321,956)	-	(321,956)	(163,122)
(Increase) decrease in grants receivable	(22,086)	-	(22,086)	1,002,453
(Increase) decrease in pledges receivable	-	1,495,810	1,495,810	(992,568)
(Increase) decrease in other receivables	(101,905)	-	(101,905)	(7,675)
(Increase) decrease in due from component unit	52,366	-	52,366	(296,768)
(Increase) decrease in inventories	-	-	-	485
(Increase) decrease in prepaid expenses	26,033	-	26,033	(10,156)
(Increase) decrease in deferred outflows of resources-pension	88,842	-	88,842	87,570
Increase (decrease) in accounts payable	(316,022)	(394)	(316,416)	(35,473)
Increase (decrease) in accrued salaries and benefits	(60,311)	-	(60,311)	(76,964)
Increase (decrease) in accrued and other liabilities	(274,259)	-	(274,259)	178,771
Increase (decrease) in unearned revenues	401,909	-	401,909	220,398
Increase (decrease) in due to CCBC	-	(52,366)	(52,366)	296,768
Increase (decrease) in net pension liability	(63,842)	-	(63,842)	(238,570)
Increase (decrease) in deferred inflows of resources-pension	(25,000)	-	(25,000)	151,000
Net cash provided by (used in) operating activities	<u>\$ (8,159,438)</u>	<u>\$ 828,269</u>	<u>\$ (7,331,169)</u>	<u>\$ (4,186,056)</u>

See notes to financial statements

# **Community College of Beaver County (a Component Unit of the County of Beaver, Pennsylvania)**

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Notes to Financial Statements  
June 30, 2019

## **1. Organization**

The Community College of Beaver County ("CCBC" or the "College"), established in 1966, is a publicly supported two-year community college located on a 100-acre campus in Center Township, Pennsylvania and the Aviation Sciences Center located at the Beaver County Airport in Chippewa Township. CCBC offers various degree and certificate programs in the areas of Business, Technologies, Science and Mathematics, Education, Allied Health, Arts and Humanities. In accordance with the Community College Act of the Commonwealth of Pennsylvania, CCBC is to receive approximately one-third of its operating income from Commonwealth appropriations, one-third from its local sponsor (County of Beaver), and approximately one-third from students in the form of tuition. This funding plan for Pennsylvania's Community Colleges has never been realized, however. Like most of Pennsylvania's community colleges, CCBC students provide a majority of the college's revenue through tuition and fees while state and county appropriations fall significantly below the originally prescribed 33 percent level.

The local sponsor is also obligated, under the Community College Act, to pay up to one-half of CCBC annual capital expenses with the Commonwealth responsible for the remaining one-half. In addition, CCBC receives various state and federal grants to supplement the College's basic curriculum, and other miscellaneous program fees to defray general operating costs.

### **Reporting Entity**

Effective July 1, 2002, the County of Beaver (the "County") became the local sponsor of CCBC pursuant to the Community College Act of 1963. The County and CCBC entered into an Articles of Agreement that establish the guidelines surrounding the County's local sponsorship. The Articles of Agreement are to remain in effect for a period of twenty (20) years, and in 2014-2015 the Commissioners extended CCBC's sponsoring agreement to the year 2042. The Commissioners of the County appoint all members of the governing board of CCBC. As a result of this agreement, CCBC is considered a component unit of the County.

In evaluating CCBC as a reporting entity in accordance with the Governmental Accounting Standards Board ("GASB"), management has addressed all potential components units. Consistent with applicable guidance, the criteria used by CCBC 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.

### **CCBC Foundation**

The CCBC Foundation (the "Foundation") is a nonprofit corporation established to provide financial support to assist CCBC in providing educational opportunities to the general student population, enhance the college facilities and resources, and promote partnerships with businesses and community leaders. The Foundation is governed by a Board of Directors (the "Foundation Board") appointed by the College's Board of Trustees, current Foundation Board members or the campus community. Individuals are elected to the Foundation Board first by the current Foundation Board membership, and secondly by the College's Board of Trustees. The Foundation membership shall consist of the Foundation Board, which shall be composed of no less than nine (9) and not more than thirty (30) voting members. Additionally serving on the Foundation Board shall be one member of the Board of Trustees as designated annually by that body and the President of the College. Voting members shall include the Board of Trustees and the President. The College's Executive Director of Advancement and Sponsored Programs, Vice President for Finance, Operations, and Information Technology, and Chairman of the Board of Trustees, or his/her designee, shall serve as nonvoting members (ex officio capacity) to the Foundation Board. Separate financial statements of the Foundation are prepared and can be obtained through the Foundation.

**Community College of Beaver County**  
**(a Component Unit of the County of Beaver, Pennsylvania)**

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Notes to Financial Statements  
June 30, 2019

**2. Summary of Significant Accounting Policies**

**Basis of Accounting**

Community College of Beaver County prepares its financial statements using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The GASB is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

Revenues are recorded when earned and expenses are recognized when the liability is incurred pursuant to the requirements of the accrual basis of accounting. CCBC records student receivables at the time of registration for classes. As of June 30, 2019, CCBC 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 reporting as unearned revenue.

Operating revenues and expenses consist of those revenues and expenses that result from ongoing operations of CCBC. Operating revenues consist of tuition and fees, auxiliary revenues, and government grants. Nonoperating and other revenues (interest income) and expenses consist of those revenues and expenses relating to subsidies (state and county appropriations) and capital items (interest expense, bond issue costs).

The Foundation, as a nonprofit Pennsylvania corporation, reports its financial activity under Financial Accounting Standards Board ("FASB") accounting standards codification. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

**Financial Statement Presentation**

CCBC functions as a "Business-Type-Activity" as defined by GASB.

The financial statements include certain prior-year summarized comparative information in total but not in sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

**Net Position**

The College maintains the following net position classifications:

**Net Investment in Capital Assets:** This component of net position consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of debt that is attributable to the acquisition, construction and improvement of those capital assets. Deferred outflows of resources and deferred inflows of resources attributable to capital assets are also included in this component of net position as well as significant unspent related debt proceeds that are attributable to the acquisition, construction or improvement of those assets or related debt.

**With Donor Restrictions, Component Unit - Nonexpendable:** The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. These amounts are subject to externally imposed restrictions which are required to be maintained in perpetuity.

## Community College of Beaver County (a Component Unit of the County of Beaver, Pennsylvania)

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Notes to Financial Statements  
June 30, 2019

**With Donor Restrictions, Component Unit - Expendable:** The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. These amounts are subject to externally imposed conditions that can be fulfilled by the actions of CCBC or by the passage of time.

**Unrestricted:** All other categories of net position. Of the unrestricted net position of the College, the Board of Trustees has designated a multi-year total of approximately \$1,000,000 through June 30, 2019 in unrestricted funding to be used for future long-term plans related to strategic plan outcomes, educational goals and/or the outcomes of pending litigation.

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

### Cash and Cash Equivalents

Cash and cash equivalents include unrestricted and restricted amounts in demand deposit accounts and any other highly liquid investments with original maturity terms of three months or less.

### Investments, Foundation

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

- I. 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.
- II. Deposits in savings accounts, time deposits and 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.
- III. U.S. government obligations, short-term commercial paper issued by a public corporation, and banker's acceptances.

Investments of the Foundation include equity and fixed income mutual funds and money market funds held by First National Bank Wealth Management. Investments of the Foundation are reported at fair value.

There were no deposit and investment transactions during the year that were in violation of state statutes.

### Accounts Receivable and Unearned Revenues

Accounts receivable consists of tuition and fee charges to students. Accounts receivable are recorded net of estimated uncollectible amounts. The management of CCBC uses the allowance method of accounting for determining the annual provision for bad debt expense based on the methods and criteria established by the College's accounts receivable policy.



**Community College of Beaver County**  
**(a Component Unit of the County of Beaver, Pennsylvania)**

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Notes to Financial Statements  
June 30, 2019

Receivables from federal and state governments are related to reimbursements pursuant to the College's grants and contracts with these governments. Unearned revenues, if any, include amounts received for tuition and fees prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

**Allowance for Doubtful Accounts**

It is the College's policy to provide for future losses on uncollectible accounts based on an evaluation of the underlying account balances, the historical collectability experienced by the College on such balances and such other factors which, in the College's judgment, require consideration in estimating doubtful accounts. The allowance for doubtful accounts was approximately \$139,000 and \$99,000 as of June 30, 2019 and 2018, respectively.

**Pledges Receivable, Foundation**

Contributions, including unconditional promises to give, are recorded when the donor makes a promise to give to the Foundation that is, in substance, unconditional. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give, due in the next year, are recorded at their net realizable value. Unconditional promises to give, due in subsequent years, are reported at the present value of their net realizable value. The discount rate used was 1.75 percent at June 30, 2019 and 2.52 percent at June 30, 2018.

Based on management's assessment of the collectability of specific donors' pledges, as of June 30, 2019 and 2018, the Foundation management has not found it necessary to record an allowance for uncollectible pledges.

**Property and Equipment**

Property and equipment purchased by the College is recorded at cost or estimated historical cost. Donations of property and equipment are recorded as support at their estimated fair value. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Land improvements	20
Buildings and improvements	25 - 50
Machinery and equipment	5 - 20
Vehicles	8 - 10
Books	6

Depreciation expense for the years ended June 30, 2019 and 2018 was \$1,937,305 and \$1,840,633, respectively. Expenditures for the repair and maintenance of property and equipment are not capitalized, but rather shown as an expense in the period in which they are incurred.

**Long-Term Debt Refinancing Costs**

Bond issue costs are recorded as expenditures in the governmental fund financial statements in the year paid. During the years ended June 30, 2019 and 2018, the College incurred \$3,561 and \$83,200, respectively, in bond issuance costs related to issuance of the Series 2018 bonds and Series 2017 bonds.

# **Community College of Beaver County (a Component Unit of the County of Beaver, Pennsylvania)**

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Notes to Financial Statements  
June 30, 2019

## **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System ("PSERS") and additions to/deductions from PSERS's 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.

## **Deferred Outflows and Inflows of Resources**

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows and/or inflows of resources. These separate financial statement elements represent a decrease and/or increase in net position that applies to a future period and so will not be recognized as an outflow and/or inflow of resources (expense/expenditure or income/revenue) in the current period.

## **Compensated Absences**

The terms of the collective bargaining agreements between the College and the Community College of Beaver County Society of the Faculty and Educational Support Personnel Association provide for the accumulation of sick and vacation days for eligible personnel based on employment status and length of service. As of June 30, 2019 and 2018, accumulated compensated absences totaled \$718,466 and \$641,410, respectively.

## **Income Taxes, Foundation**

The Foundation is a not-for-profit organization exempt from federal income taxes as determined under Section 501(c)3 of the Internal Revenue Code ("IRC"). CCBC Foundation has been classified as an organization that is not a private foundation under IRC Section 509(a).

## **Reclassifications**

Certain reclassifications have been made to the 2018 financial statements to conform with the 2019 presentation.

## **Adoption of GASB Pronouncements**

The requirements of the following GASB Statements were adopted by the College during the year ended June 30, 2019. Except where noted, the adoption of these pronouncements did not have a significant impact on the College's financial statements.

In November of 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The primary objective of this Statement is to provide financial statement users with information about asset retirement obligations ("ARO") that were not addressed in GASB Standards by establishing uniform accounting and financial reporting requirements for these obligations. The adoption of this standard did not have a significant effect on these financial statements.

In March of 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement*. The primary objective of this Statement is to enhance information include in notes to governmental financial statements relating to debt, including lines of credit, collateral for debt, terms of events of defaults with significant finance related consequences. The adoption of this standard required additional disclosures related to the College's long-term debt.

**Community College of Beaver County**  
**(a Component Unit of the County of Beaver, Pennsylvania)**

Notes to Financial Statements  
June 30, 2019

**Pending GASB Pronouncements**

The GASB has approved the following:

- Statement No. 84, *Fiduciary Activities*, effective June 2020
- Statement No. 87, *Leases*, effective June 2021
- Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*, effective June 2020
- Statement No. 90, *Majority Equity Interest-an amendment of GASB Statements No. 14 and No. 61*, effective June 2020
- Statement No. 91, *Conduit Debt Obligations*, effective June 2021

When they become effective, application of these standards may restate portions of these financial statements. The effects of implementing the aforementioned GASB Statements on the College's financial statements have not yet been determined.

**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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**3. Cash Deposits and Investments**

**Cash Deposits**

Cash and cash equivalents are comprised of the following as of June 30, 2019 and 2018:

	2019		2018	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Primary institution:				
Checking accounts	\$ 1,275,823	\$ 927,034	\$ 1,515,021	\$ 1,102,128
Money market mutual funds, restricted	51,457	51,457	3,039,004	3,041,841
Money market mutual funds, unrestricted	-	-	301,927	301,927
CCBC Foundation	3,351,336	3,352,237	2,697,194	2,699,059
Total	<u>\$ 4,678,616</u>	<u>\$ 4,330,728</u>	<u>\$ 7,553,146</u>	<u>\$ 7,144,955</u>

**Community College of Beaver County**  
**(a Component Unit of the County of Beaver, Pennsylvania)**

Notes to Financial Statements  
June 30, 2019

The difference between the bank balance and book balance represents year-end reconciling items such as deposits in transit and outstanding checks. The FDIC coverage threshold for government accounts is \$250,000 per official custodian. This coverage includes checking and savings accounts, money market deposit accounts, and certificates of deposit. Money market mutual funds are invested in U.S. Bank and not covered by FDIC insurance. Restricted accounts totaling \$51,457 at June 30, 2019 represent the balance of proceeds from the Series 2017 and 2018 bond issuance. Unrestricted reserve accounts are to be used for future long-term plans related to strategic plan outcomes, and/or educational goals, and/or the outcomes of pending litigation.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The College does not have a policy for custodial credit risk. As of June 30, 2019 and 2018, \$1,077,280 and \$3,347,718, respectively, of the College's bank balance total is exposed to custodial credit risk as these amounts represent uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the College's name. In accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits, in excess of \$250,000, are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System. As of June 30, 2019 and 2018, \$3,102,251 and \$2,450,097, respectively, of the Foundation's bank balance is exposed to custodial credit risk.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The above investments are current in nature and this risk is minimal.

**Investments, Foundation**

The fair value and maturity term of the Foundation's donor restricted investments as of June 30, 2019 and 2018 are as follows:

	2019		2018	
	Fair Value	No Stated Maturity	Fair Value	No Stated Maturity
Cash and cash equivalents	\$ 131,557	\$ 131,557	\$ 47,099	\$ 47,099
Mutual funds:				
Fixed income	590,439	590,439	577,260	577,260
Equities	1,024,675	1,024,675	867,242	867,242
Common stock	2,487	2,487	-	-
Total	<u>\$ 1,749,158</u>	<u>\$ 1,749,158</u>	<u>\$ 1,491,601</u>	<u>\$ 1,491,601</u>

**4. Fair Value Measurements, Foundation**

The Foundation measures its investments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

**Community College of Beaver County**  
**(a Component Unit of the County of Beaver, Pennsylvania)**

Notes to Financial Statements  
June 30, 2019

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Foundation for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

The following tables present the Foundation's financial instruments measured and reported at fair value at June 30, 2019 and 2018:

2019				
	Level 1	Level 2	Level 3	Total Fair Value
Investments:				
Cash and cash equivalents	\$ 131,557	\$ -	\$ -	\$ 131,557
Mutual funds	1,615,114	-	-	1,615,114
Common stock	2,487	-	-	2,487
Total	<u>\$ 1,749,158</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,749,158</u>
2018				
Investments:				
Cash and cash equivalents	\$ 47,099	\$ -	\$ -	\$ 47,099
Mutual funds	1,444,502	-	-	1,444,502
Total	<u>\$ 1,491,601</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,491,601</u>

The following is a description of the valuation methodologies used for financial instruments reported at fair value. There have been no changes in methodologies used at June 30, 2019 and 2018.

The carrying amounts of cash and cash equivalents approximate fair value due to the short-term nature of these instruments.

Mutual funds and common stocks are valued at fair value, based on quoted market prices for identical securities in active markets that the Foundation has the ability to access at the measurement date.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Foundation believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligations. The Foundation has no formal investment policy that limits the investments choices based on credit ratings by national recognized rating organizations.

**Community College of Beaver County**  
**(a Component Unit of the County of Beaver, Pennsylvania)**

Notes to Financial Statements  
June 30, 2019

**5. Accounts Receivable and Grants Receivable**

Accounts receivable (students) and grants receivable, as reflected on the statements of net position, are comprised of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Accounts receivable, students, net of allowance for doubtful accounts of \$138,885 and \$98,604, respectively	\$ 1,375,669	\$ 1,089,969
Federal and state grants	\$ 270,162	\$ 246,731
Financial aid awards/scholarships	1,033	2,378
	<u>\$ 271,195</u>	<u>\$ 249,109</u>

**6. Pledges Receivable, Foundation**

Foundation pledges consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Pledges due within one year	\$ 330,770	\$ 1,322,840
Pledges due in greater than one to five years	221,500	740,600
Pledges due in greater than five years	-	10,000
Total pledges receivable, gross	552,270	2,073,440
Less allowance for doubtful pledges	-	-
Less discount to net present value	5,626	30,986
Total pledges receivable, net	546,644	2,042,454
Less current portion of pledges receivable	330,770	1,322,840
Noncurrent portion of pledges receivable	<u>\$ 215,874</u>	<u>\$ 719,614</u>

**7. Unearned Revenue**

Unearned revenue consists of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Prepaid tuition and fees	\$ 1,289,175	\$ 887,266

**Community College of Beaver County**  
**(a Component Unit of the County of Beaver, Pennsylvania)**

Notes to Financial Statements  
June 30, 2019

**8. Fixed Assets**

Fixed assets consisted of the following for the years ended June 30, 2019 and 2018:

	<b>2019</b>			<b>Balance June 30, 2019</b>
	<b>Balance July 1, 2018</b>	<b>Additions</b>	<b>Deletions</b>	
Land	\$ 980,652	\$ -	\$ -	\$ 980,652
Land improvements	747,863	-	-	747,863
Buildings and improvements	54,093,291	3,395,656	-	57,488,947
Machinery and equipment	11,265,299	996,666	-	12,261,965
Vehicles	251,942	-	-	251,942
Books	1,742,388	-	-	1,742,388
Work in progress	641,727	4,167,897	(4,322,580)	487,044
	69,723,162	8,560,219	(4,322,580)	73,960,801
Accumulated depreciation	(33,512,911)	(1,937,305)	-	(35,450,216)
Total	<u>\$ 36,210,251</u>	<u>\$ 6,622,914</u>	<u>\$ (4,322,580)</u>	<u>\$ 38,510,585</u>

	<b>2018</b>			<b>Balance June 30, 2018</b>
	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Deletions</b>	
Land	\$ 980,652	\$ -	\$ -	\$ 980,652
Land improvements	747,863	-	-	747,863
Buildings and improvements	51,788,434	2,304,857	-	54,093,291
Machinery and equipment	11,175,437	89,862	-	11,265,299
Vehicles	251,942	-	-	251,942
Books	1,742,388	-	-	1,742,388
Work in progress	2,113,434	581,719	(2,053,426)	641,727
	68,800,150	2,976,438	(2,053,426)	69,723,162
Accumulated depreciation	(31,672,278)	(1,840,633)	-	(33,512,911)
Total	<u>\$ 37,127,872</u>	<u>\$ 1,135,805</u>	<u>\$ (2,053,426)</u>	<u>\$ 36,210,251</u>

**Community College of Beaver County  
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**9. Long-Term Debt**

Long-term debt consists of the following as of June 30, 2019 and 2018:

**Pennsylvania Finance Authority**

**College Revenue Bonds - Series of 2018A and 2018B**

In April of 2018, the Pennsylvania Finance Authority (the "Authority") issued \$2,480,000 aggregate principal amount of the College Revenue Bonds, consisting of \$975,000 in College Revenue Bonds - Series A of 2018 and \$1,505,000 in College Revenue Bonds - Series B of 2018. The Bonds were issued to provide funds for various capital projects at the College, and to pay for the costs of issuing the Bonds. In connection with the issuance of the Bonds, the Authority entered into a Loan Agreement with the College, whereby 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 an amount sufficient to pay the debt service requirements of the Bonds. The obligation of the College under the Loan Agreement is evidenced by a signed general obligation promissory note dated as of April 2018. The Authority's Bonds were issued in denominations of \$5,000 with interest payable on June 1 and December 1 each year through maturity. The interest rates on the Bonds is 2 percent - 3.75 percent with the Bonds scheduled to mature December 1, 2037. The Bonds provide for early redemption options as detailed in the official statement of issue. In the event of any default, the Trustee may enforce, and upon the written request of the holders of 25 percent in principal amount of the Bonds then outstanding thereunder and accompanied by indemnity as therein provided must, enforce for the benefit of all holders of such Bonds all their rights of bringing suit, action or proceeding at law or in equity and of having a receiver appointed. The Pennsylvania Department of Education ("PDE") is responsible for \$900,000 of the debt service on Series A.

**College Revenue Bonds - Series of 2017**

In January of 2017, the Pennsylvania Finance Authority issued \$26,725,000 in College Revenue Bonds - Series of 2017. The Bonds were issued to provide funds to the College to advance refund the College Revenue Bonds - Series of 2007, pay off the Bank note dated November 16, 2016, provide funds for various capital projects at the College, and to pay for the costs of issuing the Bonds. In connection with the issuance of the Bonds, the Authority entered into a Loan Agreement with the College whereby 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 an amount sufficient to pay the debt service requirements of the Bonds. The obligation of the College under the Loan Agreement is evidenced by a signed general obligation promissory note dated as of January 2017. The Authority's Bonds were issued in denominations of \$5,000 with interest payable on June 1 and December 1 each year through maturity. The interest rates on the Bonds is 2 percent - 3.7 percent with the Bonds scheduled to mature December 1, 2027. The Bonds provide for early redemption options as detailed in the official statement of issue. In the event of any default, the Trustee may enforce, and upon the written request of the holders of 25 percent in principal amount of the Bonds then outstanding thereunder and accompanied by indemnity as therein provided must, enforce for the benefit of all holders of such Bonds all their rights of bringing suit, action or proceeding at law or in equity and of having a receiver appointed. PDE is responsible for paying 50 percent of the debt service based on the original Series 2007 amortization.



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**College Revenue Bonds, Series of 2015**

In December of 2015, the Pennsylvania Finance Authority issued \$5,630,000 in College Revenue Bonds - Series of 2015. The bonds were issued to provide funds to the College for the purchase of land adjacent to the campus, to provide funds for College building renovations, and to pay for the costs of issuing the bonds. In connection with the issuance of the Bonds, the Authority entered into a Loan Agreement with the College, whereby 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 an amount sufficient to pay the debt service requirements of the Bonds. The obligation of the College under the Loan Agreement is evidenced by a signed general obligation promissory note dated as of December 2015. The Authority's Bonds were issued in denominations of \$5,000 with interest payable on June 1 and December 1 each year through maturity. The interest rates on the Bonds is 2 percent - 3.75 percent with the Bonds scheduled to mature June 1, 2036. The Bonds provide for early redemption options as detailed in the official statement of issue. In the event of any default, the Trustee may enforce, and upon the written request of the holders of 25 percent in principal amount of the Bonds then outstanding thereunder and accompanied by indemnity as therein provided must, enforce for the benefit of all holders of such Bonds all their rights of bringing suit, action or proceeding at law or in equity and of having a receiver appointed. PDE is responsible for 50 percent of the Series 2015 debt service.

**College Revenue Bonds, Series of 2012**

In August of 2012, the Pennsylvania Finance Authority issued \$2,890,000 in College Revenue Bonds - Series of 2012. The Bonds were issued to refund the outstanding amount of Community College Revenue Bonds - Series of 1998, and to pay for the costs of issuing the Bonds. In connection with the issuance of the Bonds, the Authority entered into a Loan Agreement with the College, whereby 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 an amount sufficient to pay the debt service requirements of the Bonds. The obligation of the College under the Loan Agreement is evidenced by a signed general obligation promissory note dated as of August of 2012. The Authority's Bonds were issued in denominations of \$5,000 with interest payable on June 1 and December 1 each year through maturity. The interest rate on the Bonds is 2 percent with the Bonds scheduled to mature December 1, 2019. The Bonds provide for early redemption options as detailed in the official statement of issue. In the event of any default, the Trustee may enforce, and upon the written request of the holders of 25 percent in principal amount of the Bonds then outstanding thereunder and accompanied by indemnity as therein provided must, enforce for the benefit of all holders of such Bonds all their rights of bringing suit, action or proceeding at law or in equity and of having a receiver appointed. PDE is responsible for paying 50 percent of the debt service based on the original Series 1998 amortization.

**General Obligation Note, Series of 2019**

In May of 2019, the State Public School Building Authority ("SPSBA") and the College entered into a Loan Agreement for maximum borrowings up to \$2,000,000 to provide funding for the technology building expansion and remodeling project. Principal and interest payments are due semi-annually with interest at a fixed rate of 2.75 percent. The loan matures on May 15, 2029. The Loan Agreement includes a provision that in an event of default, the timing of repayment of outstanding amounts becomes due and payable in full immediately or the lender may exercise any and all rights in the security interest of collateral. PDE is responsible for 100 percent of the debt service.

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The aggregate future principal payments required on the above obligations at June 30, 2019 are as follows. PDE is responsible for approximately \$21.3 million of the total debt service of \$41.3 million.

	Principal	Interest	Total
Years ending June 30:			
2020	\$ 1,682,523	\$ 1,011,533	\$ 2,694,056
2021	2,100,000	961,209	3,061,209
2022	2,140,000	912,305	3,052,305
2023	2,195,000	858,449	3,053,449
2024	2,250,000	799,458	3,049,458
2025 - 2029	11,650,000	3,010,012	14,660,012
2030 - 2034	8,780,000	1,090,738	9,870,738
2035 - 2039	1,465,000	350,184	1,815,184
Total	<u>\$ 32,262,523</u>	<u>\$ 8,993,888</u>	<u>\$ 41,256,411</u>

**Bond Discount and Bond Premium**

In connection with the issuance of the College Revenue Bonds - Series A of 2018, Series B of 2018, Series of 2017, and Series of 2015, CCBC received an original issue discount of \$718,141 which is being amortized over the life of the bond issue. Bond discount amortization for the years ended June 30, 2019 and 2018 was \$35,058 and \$32,719, respectively, and is included as a component of interest expense on the statement of revenues, expenses and changes in net position. The unamortized portion of the bond discount of \$493,524 at June 30, 2019 and \$528,582 at June 30, 2018 is deducted from the long-term portion of notes payable on the statement of net position.

In connection with the issuance of the College Revenue Bonds - Series of 2012, CCBC received an original issue premium of \$46,007 which is being amortized over the life of the bond issue. Bond premium amortization for the years ended June 30, 2019 and 2018 was \$3,067, and is included as a component of interest expense on the statement of revenues, expenses and changes in net position. The unamortized balance of \$0 at June 30, 2019 and \$3,067 at June 30, 2018 is added to the long-term portion of notes payable on the statement of net position.

**Advance Refunding of Debt**

In connection with the advance refunding of the Series A of 1994 and Series of 2007 Community College Revenue Bonds, the Authority entered into irrevocable trust agreements with PNC Bank to purchase U.S. Government Securities in an amount sufficient to fully service the defeased 1994 and 2007 Bond Issue debt as it matures or is called. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability for the College. The excess of the reacquisition price over the net carrying amount of refunded debt is recorded as a reduction to long-term debt on the statement of net position and amortized over the shorter of the term of the refunding issue or refunded Bonds. CCBC incurred a deferred refunding loss of \$1,057,759 which is being amortized over the life of the refunding issue using the straight-line method. During the years ended June 30, 2019 and 2018, CCBC amortized \$43,337 and \$60,992, respectively, of this loss which is shown as part of interest expense on the statement of revenues, expenses and changes in net position. The unamortized balance of \$384,068 and \$427,405 at June 30, 2019 and 2018, respectively, is reflected as "deferred outflow of resources" on the statement of net position.

Interest expense on the Bonds and note payable totaled \$1,114,324 and \$1,038,098 for the years ended June 30, 2019 and 2018, respectively.

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**10. Capital Lease Obligations**

In July of 2016, the College entered into a lease agreement with FNB Commercial Leasing in the amount of \$455,000 for the purchase of computer equipment. The lease calls for four (4) annual principal and interest payments of \$120,000. The interest rate is 3.430 percent and the lease obligation is scheduled to mature in July of 2019.

In August of 2016, the College entered into a lease agreement with FNB Commercial Leasing in the amount of \$117,124 for the purchase of a 2016 Redbird MCX Flight Simulator training machine. The lease calls for four (4) annual principal and interest payments of \$30,923. The interest rate is 3.5 percent and the lease obligation is scheduled to mature in September of 2019.

The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments. The assets are amortized over the lease terms and are included in capital assets. Amortization of assets under capital leases is included in depreciation expense.

Following is a summary of equipment held under capital leases at June 30, 2019:

Capital assets	\$ 572,124
Less accumulated depreciation	<u>165,806</u>
Total	<u>\$ 406,318</u>

Minimum future lease payments under the equipment capital leases are as follows:

Years ending June 30:	
2020	<u>\$ 151,102</u>
Total minimum lease payments	151,102
Less amount representing interest	<u>611</u>
Present value of net minimum lease payments	<u>\$ 150,491</u>

**11. Changes in Long-Term Liabilities**

The following represents the changes in the College's long-term liabilities during the years ended June 30, 2019 and 2018:

	2018-2019				
	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
Bonds payable	\$ 33,785,000	\$ -	\$ 1,570,000	\$ 32,215,000	\$ 1,635,000
Capital leases	260,869	-	110,378	150,491	150,491
Compensated absences	641,410	77,056	-	718,466	20,000
Net pension liability (Note 14)	2,272,000	-	160,000	2,112,000	-
SPSBA note payable	-	47,523	-	47,523	47,523
Total	<u>\$ 36,959,279</u>	<u>\$ 124,579</u>	<u>\$ 1,840,378</u>	<u>\$ 35,243,480</u>	<u>\$ 1,853,014</u>

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	2017-2018				
	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Bonds payable	\$ 32,800,000	\$ 2,480,000	\$ 1,495,000	\$ 33,785,000	\$ 1,570,000
Capital leases	423,032	-	162,163	260,869	150,074
Compensated absences	601,377	40,033	-	641,410	20,000
Net pension liability (Note 14)	2,577,000	-	305,000	2,272,000	-
Total	<u>\$ 36,401,409</u>	<u>\$ 2,520,033</u>	<u>\$ 1,962,163</u>	<u>\$ 36,959,279</u>	<u>\$ 1,740,074</u>

**12. Working Capital Line Notes**

During the year ended June 30, 2016, the College issued promissory notes (Working Capital Line Notes) for \$1,500,000, \$3,500,000 and \$1,000,000 to First National Bank. These funds were used for operating expenses due to the state budget impasse and various capital expenditures in advance of receiving federal grant funds and the issuance of bonds for the long-term financing of the College's capital projects. The terms of the notes call for per annum rates of interest up to 3 percent. The general revenues of the College serve as collateral on the notes. The Loan Agreement includes a provision that in an event of default, the timing of repayment of outstanding amounts becomes due and payable in full immediately or the lender may exercise any and all rights in the security interest of collateral. The following schedule details the drawdowns, principal repayments, interest paid and balances due on the various promissory notes for the years ended June 30, 2019 and 2018:

	2018-2019				
	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Interest Paid
FNB Note 3	\$ 324,886	\$ 6,753,468	\$ 5,715,600	\$ 1,362,754	\$ 22,737
FNB Note 2	59,092	-	59,092	-	-
Total	<u>\$ 383,978</u>	<u>\$ 6,753,468</u>	<u>\$ 5,774,692</u>	<u>\$ 1,362,754</u>	<u>\$ 22,737</u>

	2017-2018				
	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Interest Paid
FNB Note 3	\$ -	\$ 2,306,771	\$ 1,981,885	\$ 324,886	\$ 12,755
FNB Note 2	759,092	-	700,000	59,092	24,743
Total	<u>\$ 759,092</u>	<u>\$ 2,306,771</u>	<u>\$ 2,681,885</u>	<u>\$ 383,978</u>	<u>\$ 37,498</u>

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**13. Operating Leases, Office Equipment**

The College currently leases copier equipment from Xerox for use in its publications department. The terms of the lease agreement dated July 1, 2015, call for monthly payments of \$12,588. Lease expense for the years ended June 30, 2019 and 2018 was \$151,200. This lease term will end on June 30, 2020. Minimum lease payments in future years are as follows:

Year ending June 30:	
2020	<u>\$ 151,200</u>

**14. Pension Plans**

**PSERS**

The Community College of Beaver County participates in the Public School Employees' Retirement System ("PSERS" or the "System"). PSERS is a component unit of the Commonwealth of Pennsylvania. A brief description of the plan, and summary of the plan's provisions, are as follows:

**Plan Description**

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

**Benefits Provided**

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with a least 1 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 3 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 percent or 2.5 percent, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2 percent or 2.5 percent, 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.

**Contributions**

**Member Contributions:**

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

Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute 6.25 percent (Membership Class T-C) or at 7.50 percent (Membership Class T-D) of the members qualifying compensation.

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

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

**Employer Contributions:**

The College's contractually required contribution rate for the fiscal years ended June 30, 2019 and 2018 was 33.43 percent and 32.57 percent, respectively, 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. Contributions to the pension plan from the College were \$181,265 and \$191,107 for the years ended June 30, 2019 and 2018, respectively.

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

At June 30, 2019 and 2018, the College reported a liability of \$2,112,000 and \$2,272,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability from the prior year. The College's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the College's proportion was .0044 percent, which was a decrease of .0002 percent from its proportion measured as of June 30, 2018. At June 30, 2018, the College's proportion was 0.0046 percent, which was a decrease of 0.0006 percent from its proportion measured as of June 30, 2017.

For the years ended June 30, 2019 and 2018, the College recognized pension expense of \$87,265 and \$114,107, respectively. At June 30, 2019 and 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>2019</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 17,000	\$ 33,000
Changes in assumptions	39,000	-
Net difference between projected and actual investment earnings	10,000	-
Changes in proportions	1,000	311,000
Difference between employer contributions and proportionate share of total contributions	1,000	-
Contributions subsequent to the measurement date	181,265	-
<b>Total</b>	<b>\$ 249,265</b>	<b>\$ 344,000</b>
	<b>2018</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 24,000	\$ 14,000
Changes in assumptions	62,000	-
Net difference between projected and actual investment earnings	53,000	-
Changes in proportions	9,000	355,000
Difference between employer contributions and proportionate share of total contributions	(1,000)	-
Contributions subsequent to the measurement date	191,107	-
<b>Total</b>	<b>\$ 338,107</b>	<b>\$ 369,000</b>

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As of June 30, 2019 and 2018, \$181,265 and \$191,107, respectively, was reported as deferred outflows of resources related to pensions resulting from the College contributions subsequent to the measurement date. The amount recorded as of June 30, 2019 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The amount recorded as of June 30, 2018 has been recognized as a reduction of the net pension liability in the year ended 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:

Years ending June 30:	
2020	\$ (94,000)
2021	(73,000)
2022	(101,000)
2023	(8,000)

**Actuarial Assumptions**

The total pension liability as of June 30, 2019 was determined by rolling forward the System's total pension liability as of the June 30, 2017 actuarial valuation to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement. Any changes from the prior actuarial valuation are noted below, if applicable:

- Actuarial cost method - Entry Age Normal - level percent of pay.
- Investment return - 7.25 percent, includes inflation at 2.75 percent.
- Salary growth - Effective average of 5.00 percent, comprised of inflation of 2.75 percent and 2.25 percent for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The 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.



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The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the 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.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global public equity	20.0 %	5.2 %
Fixed income	36.0	2.2
Commodities	8.0	3.2
Absolute return	10.0	3.5
Risk parity	10.0	3.9
Infrastructure/MLPs	8.0	5.2
Real estate	10.0	4.2
Alternative investments	15.0	6.7
Cash	3.0	0.4
Financing (LIBOR)	(20.0)	0.9
	<u>100.0 %</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018.

**Discount Rate**

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

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

The following presents the net pension liability, calculated using the discount rate of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<b>1% Decrease 6.25%</b>	<b>Current Discount Rate 7.25%</b>	<b>1% Increase 8.25%</b>
College's proportionate share of the net pension liability	\$ 2,618,000	\$ 2,112,000	\$ 1,684,000

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**Pension Plan Fiduciary Net Position**

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.pa.gov](http://www.psers.pa.gov).

**TIAA**

The College established a Teachers Insurance and Annuity Association Fund ("TIAA") under Section 403 (B) of the IRC for eligible College employees. Under the plan, individual contracts are entered into for covered employees. Employees are fully vested, and the contract is fully funded, in accordance with the terms of the contract. Employee contributions are five percent (5 percent). College contributions are (1) five percent (5 percent) on the first \$7,800 of salary for the staff; (2) ten percent (10 percent) on the remaining staff salary; and (3) ten percent (10 percent) for the faculty and administrators. During the years ended June 30, 2019 and 2018, the College contributed \$803,617 and \$759,261, respectively to this retirement plan.

**15. Early Retirement Benefits**

At the close of the 2018-2019 fiscal year, all post-retirement healthcare benefit and early retirement incentive liability balances outstanding under the terms of previous collective bargaining agreements entered into between the Community College of Beaver County and its collective bargaining units have been expended.

**16. Endowment Funds, Foundation**

The Foundation's endowments were established for a variety of purposes, and include both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by FASB authoritative guidance, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Foundation interprets the Commonwealth of Pennsylvania Act 141 ("PA Act 141") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions to be held in perpetuity (a) the original value of gifts donated to the endowment, and (b) the original value of subsequent gifts to the endowment. The remaining portion of the donor-restricted endowment fund that is not to be held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by PA Act 141.

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**Endowment Fund Activity**

The Foundation's endowment funds consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Endowment funds with donor restrictions:		
Available for expenditures for specific purposes	\$ 112,320	\$ 120,858
Original corpus restricted in perpetuity	<u>1,886,808</u>	<u>1,361,304</u>
	1,999,128	1,482,162
Endowment funds without donor restrictions:		
Board-designated endowment funds	<u>9,307</u>	<u>9,439</u>
Total endowment funds	<u>\$ 2,008,435</u>	<u>\$ 1,491,601</u>

The changes in endowment net assets is comprised of the following for the year ended June 30:

	<u>2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 9,439	\$ 1,482,162	\$ 1,491,601
Investment return	(132)	82,598	82,466
Contributions, including pledge receivable receipt	-	525,504	525,504
Appropriation of endowment assets for expenditures	<u>-</u>	<u>(91,136)</u>	<u>(91,136)</u>
Endowment net assets, end of year	<u>\$ 9,307</u>	<u>\$ 1,999,128</u>	<u>\$ 2,008,435</u>
	<u>2018</u>		
Endowment net assets, beginning of year	\$ 25,012	\$ 1,438,239	\$ 1,463,251
Investment return	74	111,804	111,878
Contributions, including pledge receivable receipt	-	169,965	169,965
Appropriation of endowment assets for expenditures	<u>(15,647)</u>	<u>(237,846)</u>	<u>(253,493)</u>
Endowment net assets, end of year	<u>\$ 9,439</u>	<u>\$ 1,482,162</u>	<u>\$ 1,491,601</u>

**Community College of Beaver County**  
**(a Component Unit of the County of Beaver, Pennsylvania)**

Notes to Financial Statements  
June 30, 2019

**Funds with Deficiencies**

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law. Certain donor restricted funds with original gift values totaling \$997,825 and \$770,000 had fair values of \$930,101 and \$716,183 and deficiencies of \$67,724 and \$53,817 as of June 30, 2019 and 2018, respectively. These deficiencies were reported in net assets with donor restrictions. Management has interpreted state law to permit prudent spending from underwater endowments.

Endowment net asset composition by type of fund as of June 30, 2019 and 2018:

	Without Donor Restrictions	With Donor Restrictions		Total Funds June 30, 2019
		Original Gift	Accumulated Gains (Losses)	
Board-designated funds	\$ 9,307	\$ -	\$ -	\$ 9,307
Donor-restricted funds:				
Underwater funds	-	997,825	(67,724)	930,101
Other funds	-	888,983	180,044	1,069,027
Total	<u>\$ 9,307</u>	<u>\$ 1,886,808</u>	<u>\$ 112,320</u>	<u>\$ 2,008,435</u>
	Without Donor Restrictions	With Donor Restrictions		Total Funds June 30, 2018
		Original Gift	Accumulated Gains (Losses)	
Board-designated funds	\$ 9,439	\$ -	\$ -	\$ 9,439
Donor-restricted funds:				
Underwater funds	-	770,000	(53,817)	716,183
Other funds	-	591,304	174,675	765,979
Total	<u>\$ 9,439</u>	<u>\$ 1,361,304</u>	<u>\$ 120,858</u>	<u>\$ 1,491,601</u>

**Return Objectives and Risk Parameters**

The investment philosophy of the Foundation is based on an approach that emphasizes both long-term growth and current income. The Foundation's intent is to accommodate styles and strategies considered reasonable and prudent. Assets are invested with an investment manager who primarily invests in mutual funds and money market funds. The primary objective is to grow the assets to ensure the Foundation can continue to support CCBC's program, services, and students.

**Community College of Beaver County**  
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Notes to Financial Statements  
June 30, 2019

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that is set by the Foundation's Board of Directors. The investment assets are invested according to the following asset allocation guideline:

	<b><u>Long-Term Target Range</u></b>
Cash and cash equivalents	0 - 5 %
Equity	40 - 60
Fixed income	35 - 55
Alternative investments	0 - 10

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Board has adopted a spending policy for income from the donor-restricted endowment fund based on fair value of the portfolio's assets average over a three-year period. In accordance with PA Act 141, the University cannot spend less than 2 percent or more than 7 percent of income derived.

**17. Functional Allocation of Expenses, Foundation**

The financial statements of the Foundation report certain categories of expenses that are attributable to one or more program or supporting function of the Foundation, which are allocated based on estimates of time and effort. Expenses of the Foundation by natural and functional classification are as follows:

	<b><u>Program Services</u></b>	<b><u>Management and General</u></b>	<b><u>Fundraising</u></b>	<b><u>Year Ended June 30, 2019</u></b>
Special events	\$ -	\$ -	\$ 8,068	\$ 8,068
Audit and accounting fees	-	19,208	-	19,208
Bank fees	-	1,641	-	1,641
Scholarships and awards given	124,168	-	-	124,168
Contributions to CCBC for capital purchases	1,265,556	-	-	1,265,556
Other expenditures	1,500	-	-	1,500
Total	<u>\$ 1,391,224</u>	<u>\$ 20,849</u>	<u>\$ 8,068</u>	<u>\$ 1,420,141</u>

**Community College of Beaver County**  
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Notes to Financial Statements  
June 30, 2019

	Program Services	Management and General	Fundraising	Year Ended June 30, 2018
Special events	\$ -	\$ -	\$ 12,020	\$ 12,020
Audit and accounting fees	-	3,750	-	3,750
Bank fees	-	1,439	-	1,439
Scholarships and awards given	250,068	-	-	250,068
Contributions to CCBC for capital purchases	442,776	-	-	442,776
Other expenditures	21,982	-	2,711	24,693
Total	<u>\$ 714,826</u>	<u>\$ 5,189</u>	<u>\$ 14,731</u>	<u>\$ 734,746</u>

**18. Commitments and Contingencies**

**Federal and State Grants**

The College's state and federally funded programs are subject to audit by various governmental agencies. The College is potentially liable for any expenditure disallowed by the results of these audits. The Commonwealth of Pennsylvania Office of Labor, Education and Community Services conducts annual audits of the College's Claim for Subsidy Reimbursement submitted annually. Management is not aware of any items of noncompliance which would result in the disallowance of program expenditures.

**19. Risk Management**

The College is exposed to various risks of loss related to tort; 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.

**20. Health Insurance Consortium**

The College is one of forty-seven members of the Allegheny County Schools Health Insurance Consortium ("ACSHIC") which purchases health benefits on behalf of participating public school districts and colleges. CCBC is billed monthly based on employee count and coverage information at rates established by the ACSHIC at the beginning of each fiscal year. As the ACSHIC is self-insured, rates are established with the objective of satisfying estimated claims and other costs, as well as maintaining working capital requirements. Contributions to the ACSHIC totaled \$1,966,084 and \$1,939,547 for the years ended June 30, 2019 and 2018, respectively.

Participating members are permitted to withdraw from the ACSHIC under terms specified in the agreement. Withdrawing participants are entitled to, or responsible for, a proportionate share of the ACSHIC's net assets, as determined on the fiscal year-end date after withdrawal. As of June 30, 2019, the net assets of the ACSHIC were \$62,172,279 of which \$448,469 is attributable to the College.

**Community College of Beaver County**  
**(a Component Unit of the County of Beaver, Pennsylvania)**

Notes to Financial Statements  
June 30, 2019

**21. Liquidity and Availability of Resources, Foundation**

The following table reflects the Foundation's financial assets available for general expenditure within one year at June 30, 2019 and 2018. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Unavailable financial assets consist of donor restricted funds not expected to be released from restrictions within the next year, and investments with redemption restrictions.

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 3,352,237	\$ 2,699,059
Current portion of pledges receivable	330,770	1,322,840
Assets whose use is limited	9,307	9,439
Investments	<u>1,739,851</u>	<u>1,482,162</u>
Total financial assets	5,432,165	5,513,500
Less financial assets unavailable for general expenditures within one year:		
Donor and Board-restricted	<u>(2,044,540)</u>	<u>(1,731,718)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,387,625</u>	<u>\$ 3,781,782</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

**22. Subsequent Events**

The College evaluated its June 30, 2019 financial statements for any other subsequent events through the November 19, 2019. The College is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

**Community College of Beaver County**  
**(a Component Unit of the County of Beaver, Pennsylvania)**

Required Supplementary Information (Unaudited)  
 Defined Benefit Pension Plan  
 June 30, 2019, 2018, 2017, 2016, 2015 and 2014

**Schedule of College Contributions**

June 30,	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$ 181,265	\$ 191,107	\$ 176,079	\$ 172,589	\$ 148,208	\$ 125,485
Contribution in relation to the contractually required contribution	(181,265)	(191,107)	(176,079)	(172,589)	(148,208)	(125,485)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered-employee payroll	\$ 587,682	\$ 608,086	\$ 672,000	\$ 692,700	\$ 685,003	\$ 746,518
Contributions as a percentage of covered-employee payroll	30.84%	31.43%	26.20%	24.92%	21.64%	16.81%

**Schedule of the College's Proportionate Share of the Net Pension Liability**

For the years ended June 30,	2019	2018	2017	2016
College's proportion of the net pension liability	0.0044%	0.0046%	0.0052%	0.0054%
College's proportionate share of the net pension liability	\$ 2,112,000	\$ 2,272,000	\$ 2,577,000	\$ 2,339,000
College's covered-employee payroll	\$ 587,682	\$ 672,000	\$ 672,000	\$ 692,700
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	359.00%	383.00%	383.00%	338.00%

The amounts presented for each fiscal year were determined as of the measurement period year ended that was used for the fiscal year. PSERS measurement period year end is one year prior to the fiscal year end.

This schedule will be expanded to show ten (10) fiscal years as information becomes available in the future.



**Community College of Beaver County**  
**(a Component Unit of the County of Beaver, Pennsylvania)**

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Federal Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Agency	Pass-Through Agency Identification Number	Federal Expenditures
<b>U.S. Department of Education</b>				
Student Financial Assistance Cluster				
Federal Supplemental Education Opportunity Grants	84.007	N/A	N/A	\$ 75,436
Federal Work Study Program	84.033	N/A	N/A	36,688
Federal Pell Grant Program	84.063	N/A	N/A	3,385,412
Federal Direct Student Loan Program	84.268	N/A	N/A	5,078,161
Total student financial assistance cluster				8,575,697
Teaming Up to Build Pathways to Jobs	84.923	Appalachian Regional Commission	PW-19332-IM-18	9,098
Career and Technical Education - Basic Grants to States	84.048	PA Department of Education	FA-381-18-0003	263,492
Total U.S. Department of Education				8,848,287
<b>U.S. Department of Health and Human Services</b>				
TANF Cluster				
Temporary Assistance for Needy Families (TANF) State Programs	93.558	Inspiritec	SAP4100063964	153,968
<b>U.S. Department of Labor</b>				
Trade Adjustment Assistance	17.245	PA Department of Labor and Industry	TAA-049-17	10,910
<b>WIOA Cluster</b>				
WIA/WIOA Dislocated Worker Formula Grants	17.278	Washington Greene County Job Training Agency	AA307581755-A42	16,431
Total U. S. Department of Labor				27,341
<b>National Science Foundation</b>				
<b>Research and Development Cluster</b>				
Education and Human Resources	47.076	N/A	N/A	7,105
Education and Human Resources	47.076	N/A	N/A	99,138
Total National Science Foundation				106,243
<b>U.S. Department of Defense</b>				
DOD, NDEP, DOTC-STEM Education Outreach Implementation	12.560	N/A	N/A	5,492
<b>U.S. Department of Veterans Affairs</b>				
Post 9/11 Veterans Educational Assistance	64.028	N/A	N/A	212,943
Total expenditures of federal awards				\$ 9,354,274

See notes to schedule of expenditures of federal awards

**Community College of Beaver County**  
**(a Component Unit of the County of Beaver, Pennsylvania)**

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Notes to Schedule of Expenditures of Federal Awards  
June 30, 2019

**1. Basis of Accounting**

The accompanying schedule of expenditures of federal awards (the "Schedule") presents the expenditures of all federal awards programs of Community College of Beaver County (the "College") using the accrual basis of accounting.

**2. Relationship to Basic Financial Statements**

The information in the 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"). Therefore, some amounts presented in this Schedule may differ from certain financial reports submitted to governmental or other funding agencies. 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, changes in financial position or cash flows of the College.

**3. Student Financial Assistance and Loan Programs**

The total loans granted under the Federal Direct Student Loan Program, which were not made by the College but were received by its students, were approximately \$5,100,000 for the year ended June 30, 2019.

**4. Indirect Cost Rate**

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

**Independent Auditors' 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***

To the Management and the Board of Trustees of  
Community College of Beaver County

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 Community College of Beaver County and its discretely presented component unit (the "College"), a component unit of the County of Beaver, Pennsylvania, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents, and have issued our reported thereon dated November 19, 2019.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College'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 College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Baker Tilly Virchow Krause, LLP*

Pittsburgh, Pennsylvania  
November 19, 2019

**Independent Auditors' Report on  
Compliance for Each Major Federal Program  
and Report on Internal Control Over Compliance  
Required by the Uniform Guidance**

To the Management and the Board of Trustees of  
Community College of Beaver County

**Report on Compliance for the Major Federal Program**

We have audited Community College of Beaver County's (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2019. The College's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for the College'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 the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on the Major Federal Program**

In our opinion, the College 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, 2019.

**Other Matters**

The results of our auditing procedures disclosed three instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as findings 2019-001, 2019-002 and 2019-003. Our opinion on the major federal program is not modified with respect to these matters.

## **The College's Response to Findings**

The College's response to the noncompliance findings identified in our audit are described in the corrective action plan. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control Over Compliance**

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with 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 the College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-003, that we consider to be a significant deficiency.

## **College's Response to Finding**

The Organization's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

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

*Baker Tilly Virchow Krause, LLP*

Pittsburgh, Pennsylvania  
November 19, 2019

**Community College of Beaver County**  
**(a Component Unit of the County of Beaver, Pennsylvania)**

Schedule of Findings and Questioned Costs  
June 30, 2019

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u>          </u> yes	<u>  X  </u> no
Significant deficiency(ies) identified?	<u>          </u> yes	<u>  X  </u> none reported

Noncompliance material to financial statements noted?            yes   X   no

**Federal Award**

Internal control over the major federal program:

Material weakness(es) identified?	<u>          </u> yes	<u>  X  </u> no
Significant deficiency(ies) identified?	<u>  X  </u> yes	<u>          </u> none reported

Type of auditors' report issued on compliance for the major federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   X   yes            no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007	Student Financial Assistance Cluster:
84.033	Federal Supplemental Education Opportunity Grants
84.063	Federal Work Study Program
84.268	Federal Pell Grant Program
	Federal Direct Student Loan Program

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

Auditee qualified as low-risk auditee?            yes   X   no

**Community College of Beaver County  
(a Component Unit of the County of Beaver, Pennsylvania)**

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Schedule of Findings and Questioned Costs  
June 30, 2019

**Section II - Financial Statement Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

**Finding 2019-001: Federal Program: Student Financial Assistance Cluster, Federal Direct Student Loans**

Federal Agency: Department of Education  
CFDA: 84.268  
Federal Award Year: June 30, 2019

**Criterion:**

In accordance with Title IV regulations (16 CFR 314.1 (b)), an Institution must protect student financial aid information by designating an individual to coordinate the information security program, perform a risk assessment that addresses (1) employee training and management; (2) information systems, including network and software design, as well as information processing, storage, transmission and disposal; and (3) detecting, preventing and responding to attacks, intrusions, or other systems failures, and document safeguards for identified risks.

**Condition:**

The College has designated an individual responsible for coordinating an information security program, and much of the information system, network and prevention requirements of the Gramm-Leach Bliley Act ("GLBA") are in place and functioning effectively. However, the College has not performed a risk assessment related to information security nor has the College documented in writing the policy and procedures as required by the GLBA. This is a new finding in the current year.

**Cause and Effect:**

The College has not developed and documented risk assessment procedures and processes specific to GLBA. Failure to comply with the requirements of GLBA standards puts the Institution at risk of compromising consumer, nonpublic personal information.

**Questioned Costs:**

There are no questioned costs associated with this finding.

**Recommendation:**

The College should perform and document an annual risk assessment to determine the College's specific risks relevant to protecting consumer nonpublic personal information. At a minimum, the College should have at least one risk statement aligned or referenced to each of the three required areas noted in the GLBA law at 16 CFR 314.4 (b). Finally, the College should identify and document at least one safeguard (i.e., control) for each of the risks identified and documented in the risk assessment. Each control should be aligned or referenced to the risk(s) to which the safeguard applies.

**Management Response:**

See attached Corrective Action Plan.



**Community College of Beaver County  
(a Component Unit of the County of Beaver, Pennsylvania)**

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Schedule of Findings and Questioned Costs  
June 30, 2019

**Finding 2019-002: Federal Program: Student Financial Assistance Cluster, Federal Direct Student Loans**

Federal Agency: Department of Education  
CFDA: 84.268

**Criterion:**

An institution is required to notify the National Student Loan Data System ("NSLDS") within thirty days of when it discovers that a student who received student loans did not enroll or ceased to be enrolled on at least a half-time basis, unless it expects to submit an enrollment report within the next sixty days (34 CFR Section 685.309).

**Condition:**

The College did not notify the NSLDS in a timely manner for six students out of a sample of twenty-nine students. The sample was not a statistically valid sample.

**Cause and Effect:**

The College experienced some staff turnover which caused delays in reporting. In addition, the College was unaware of an additional procedure required to correctly code the enrollment change for students who graduated without an enrollment record from that specific term. As a result, the reporting of status changes for these students was not performed within the required NSLDS notification period. This is a repeat of the prior year finding 2018-003.

**Questioned Costs:**

There are no questioned costs associated with this finding.

**Recommendation:**

We recommend that the College review its procedures for student withdrawals and NSLDS notifications to ensure all status changes are submitted in a timely manner.

**Management Response:**

See attached Corrective Action Plan.

**Community College of Beaver County**  
**(a Component Unit of the County of Beaver, Pennsylvania)**

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Schedule of Findings and Questioned Costs  
June 30, 2019

**Finding 2019-003: Federal Program: Student Financial Assistance Cluster, Federal Direct Student Loans**

Federal Agency: Department of Education  
CFDA: 84.268

**Criterion:**

Annual loan limits for Subsidized Loans are determined, in part, based upon a student's successfully completed year of study. The limit is \$3,500 for an undergraduate student who has not yet completed the first year of study, and \$4,500 for an undergraduate student who has successfully completed the first year of study but has not successfully completed the second year of study. (34 CFR Section 685.203)

**Condition:**

The College incorrectly determined the amount of years successfully completed for one student out of a sample of forty students and therefore awarded a Subsidized Loan in excess of the annual limit. The College determined that the student successfully completed one year of study, when actually the first year of study had not yet been completed. The sample was not a statistically valid sample.

**Cause and Effect:**

The College does not have internal controls to capture situations when a student repeats previously completed credits. As a result, the College included credits for repeated passed courses when determining the number of successfully completed years of study. This resulted in the College awarding a Subsidized Loan of \$4,500 when the actual annual limit was \$3,500.

**Questioned Costs:**

There are \$1,000 of questioned costs associated with this finding.

**Recommendation:**

We recommend the College implement a procedure to properly account for when a student repeats passed courses in order to avoid double counting those credits when determining financial aid.

**Management Response:**

See attached Corrective Action Plan.

**Community College of Beaver County  
(a Component Unit of the County of Beaver, Pennsylvania)**

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Schedule of Findings and Questioned Costs  
June 30, 2019

**Section IV - Summary of Prior Year Findings**

**Finding 2018-001: Internal Control over Financial Reporting - Preparation of the Schedule of Expenditures of Federal Awards**

**Condition:**

The College did not initially include certain federal awards on the schedule of expenditures of federal awards for the year ended June 30, 2018.

**Status:**

This matter was corrected during the current year. No similar findings were noted during the year ended June 30, 2019.

**Finding 2018-002: Internal Control over Financial Reporting - Reconciliation Processes and Segregation of Duties**

**Condition:**

During the year ended June 30, 2018, there was a lack of segregation of duties and certain reconciliations not being performed over payroll, cash disbursements and fixed assets transactions. The failure to review and reconcile depreciation schedules resulted in an audit adjustment during the year ended June 30, 2018.

**Status:**

This matter was corrected during the current year. No similar findings were noted during the year ended June 30, 2019.

**Finding 2018-003: Federal Program: Student Financial Assistance Cluster, Federal Direct Student Loans**

Federal Agency: Department of Education  
CFDA: 84.268

**Condition:**

The College did not notify the NSLDS in a timely manner for two withdrawn students out of a sample of seven students due to a software error that caused an error in the reported status for certain withdrawn students.

**Status:**

Late reporting of status changes was a repeat finding for the year ended June 30, 2019, as finding 2019-002. The College implemented procedures to review for reporting of status changes, however due to personnel changes and a misunderstanding in the compliance requirements certain student status changes were not reported timely. The College is developing documented procedures to be followed to avoid this situation in future periods.

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**APPENDIX B**

**FORM OF OPINION OF BOND COUNSEL**

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## FORM OF OPINION OF BOND COUNSEL

*The form of the approving legal opinion of Dinsmore & Shohl LLP, 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. Bond Counsel has no duty, and has assumed no obligation, to revise, update or supplement its opinion to address or reflect a change or changes in such circumstances subsequent to the date of delivery of the Bonds, whether or not it has notice or obtains knowledge of the same, and whether or not this Official Statement shall be recirculated. The approving legal opinion of Bond Counsel represents its considered professional judgment, following a comparison of relevant factual certifications to applicable law. Such opinion is not a guarantee of a particular result, nor is such opinion binding on any administrative or judicial tribunal.*

We have served as bond counsel in connection with the issuance and sale by the State Public School Building Authority (the "Authority") of its \$4,820,000, aggregate principal amount, College Revenue Bonds (Community College of Beaver County Project), Series of 2020 (the "Bonds"), pursuant to the Trust Indenture, dated as of November 12, 2020 (the "Indenture") between the Authority and U.S. Bank National Association, as Trustee (the "Trustee"). The Authority is authorized under the State Public School Building Authority Act of 1947, P.L. 1217, as amended (the "Authority Act"), of the Commonwealth of Pennsylvania to acquire, finance, refinance, construct, improve, maintain and operate, and to furnish and equip, among other things, community college buildings, and to issue bonds for all such purposes, including the refunding of the same. The Bonds are being issued on behalf of, and for the benefit of, Community College of Beaver County (the "College"), a community college organized pursuant to Article XIX-A of the Public School Code of 1949, Act of July 1, 1985, P.L. 103, No. 31, Section 1 et seq., as amended (the "Community College Act").

In such capacity, we have examined: (i) an executed copy of the Indenture; (ii) an executed copy of the Loan Agreement dated as of November 12, 2020 (the "Loan Agreement") between the Authority and the College, pursuant to which the College unconditionally agrees to pay the principal of, premium if any, and interest on, the Bonds when and as the same shall become due, subject to the terms and conditions of the Loan Agreement and the Indenture; (iii) the form of the Bonds; (iv) the Authority Act; (v) the Community College Act; (vi) the formal actions of the Boards of the Authority and the College authorizing the incurrence of debt evidenced by the Bonds (the "Resolutions"); (vii) the Internal Revenue Code of 1986, as amended (the "Code"); (viii) the Tax Regulatory Agreement by, between and among the Authority, the College and the Trustee, along with related tax certificates executed by various parties (collectively, the "Tax Agreements"); and (ix) such other constitutional and statutory provisions and such other resolutions, certificates, instruments and documents as we have deemed necessary or appropriate in order to enable us to render an informed opinion as to matters set forth herein.

In rendering this opinion we have assumed the genuineness of all signatures on all documents and certificates that we examined, the legal capacity and authority of all persons executing such documents, the authenticity of all documents submitted to us as originals and the conformity to originals of all documents submitted to us as copies and the authenticity of the originals of said copies. As to questions of fact material to our opinion, we have relied upon the representations of the Authority and the College contained in the Indenture and the Loan Agreement; unless separately noted, we have not independently verified factual certifications contained in any documentation used in connection with the sale of the Bonds or made to us by the Authority or the College or the officers and agents of either during the course of our engagement.

We have not been engaged nor undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and we express no opinion herein relating thereto.

Based upon the foregoing, it is our opinion, under existing law and as of the date hereof, that:

1. The Authority is a body corporate and politic organized and existing under the Authority Act and has the power to enter into the transactions contemplated by the Indenture and the Loan Agreement and to carry out its obligations thereunder.

2. The Indenture and the Loan Agreement have been duly authorized, executed and delivered by the Authority and constitute the valid and binding obligations of the Authority enforceable against it in accordance with their respective terms.

3. The Bonds have been duly and validly authorized, executed, issued and delivered by the Authority and constitute the valid and binding limited obligations of the Authority enforceable against it in accordance with their terms, payable from the sources provided therefor in the Indenture.

4. All right, title and interest of the Authority in and to the installment payments due under the Loan Agreement have been duly assigned to the Trustee (except for the fees and expenses payable to the Authority and the Authority's right to indemnification).

5. Section 1913(h) of the Community College Act requires the Secretary of the Pennsylvania Department of Education, upon receipt of written notice from the Authority of the College's failure to pay or provide for the payment of any indebtedness due pursuant to the Loan Agreement, to notify the Board of Trustees of the College of its obligation to pay and to withhold, out of any Commonwealth appropriation that may be due to the College, an amount equal to the amount of the indebtedness due thereunder, and to pay over the amount or amounts so withheld (the "Withheld Amounts") to the Authority or the Trustee. Pursuant to the Indenture, the Authority has validly assigned all right, title and interest in and to the Withheld Amounts to the Trustee and has agreed, pursuant to the Loan Agreement, to direct the Secretary to pay the Withheld Amounts directly to the Trustee.

6. Assuming continuing compliance by the Authority and the College with certain covenants related to the requirements of Section 103 of the Tax Code as contained in the Tax Agreements, under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the Bonds (including, in the case of Bonds sold at an original issue discount, the difference between the initial offering price thereof and par) is excludible from gross income for Federal income tax purposes. Furthermore, interest on the Bonds will not be treated as an item of tax preference, under Section 57(a)(5) of the Tax Code, in computing the alternative minimum tax. We express no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Bonds.

7. The Bonds, and the interest income therefrom, are free from taxation for the purposes of personal income, corporate net income and personal property taxes within the Commonwealth of Pennsylvania.

Special attention is called to the fact that the rights of the owners of the Bonds and the enforceability of the Bonds, the Loan Agreement and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws heretofore or hereafter enacted affecting creditors' rights generally to the extent constitutionally applicable and by the application of general equitable principles and the exercise of judicial discretion in appropriate cases (whether such enforcement is sought in proceedings in equity or at law). Likewise, the enforceability of the provisions of the Community College Act which



instruct the disposition of the Withheld Amounts may be subject to, among other things, proper and complete budgeting, appropriation and the availability of such funds for payment by the Commonwealth of Pennsylvania.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

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**APPENDIX C**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: \$ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: \$

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

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

ASSURED GUARANTY MUNICIPAL CORP.

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

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100