

NEW ISSUE—BOOK-ENTRY ONLY

RATINGS: S&P: AA (Stable Outlook) (Insured)
Moody's: A3 (Positive Outlook) (Underlying)
(See "BOND RATINGS" Herein)

In the opinion of Bond Counsel, assuming compliance with certain covenants of the Authority and the College, interest on the Bonds is excluded from gross income for federal income tax purposes under existing law, as currently enacted and construed. Interest on the Bonds is not an item of tax preference for purposes of the individual alternative minimum tax. Interest on the Bonds may be indirectly subject to certain other taxes imposed on certain corporations as more fully described under the caption "Tax Exemption" herein. Under the laws of the Commonwealth of Pennsylvania, as currently enacted and construed, the Bonds are exempt from personal property taxes in Pennsylvania and the interest on the Bonds is exempt from Pennsylvania personal and corporate net income tax.

\$20,000,000
STATE PUBLIC SCHOOL BUILDING AUTHORITY
(Commonwealth of Pennsylvania)
College Revenue Bonds (Community College of Allegheny County Project),
Series of 2018

Dated: May 15, 2018
Interest Due: June 15 and December 15

Principal Due: June 15, as shown on inside cover
First Interest Payment: June 15, 2018

The \$20,000,000 College Revenue Bonds (Community College of Allegheny County Project), Series of 2018 (the "Bonds") will be fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the registered owner, as nominee of DTC, references herein to "Owner," "Registered Owner," or "Bondholders" shall mean Cede & Co., as aforesaid and shall not mean beneficial owners of the Bonds. Beneficial ownership in the Bonds may be acquired in denominations of \$5,000 or multiples thereof, only under the book-entry-only system maintained by DTC, as more fully described herein.

Principal of, premium, if any and interest on the Bonds will be paid by U.S. Bank National Association, Pittsburgh, Pennsylvania, as trustee (the "Trustee"). So long as DTC or its nominee, Cede & Co., is the registered owner, such payments will be made directly to Cede & Co. Disbursements of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the beneficial owners is the responsibility of DTC Participants and the Indirect Participants, as more fully described herein. Interest on the Bonds will be payable commencing on June 15, 2018, and semiannually thereafter on June 15 and December 15 of each year (each, an "Interest Payment Date") by check mailed to the registered Bondholders as of the close of business on the applicable record date preceding each Interest Payment Date until the principal sum thereof is paid.

The Bonds will be issued by the State Public School Building Authority (the "Authority") and will be secured by a Trust Indenture dated as of May 15, 2018 (the "Indenture") between the Authority and the Trustee. The Bonds are limited obligations of the Authority, payable solely from the payments to be made by the Community College of Allegheny County (the "College") under a Loan Agreement dated as of May 15, 2018 (the "Loan Agreement") between the Authority and the College.

Proceeds of the Bonds will be used for: (1) providing funds for the acquisition, design, construction and furnishing and any other expenses related to the building of the new Allegheny Workforce Training Center, Phase One and (2) to pay the costs of issuing and insuring the Bonds.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM").



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

The Bonds are offered for delivery when, as and if issued by the Authority and received by the Underwriter and subject to the approving legal opinion of Houston Harbaugh, P.C. of Pittsburgh, Pennsylvania, Bond Counsel, appointed by the Office of General Counsel. Certain legal matters will be passed upon for the Authority by its counsel, Barley Snyder LLP, Lancaster, Pennsylvania, for the College by its counsel, Andrew F. Szefi, Esquire, Pittsburgh, Pennsylvania and for the Underwriter by its counsel R. Darryl Ponton & Associates, Pittsburgh, Pennsylvania. PFM Financial Advisors LLC, Harrisburg, Pennsylvania, serves as Financial Advisor to the Authority. It is expected that the Bonds will be available for delivery through DTC, on or about May 15, 2018.

RAYMOND JAMES®

Official Statement Dated: April 11, 2018

\$20,000,000
STATE PUBLIC SCHOOL BUILDING AUTHORITY
(Commonwealth of Pennsylvania)
College Revenue Bonds (Community College of Allegheny County Project),
Series of 2018

Dated: May 15, 2018
Interest Due: June 15 and December 15

Principal Due: June 15, as shown below
First Interest Payment: June 15, 2018

<u>June 15</u> <u>Year</u>	<u>Principal</u> <u>Amounts</u>	<u>Rates</u>	<u>Yields</u>	<u>Prices</u>
2019	\$690,000	4.000%	1.790%	102.359%
2020	715,000	5.000	1.960	106.174
2021	750,000	5.000	2.110	108.581
2022	785,000	5.000	2.250	110.669
2023	825,000	5.000	2.420	112.268
2024	870,000	5.000	2.530	113.843
2025	910,000	5.000	2.640	115.153
2026	960,000	5.000	2.740	116.284
2027	1,005,000	4.000	2.860*	108.173*
2028	1,045,000	4.000	2.980*	107.277*
2029	1,085,000	4.000	3.090*	106.463*
2030	1,130,000	4.000	3.140*	106.095*
2031	1,175,000	4.000	3.190*	105.729*
2032	1,225,000	4.000	3.270*	105.146*
2033	1,275,000	4.000	3.340*	104.639*
2034	1,320,000	3.375	3.480	98.713
2035	1,365,000	3.375	3.520	98.148
2036	1,410,000	3.375	3.550	97.677
2037	1,460,000	3.500	3.570	99.035

*Yield/Price to Optional Redemption Date June 15, 2026.

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

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

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

TABLE OF CONTENTS

INTRODUCTION	1	STATEMENT OF REVENUES AND CHANGES IN NET	
PURPOSE OF THE BOND ISSUE.....	1	ASSETS.....	11
Sources and Uses of Bond Proceeds	1	Budgetary Procedures	12
THE AUTHORITY	2	2017-18 BUDGET.....	12
THE BONDS	2	Debt Statement.....	13
Description of the Bonds.....	2	Debt Service Requirements	13
Transfer, Exchange and Registration of Bonds	3	Future Financing.....	13
BOOK-ENTRY-ONLY SYSTEM.....	3	Financial Aid	14
Discontinuance of Book-Entry Only System.....	5	Student Fees and Charges	14
REDEMPTION OF THE BONDS	6	SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN	
Optional Redemption	6	AGREEMENT AND THE INDENTURE	14
Notice of Redemption	6	THE LOAN AGREEMENT.....	15
Manner of Redemption	6	THE INDENTURE	16
BOND INSURANCE	6	ABSENCE OF LITIGATION.....	17
Bond Insurance Policy	6	LEGALITY FOR INVESTMENTS.....	17
Build America Mutual Assurance Company	6	TAX EXEMPTION.....	17
DEBT SERVICE REQUIREMENTS ON THE COLLEGE'S		CONTINUING DISCLOSURE.....	18
DEBT.....	7	Existing Continuing Disclosure Filing History	19
Security and Source of Payment	7	Bond Insurance Rating Downgrades and Upgrades by S&P	
Additional Bonds	8	and/or Moody's	19
COMMUNITY COLLEGE FUNDING STRUCTURE	8	CERTAIN LEGAL MATTERS.....	19
Taxing Power of Local Sponsors Regarding Community		UNDERWRITING	20
Colleges	8	THE TRUSTEE.....	20
Local Sponsor Obligation	8	BOND RATINGS	20
Commonwealth Obligation.....	8	MISCELLANEOUS MATTERS	20
COMMUNITY COLLEGE OF ALLEGHENY COUNTY	9	APPENDIX A - COMMUNITY COLLEGE OF ALLEGHENY	
Overview and Philosophy	9	COUNTY FINANCIAL STATEMENTS AS OF AND FOR THE	
Accreditation	9	YEARS ENDED JUNE 30, 2017 and 2016	
Campuses, Curriculum and Programs	10	APPENDIX B - SPECIMEN MUNICIPAL BOND INSURANCE	
Governance	10	POLICY	
Employee Contracts	10		
Enrollment	10		
Revenue and Expense Summary	11		

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STATE PUBLIC SCHOOL BUILDING AUTHORITY

MEMBERS OF THE AUTHORITY

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Governor of the Commonwealth of PennsylvaniaPresident

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

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

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

Honorable Joseph M. Torsella
State Treasurer Treasurer

Honorable Curtis M. Topper
Secretary of General ServicesSecretary

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

Honorable Eugene A. DePasquale
Auditor GeneralBoard Member

Honorable Pedro A. Rivera
Secretary of EducationBoard Member

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ALLEGHENY COUNTY, PENNSYLVANIA

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PRELIMINARY OFFICIAL STATEMENT

\$20,000,000

STATE PUBLIC SCHOOL BUILDING AUTHORITY

(Commonwealth of Pennsylvania)

College Revenue Bonds

(Community College of Allegheny County Project)

Series of 2018

INTRODUCTION

This Preliminary Official Statement, which includes the cover page hereof and the Appendices hereto, provides certain information relating to the \$20,000,000 principal amount of the State Public School Building Authority College Revenue Bonds (Community College of Allegheny County Project), Series of 2018 (the "Bonds"). The Bonds are being issued by the State Public School Building Authority (the "Authority") pursuant to the State Public School Building Authority Act of 1947, P.L. 1217, as supplemented and amended (the "Act"), and are secured by a Trust Indenture dated as of May 15, 2018 (the "Indenture"), entered into by the Authority and U.S. Bank National Association, as Trustee (the "Trustee").

The Authority is a body corporate and politic created in 1947 by the Act. Under the Act, the Authority is constituted a public corporation and governmental instrumentality, having perpetual existence, for the purpose of acquiring, financing, refinancing, constructing, improving, maintaining and operating public school and educational broadcasting facilities, and furnishing and equipping the same for use as part of the public school system of the Commonwealth of Pennsylvania (the "Commonwealth") under the jurisdiction of the Pennsylvania Department of Education (the "Department of Education"). 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 Community College of Allegheny County (the "College") is a community college offering more than 170 programs. See "Community College of Allegheny County" herein for certain additional information concerning the College.

PURPOSE OF THE BOND ISSUE

Proceeds of the Bonds will be used for: (1) providing funds for the acquisition, design, construction and furnishing and any other expenses related to the building of the new Allegheny Workforce Training Center, Phase One and (2) to pay the costs of issuing and insuring the Bonds (the "Project").

Additional Information. To assist investors with complying with the Federal Home Loan Bank collateral regulations, the College presently contemplates that approximately 100% of the proceeds of the Series of 2018 Bonds will be used to finance or refinance the acquisition, development, and/or improvement of real property.

Sources and Uses of Bond Proceeds

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

SOURCE OF FUNDS

Bond Par Amount.....	\$20,000,000.00
Net Original Issue Premium	1,121,964.50
Total Source of Funds	<u>\$21,121,964.50</u>

USE OF FUNDS

Deposit to Project Fund.....	\$20,829,893.06
Costs of Issuance ⁽¹⁾	292,071.44
Total Use of Funds	<u>\$21,121,964.50</u>

⁽¹⁾Includes legal, financial advisor, printing, rating, total bond discount, municipal bond insurance premium, trustee and miscellaneous costs.

THE AUTHORITY

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

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

The Bonds are being issued by the Authority on behalf of the College pursuant to the Act, the Indenture and a Resolution adopted by the Authority, which approved the projects financed thereunder. The Authority has and will continue to issue bonds and 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 and notes.

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

Robert Baccon
Executive Director

Mr. Baccon has served as an executive with the Authority and PHEFA (collectively, the “Authorities”) since 1984. He is a graduate of St. John's University with a bachelor's degree in management, and holds a master's degree in international business from the Columbia University Graduate School of Business. Prior to joining the Authority, Mr. Baccon held financial management positions with multinational U.S. corporations and was Vice President - Finance for a major highway construction contractor.

David Player
Comptroller & Director of Financial Management

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

Beverly M. Nawa
Administrative Officer

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

THE BONDS

Description of the Bonds

The Bonds will be dated May 15, 2018, and will bear interest from such date at the rates set forth on the inside front cover page hereof, payable semiannually on June 15 and December 15 of each year (each, an “Interest Payment Date”), commencing June 15, 2018 (until maturity or prior redemption), and will mature on the dates and in the amounts set forth on the inside front cover page hereof. The Bonds when issued will be registered in the name of Cede & Co., as a nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. While the Bonds are in the Book-Entry-Only System, references to the “owner” or the “registered owner” as described herein are to Cede & Co., as registered owner for DTC. Each beneficial owner of a Bond may desire to make arrangements with a DTC Participant to receive notices or communications with respect to matters described herein. See “Book-Entry-Only System” herein.

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

The Bonds may be transferred or exchanged by the registered owner thereof only upon presentation thereof to the Trustee, accompanied by a duly executed instrument of transfer by the registered owner thereof or his authorized representative, and, in the case of a transfer, containing written instructions as to the details of such transfer. Neither the Authority nor the Trustee will be required to issue, exchange or transfer any of the Bonds during the fifteen (15) days preceding the mailing of any notice of redemption of Bonds or to transfer any of the Bonds selected for redemption in whole or in part. The person in whose name any Bond is registered shall be deemed the owner thereof by the Authority and the Trustee, and any notice to the contrary shall not be binding upon the Authority or the Trustee.

No service charge will be made to the Bondholders of the Bonds for any exchange or transfer, but the Authority may require payment of a sum sufficient to pay any tax or other governmental charge that may be imposed in relation thereto. In the event any Bond is mutilated, lost, stolen, or destroyed, the Authority may execute and the Trustee may authenticate a new Bond of like tenor and denomination in accordance with the provisions of the Indenture, and the Authority and the Trustee may charge the registered owner of such Bond with its reasonable fees and expenses and require indemnity in connection therewith.

Transfer, Exchange and Registration of Bonds

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

BOOK-ENTRY-ONLY SYSTEM

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a

Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Discontinuance of Book-Entry Only System

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

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

REDEMPTION OF THE BONDS

Optional Redemption

The Bonds stated to mature on or after June 15, 2027, are subject to redemption prior to maturity, at the option of the Authority at the direction of the College, as a whole or, from time to time, in part, (and if in part, in such maturity or maturities as the College shall select for redemption and within a maturity by lot), on June 15, 2026, or on any date thereafter, upon payment of a redemption price of 100% of the principal amount thereof plus accrued interest to the date fixed for redemption. If less than all Bonds of any maturity are to be redeemed, the Bonds of such maturity to be redeemed shall be drawn by lot by the Trustee.

Notice of Redemption

Notice of any redemption shall be given by depositing a copy of the redemption notice by first class mail not more than sixty (60) days and not less than thirty (30) days prior to the date fixed for redemption addressed to each of the registered owners of Bonds to be redeemed, in whole or in part at the addresses shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof shall not affect the validity of any proceeding for redemption of other Bonds called for redemption as to which proper notice has been given.

On the date designated for redemption, notice having been provided as aforesaid, and money for payment of the principal and accrued interest being held by the Trustee, interest on the Bonds and portions thereof so called for redemption shall cease to accrue and such Bonds or portions thereof shall cease to be entitled to any benefit or security under the Indenture, and registered owners of such Bonds or portions thereof so called for redemption shall have no rights with respect to such Bonds, except to receive payment of the principal of and accrued interest on such Bonds to the date fixed for redemption.

Manner of Redemption

If a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed. For the purposes of redemption, a Bond shall be treated as representing that number of Bonds which is obtained by dividing the principal amount thereof by \$5,000, each \$5,000 portion of such Bonds being subject to redemption. In the case of partial redemption of a Bond, payment of the redemption price shall be made only upon surrender of such Bond in exchange for Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2017 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$515 million, \$87.7 million and \$427.3 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

DEBT SERVICE REQUIREMENTS ON THE COLLEGE'S DEBT

Security and Source of Payment

The Authority will enter into a Loan Agreement dated as of May 15, 2018 (the "Loan Agreement") with the College pursuant to which the Authority will lend the proceeds of the Bonds to the College for the purpose of paying costs of the Project. Under the Loan Agreement the College will agree to repay such loan in such amounts and at such times as will provide sufficient funds to meet the debt service requirements on the Bonds. The College will deliver its general obligation Note dated as of May 15, 2018 (the "Note") to the Authority evidencing its payment obligations under the Loan Agreement.

The Bonds will be secured under the Indenture by the assignment and pledge to the Trustee of the payments under the Note and the Loan Agreement. The full faith and credit of the College has been pledged for the timely payment of all amounts due under the Note. The payments due under the Note are payable from the College's general revenues from whatever source derived, including local sponsor contributions. (See "Community College Funding Structure"). **The College has no taxing power.**

The Authority, at the time of settlement for the Bonds, will assign all its right (except the right to indemnification, the right to payment of certain fees and expenses, if any, and the right to receive notices), title and interest in the Note and Loan Agreement and the payments thereunder to the Trustee. The Bonds will be secured by and payable under the Indenture from the funds held by the Trustee and payments made pursuant to the Note and Loan Agreement.

THE AUTHORITY HAS NO TAXING POWER. NEITHER THE GENERAL CREDIT OF THE AUTHORITY NOR THE CREDIT OR TAXING POWER OF THE UNITED STATES OF AMERICA, THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF PRINCIPAL OF, OR THE INTEREST ON, THE BONDS; NOR SHALL ANY OF THE BONDS BE DEEMED GENERAL OBLIGATIONS OF THE AUTHORITY OR OBLIGATIONS OF THE UNITED STATES OF AMERICA, THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF.

Additional Bonds

The Authority may issue Additional Bonds (as defined and in accordance with the Indenture) on parity with the Bonds (other than with respect to certain funds under the Indenture). 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 description of the conditions under which such Additional Bonds may be issued, see "SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT AND THE INDENTURE- The Indenture" herein.

COMMUNITY COLLEGE FUNDING STRUCTURE

The College's annual operating and capital budget is set by the College Board of Trustees and approved by the County of Allegheny ("the County"), as the local sponsor (the "Local Sponsor"). Management of the College's approved budget, as set forth by the College Board of Trustees is the responsibility of the College administration. The President and the other staff members assume responsibility for fiscal control in their respective areas of responsibility.

Community colleges in the Commonwealth are organized pursuant to the Community College Act, and supported by local sponsors in accordance with a community college plan approved by the Department of Education. The Community College Act provides for funding for community colleges from three sources: the Commonwealth, the Local Sponsor, and student tuition and fees charges, in each case subject to certain formulas and limits. For the College during the 2017-18 fiscal year, the budgeted shares of each funding source are as follows: the Commonwealth (Base Funding 23.1%, Economic Development Stipend 5.4% and capital contribution 2.9%), 31.4%, the Local Sponsor, 20.7%, and tuition and other revenues of the College, 47.9%.

Taxing Power of Local Sponsors Regarding Community Colleges

The Community College Act authorizes, but does not require, the governing body of each school district or municipality comprising a local sponsor of a community college to levy annual taxes on subjects of taxation as prescribed by law in such school district or municipality for the purpose of establishing, operating and maintaining a community college. The tax levy authorized is in excess of and beyond the millage fixed or limited by law, subject to certain limiting provisions of the Community College Act. The Local Sponsor has not levied such a tax with respect to the College.

Local Sponsor Obligation

Operating Costs. The Community College Act stipulates that the Local Sponsor shall appropriate or provide to the community college an amount at least equal to the community college's annual operating costs, less the student tuition and less the Commonwealth's payment for operating costs. The Local Sponsor paid to the College in fiscal year ending June 30, 2017 a total of \$24,662,956 of which \$20,912,956 was used toward the College's annual operating expenses.

Capital Expenses. The local sponsor is obligated under the Community College Act to pay one-half of the College's annual capital expense (including debt service). For the fiscal year ending June 30, 2017, the Local Sponsor contributed a total of \$3,750,000 towards the College's annual capital expense. Remaining capital expenditures are funded through the capital fees which are assessed to non-sponsored students on a per credit basis. The Commonwealth is also responsible for one-half the annual capital expenses. See "Commonwealth Obligation" below.

Commonwealth Obligation

Act 46 has revised the Commonwealth funding formula for the community colleges, and the issue of capital funding continues to be addressed. Under the terms of Act 46, each community college receives at least the base amount that it received the year before. No college can lose this base funding. In addition, each college will be eligible for a share of an "Economic Development Stipend" pool of funds. The College received operating funding from the Commonwealth during fiscal 2017 in the amount of \$34,749,234 for its "base" and "Economic Development Stipend" funding. A special Community College Capital Fund has also been established. The Act 46 funding formula assures that the College will know its Commonwealth operating appropriation for each fiscal year before the year begins, and this amount will not be subject to audit disallowances as in years prior to fiscal 2006. However, the amount of operating reimbursement is no longer a set amount per full-time equivalent student. Instead, the College's share of the Commonwealth's total operating appropriation for all the Commonwealth community colleges is determined by how its (CCAC's) rate of enrollment growth, particularly in areas of study targeted by the Commonwealth as high priority, compares to the rate of enrollment growth of the other community colleges.

The Community College Act provides that the Commonwealth will pay to a community college on behalf of the local sponsor on account of its capital expenses (including debt service) an amount equal to one-half of such college's annual capital expenses from funds

appropriated for that purpose to the extent that said capital expenses have been approved for such reimbursement by the Department of Education.

The Note is a general obligation of the College and payable from any general revenues including Local Sponsor and Commonwealth appropriations.

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 Note, the Secretary of Education is required to withhold from such community college out of any subsidy payment of any type due such community college from the Commonwealth, an amount equal to the debt service payment owed by such community college. Any amounts that may be necessary to be withheld with respect to the Note or the Loan Agreement would be payable to the Trustee under the Indenture. Based on the College's maximum annual debt service after issuance of the Bonds and the amount of Commonwealth operating and capital expense appropriations presently budgeted by the College, the Commonwealth coverage of the College's maximum anticipated debt service would currently be approximately one-half.

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.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Overview and Philosophy

The College was founded in 1965, and classes began in 1966. It is the second largest community college in Pennsylvania, serving metropolitan Pittsburgh and the Allegheny County region. The College strives to prepare members of its community with the knowledge and critical skills they need to adapt to challenges in life and employment. To this end, the College helps its students develop the following abilities: to learn throughout their lives; to change and grow; to develop a depth of knowledge on the job and in life; to understand and value diversity; to be sensitive to the needs and feelings of others and to be contributing members of their communities. The College does all this as an affordable open admissions institution committed to providing students with support services to assist them in achieving their goals.

Accreditation

The College is fully accredited by the Middle States Commission on Higher Education and its health programs by the Commission on Accreditation of Allied Health Education Programs (CAAHEP) of the American Medical Association and the National League for Nursing Accrediting Commission (NLNAC). It is also approved and registered by the Department of Education.

The College was placed on warning by Middle States Commission on Higher Education (MSCHE) for being out of compliance with one of the fourteen standards for excellence in higher education related to the assessment of student learning. The College remains fully accredited and expects to resolve its warning at the June 15, 2018 MSCHE meeting, based on the favorable report of the MSCHE review team in March 2018 that evaluated the College's progress towards meeting the standard.

Campuses, Curriculum and Programs

In 2016-17, the College's four campuses and more than 4 off-campus centers enrolled approximately 26,263 students in 152 credit degree programs and approximately 17,846 in non-credit, continuing education courses. The College offers classes in the fall and spring semesters, during the summer, both day and evening, and on the weekends. College credit enrollments decreased 2% between 2015-16 and 2016-17. With 4 campuses and 4 off-campus centers, the College is Pennsylvania's second largest community college and ranks among the largest in the United States. The College offers associate degree programs in the arts, humanities, education, business, secretarial studies, computer science, engineering and engineering technologies. It also offers health service degree programs which include histology, nuclear medicine and radiation therapy technology.

Approximately 44% of the College's credit students are between ages 18 and 22. The mean student age is 27 years. The College's classrooms include large numbers of both recent high school graduates and returning adult learners. Approximately 35% of the College's students attend classes on a full-time basis while 68% of the degree students attend at least one daytime class. Approximately 14% of the College's students are enrolled in courses that develop the skills for college learning. Over 48% of the College's students return from one fall to the next.

Over 152 programs prepare approximately 21% of the College's students through university-parallel education for transfer to four-year colleges and universities. In 2016-2017 the College graduated 2,486 students. Over 79% of the graduates who sought employment found it, while 400, or 16%, of the graduates transferred to other institutions. The College's programs are divided into eight areas, including university-parallel, business career, computer technologies, health career, social services, applied arts, applied trade, and engineering science. The College graduates the largest number of health technicians in Pennsylvania and operates one of the largest nursing schools in the nation.

Governance

The College is governed by a Board of Trustees comprised of 14 members. Pursuant to the Community College Act, the County, as the Local Sponsor of the College, is responsible for appointing the Board of Trustees. Presently, Frederick Thieman, JD serves as Chairman of the Board and Senator Jay Costa, Jr. serves as Treasurer. Dr. Quintin B. Bullock is the President of the College and Mrs. Joyce Breckenridge serves as Vice President of Finance.

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

	2014	2015	2016	2017	2018
Faculty (Full-Time).....	270	243	244	240	238
Faculty (Part-Time)*	1,731	1,599	1,516	1,534	1,498
Administrators (Full-Time).....	190	181	188	197	202
Support Staff (Full-Time)	302	277	273	272	265
Technical/Para-Professionals	45	41	41	40	45

*Includes credit and non-credit adjunct faculty.

Source: The College.

Employee Contracts

The College's various employee groups are represented by three separate and distinct collective bargaining agreements. The full time faculty are represented by the American Federation of Teachers Local 2067, AFL-CIO, under a contract which expires August 31, 2020. The adjunct credit faculty are represented by the American Federation of Teachers Local 2067, AFL-CIO, under a contract which expires June 30, 2019. The clerical, technical, maintenance and custodial staff are represented by the Service Employees International Union Local 668; AFL-CIO under a contract which expires August 31, 2018.

Enrollment

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

Fiscal Year	Credit	Non-Credit	Total FTE
2013.....	32,066	2,519	34,585
2014.....	29,297	2,029	31,326
2015.....	28,012	1,459	29,471
2016.....	26,948	1,245	28,193
2017.....	26,673	1,470	28,143

Source: The College.

Revenue and Expense Summary

The following table sets forth a summary of the College's unrestricted current fund revenues, expenditures and transfers for each of the fiscal years set forth. Fiscal years 2013-2017 are derived from audited financial statements. For further information regarding 2017 and 2016 see Appendix A- Financial Statements as of and for the years ended June 30, 2017 and 2016, and Independent Auditors' Report.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY STATEMENT OF REVENUES AND CHANGES IN NET ASSETS

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
OPERATING REVENUES:					
Student tuition and fees--net of scholarship allowances	\$28,427,174	\$29,830,965	\$31,609,017	\$31,625,956	\$35,194,775
Federal grants and contracts	5,914,674	6,368,857	5,190,153	5,117,237	6,098,970
State and local grants and contracts	2,380,711	2,422,665	2,082,878	2,335,134	2,529,615
Nongovernmental grants and contracts	5,619,517	3,988,925	3,749,858	2,894,706	2,664,692
Auxiliary enterprises:					
Bookstore	4,894,814	773,465	774,649	728,754	688,777
Total Operating Revenues	<u>\$47,236,890</u>	<u>\$43,384,877</u>	<u>\$43,406,555</u>	<u>\$42,701,787</u>	<u>\$47,176,829</u>
OPERATING EXPENSES:					
Instruction	51,335,999	50,331,135	44,830,872	44,890,768	49,384,496
Academic support	10,508,698	10,682,130	8,982,317	8,791,211	9,448,345
Student services and activities	13,365,226	15,887,115	12,959,793	12,802,417	13,949,442
Institutional support	21,999,805	22,673,678	21,243,157	22,925,587	23,804,008
Plant operations and maintenance	15,207,487	16,123,350	15,473,708	14,688,471	15,239,455
Scholarships and fellowships (financial aid)	9,270,962	9,028,139	7,960,590	6,026,214	7,115,021
Depreciation	5,758,853	6,587,207	7,229,642	7,670,353	7,891,663
Auxiliary enterprises:					
Bookstore	4,135,598	110,773	74,796	71,236	68,172
Other auxiliary services	0	0	0		
Total Operating Expenses	<u>\$131,582,628</u>	<u>\$131,423,527</u>	<u>\$118,754,875</u>	<u>\$117,866,257</u>	<u>\$126,900,602</u>
Operating Loss	<u>(\$84,345,738)</u>	<u>(\$88,038,650)</u>	<u>(\$75,348,320)</u>	<u>(\$75,164,470)</u>	<u>(\$79,723,773)</u>
NONOPERATING REVENUES (EXPENSES):					
Government appropriations					
Commonwealth of Pennsylvania	\$36,020,631	\$35,331,430	\$35,805,102	\$37,738,154	\$38,580,004
Allegheny County	27,240,455	23,990,455	23,705,264	24,179,369	24,662,956
U.S. Government	31,227,116	27,573,718	26,557,983	22,730,629	21,763,266
Investment income	116,755	17,499	15,438	26,892	60,098
Foundation and other income	2,291,775	537,821	720,589	447,615	800,750
Interest expenses and capital asset-related debt	(2,115,752)	(2,473,828)	(2,481,793)	(2,409,748)	(2,225,851)
Other nonoperating (expenses) revenues	73,197	1,166,795	647,141	222,551	303,833
Total nonoperating revenues	<u>\$94,854,177</u>	<u>\$86,143,890</u>	<u>\$84,969,724</u>	<u>\$82,935,462</u>	<u>\$83,945,056</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$10,508,439</u>	<u>(\$1,894,760)</u>	<u>\$9,621,404</u>	<u>\$7,770,992</u>	<u>\$4,221,283</u>
NET ASSETS - Beginning of year	<u>\$94,661,887</u>	<u>\$105,170,326</u>	<u>\$98,902,375*</u>	<u>\$108,523,779</u>	<u>\$116,294,771</u>
NET ASSETS - End of year	<u>\$105,170,326</u>	<u>\$103,275,566</u>	<u>\$108,523,779</u>	<u>\$116,294,771</u>	<u>\$120,516,054</u>

*Restatement.

Source: The College.

Budgetary Procedures

The College's annual budget preparation is coordinated by the Vice President for Finance in consultation with the President and certain other officers of the College, and subsequently approved by the Board of Trustees. Revenues to support the budget come from the County, student tuition, grants and contracts and the Commonwealth.

Student tuition is set by the College's Board of Trustees.

Management of the College's approved budget, as set forth by the College's Board of Trustees, is the responsibility of the Vice President for Finance as delegated by the President.

The County appropriated \$25,156,215 in the County fiscal year 2017 (the County fiscal year coincides with the calendar year). The County appropriation for its fiscal year 2018 (calendar 2018) is \$26,159,339 (\$25,659,339 operating budget appropriation and \$500,000 capital budget appropriation). The Commonwealth is responsible for funding one-third of the operating expenses and one-half of the capital budget. As Local Sponsor, the County is responsible for the remaining operating expenditures less student tuition and fees, interest income and reserves and one-half of the capital budget. The following table sets forth a summary of the College's fund revenues and expenditures as budgeted for 2017-18.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY 2017-18 BUDGET

Sources of Funds	BUDGET 2017-18
Student Revenue	
Credit Tuition and Fees	\$54,516,632
Non-Credit Tuition and Fees (other than ad vocational/recreational)	1,363,872
Avocational/Recreational	903,989
Subtotal	\$56,784,493
State Contribution	
Base Funding	\$28,104,691
Economic Development Stipend	6,644,543
Debt Service & Leases	3,577,709
Subtotal	\$38,326,943
County Contribution	25,156,215
Business & Industry Income	732,139
Transfer from Compelling Needs Reserve	369,583
Misc. Fees & Other Income	375,016
TOTAL SOURCES OF FUNDS	\$121,744,389
USE OF FUNDS	
Credit Instruction	\$45,967,123
Continuing Education	4,678,154
Academic Support	6,889,945
Student Services	11,183,860
Institutional Support	24,096,697
Plant Operations	16,675,431
Equity Contribution to Capital Projects	4,638,584
Debt Service	6,121,133
Space Leases	251,832
Furniture & Equipment Leases	1,241,630
TOTAL EXPENSES	\$121,744,389

Source: College officials.

Debt Statement

The table below shows the outstanding debt of the College as of April 11, 2018.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY DEBT STATEMENT (as of April 11, 2018)

	Gross Outstanding
OUTSTANDING DEBT	
College Revenue Bonds, Series of 2016.....	\$9,250,000
College Revenue Bonds, Series of 2015.....	3,715,000
College Revenue Bonds, Series of 2012.....	36,720,000
College Revenue Bonds, Series A of 2011.....	10,405,000
College Revenue Bonds, Series of 2011.....	2,850,000
TOTAL OUTSTANDING DEBT	\$62,940,000
PROPOSED ISSUANCE	
College Revenue Bonds, Series of 2018.....	\$20,000,000
TOTAL PROPOSED ISSUANCE	\$20,000,000
TOTAL OUTSTANDING DEBT AND PROPOSED ISSUANCE	\$82,940,000

Debt Service Requirements

The table below presents the debt service requirements on the College's outstanding revenue bonds, including debt service on the Bonds.

Fiscal Year	Total Other Debt	Series of 2018			Total Requirements
		Principal	Interest	Subtotal	
2018	\$5,414,964	\$0	\$68,771	\$68,771	\$5,483,735
2019	5,607,514	690,000	825,256	1,515,256	7,122,770
2020	5,613,939	715,000	797,656	1,512,656	7,126,595
2021	5,613,189	750,000	761,906	1,511,906	7,125,095
2022	5,605,108	785,000	724,406	1,509,406	7,114,514
2023	5,606,461	825,000	685,156	1,510,156	7,116,617
2024	5,607,483	870,000	643,906	1,513,906	7,121,389
2025	5,614,871	910,000	600,406	1,510,406	7,125,277
2026	5,605,253	960,000	554,906	1,514,906	7,120,159
2027	4,656,500	1,005,000	506,906	1,511,906	6,168,406
2028	4,096,725	1,045,000	466,706	1,511,706	5,608,431
2029	4,090,081	1,085,000	424,906	1,509,906	5,599,987
2030	4,085,081	1,130,000	381,506	1,511,506	5,596,587
2031	4,092,350	1,175,000	336,306	1,511,306	5,603,656
2032	4,091,600	1,225,000	289,306	1,514,306	5,605,906
2033	4,091,263	1,275,000	240,306	1,515,306	5,606,569
2034	4,094,375	1,320,000	189,306	1,509,306	5,603,681
2035	4,093,125	1,365,000	144,756	1,509,756	5,602,881
2036	0	1,410,000	98,688	1,508,688	1,508,688
2037	0	1,460,000	51,100	1,511,100	1,511,100
Total	\$87,679,880	\$20,000,000	\$8,792,165	\$28,792,165	\$116,472,047

Future Financing

The College may consider issuing additional long term debt of up to \$20 million in fiscal year 2020.

Financial Aid

Students of the College received the following grants, aid, loans and other financial aid in the fiscal years set forth below:

	2013	2014	2015	2016	2017
Grants and Scholarships:					
Pell	\$31,158,282	\$28,302,360	\$26,566,568	\$22,731,638	\$21,811,029
PHEA	1,839,540	2,032,280	1,734,325	1,895,501	2,178,622
SEOG	442,920	433,399	281,250	510,145	485,517
Institutional Grants	0	0	0	0	0
Private Grants, Loans & Scholarships...	1,408,833	1,582,635	1,542,983	1,690,483	2,167,730
Loans:					
Stafford Loans/PLUS	24,254,189	20,348,720	18,919,103	22,524,429	19,588,648
Employment:					
College Work Study	316,400	305,150	384,622	345,745	378,536
Student Employment	61,800	22,563	24,236	25,809	34,054
Total of Students Receiving Financial Aid (estimate)	12,895*	14,430*	14,000*	14,386*	12,986*

* Unduplicated Students Receiving Financial Aid (estimated).

Source: The College; Director, Financial Aid.

Student Fees and Charges

The following table sets forth the fees, costs and charges paid by students per semester, per credit hour, in each of the fiscal years set forth:

	(fiscal 12-13) 2013 **	(fiscal 13-14) 2014 **	(fiscal 14-15) 2015 **	(fiscal 15-16) 2016 **	(fiscal 16-17) 2017 **	(fiscal 17-18) 2018 **
In County Tuition - no cap	95.50	99.75	104.75	104.75	107.75	110.00
Out of County Tuition- no cap (per credit)	191.00	199.50	209.50	209.50	215.50	220.00
Out-of-State - no cap	286.50	299.25	314.25	314.25	323.25	330.00
Technology Fee per Credit - no cap	12.00	18.25	19.25	22.25	22.25	22.25
Student Service Fee - no cap	2.00	4.25	4.25	4.25	4.25	4.25
Out of County Capital Fee						
Fulltime (per semester)	78.00	78.00	78.00	78.00	78.00	78.00
Part time (per credit hour)	6.50	6.50	6.50	6.50	6.50	6.50
Out of State Capital Fee						
Full time * (per semester)	78.00	78.00	78.00	78.00	78.00	78.00
Part time * (per credit hour)	6.50	6.50	6.50	6.50	6.50	6.50
Activity Fee						
Full time (per semester)	50.40	50.40	50.40	50.40	72.00	72.00
Part time (per credit hour)	4.20	4.20	4.20	4.20	6.00	6.00

*Out of state students are assessed both an out of county capital fee and out of state capital fee for a total of \$6.50/credit. The College considers a student full time at 12 credits when assessing fees.

**Effective spring 2012 the College instituted a flat tuition rate (12 credits to 18 credits), tuition is based on 15 credits.

Source: The College.

SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT AND THE INDENTURE

The following pages contain descriptions of certain provisions of the Loan Agreement 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 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

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 proceeds of the Bonds to the College for the purpose of constructing the Workforce Training Center, Phase One and to pay the costs of issuing and insuring the Bonds. The Loan Agreement requires the College to make loan repayments to the Authority in amounts sufficient to pay the required debt service on the Bonds. The obligation of the College under the Loan Agreement is evidenced by the Note.

Representations, Warranties and Covenants. The College makes certain representations, warranties and covenants under the Loan Agreement, including without limitation, with respect to the existence and authority of the College, the enforceability of the Loan Agreement and Note and the absence of material litigation.

Source of Debt Service Payments. The debt service payments are payable by the College from its revenues from whatever source derived. The College covenants 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.

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

Unconditional Obligation. The obligation of the College to make the payments required by the Loan Agreement are absolute and unconditional. The payments are required to be made in full directly to the Trustee, as assignee, when due without delay or diminution for any cause whatsoever and without right of set-off for default on the part of the Authority under the Loan Agreement.

Events of Default. Any one or more of the following events shall constitute an "Event of Default" under the Loan Agreement:

- (a) the College fails to make any payment required under the Note;
- (b) the College shall fail to comply with its tax covenants set forth in the Loan Agreement;
- (c) the College shall default in the due and punctual performance of any other of the covenants and agreements contained in the Loan Agreement and such default shall continue for 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the College by the Authority; or
- (d) if an Event of Default shall have occurred and be continuing under the Indenture and as a result of such Event of Default the Bonds shall have been declared due and payable by acceleration in accordance with the indenture; or
- (e) an order shall be entered appointing a receiver for the College's facilities or revenues.

Remedies. If an Event of Default has occurred and is continuing:

- (a) The Authority (or the Trustee as its assignee) may, in addition to its other rights and remedies as may be provided in the Loan Agreement or may exist at the time at law or in equity, exercise any one or more of the following remedies:
 - (i) upon notice to the College, declare all sums due or to become due under the Loan Agreement and under the Note to be immediately due and payable;
 - (ii) by suit, action or proceeding at law or in equity, enforce all rights of the Authority, and require the College to carry out any agreements with or for the benefit of the owners of the Bonds and to perform its duties under the Act, the Loan Agreement and the Note.

(b) Upon the occurrence of an Event of Default described in paragraph (a) under “Events of Default” above, the Authority shall, in addition to the exercise of any other remedy hereunder, notify the Secretary of the Department of Education of such Event of Default and request the Secretary, in accordance with the appropriate provisions of Pennsylvania law, to notify the College of its obligations under the Loan Agreement and to withhold out of any appropriation due the College under the Community College Act an amount equal to the sum or sums owing by the College to the Authority under the Loan Agreement and under the Note, and to pay over the amount so withheld to the Trustee, as sinking fund depository for the Bonds, on behalf of the Authority.

THE INDENTURE

Limited Obligations of the Authority. The Bonds are special, 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 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 nor the general credit or 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 interest on the Bonds; nor shall the Bonds be deemed to be general obligations of the Authority or 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, for the benefit and security of the registered owners of the Bonds issued under the Indenture.

Revenue Fund. All loan payments are required to be deposited in the Revenue Fund established with the Trustee at the times set forth in the Indenture. All moneys in the Revenue Fund are required to be transferred by the Trustee at the times set forth in the Indenture to the various other funds established under the Indenture.

Debt Service Fund. There is established under the Indenture a Debt Service Fund into which the Trustee shall make deposits in such amounts sufficient to make payments of interest and principal (including mandatory redemption) on the Bonds as hereinafter stated. The monies on deposit in the Debt Service Fund shall be applied, on each June 15 and December 15, commencing June 15, 2018, to make the interest payments due on the Bonds on such June 15 and December 15 of each year, and on June 15, commencing June 15, 2019, to make the principal payments (including payments in respect of mandatory sinking fund redemption) due on the Bonds on such June 15.

Rebate Fund. The Authority will periodically determine the sum required to be deposited in the Rebate Fund (if any) and direct the Trustee to transfer such sum from the other funds and accounts established under the Indenture. The Authority will direct the Trustee to pay to the United States Government the sums on deposit in the Rebate Fund at the times and in the amounts (if any) required by the Internal Revenue Code of 1986, as amended.

Investment of Funds. Moneys held in the Revenue Fund and the Debt Service Fund may and, upon instructions of the College, shall 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, shall be secured as provided by the Indenture, or invested or reinvested by the Trustee at the direction of the College solely in obligations which meet the requirements set forth in the Indenture, subject to limitations provided in the Indenture.

Additional Bonds. The Indenture permits 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 other obligation of the College, completing a project of the College and financing additional projects of the College.

Events of Default. The following, among others, shall constitute events of default under the Indenture: (a) principal of or interest on the Bonds shall not be paid when due, (b) there shall be a default under the Loan Agreement or Note or other agreements related to the Indenture, (c) if the Authority shall fail or refuse to comply with any provisions of the Act relating to the Bonds, or shall be rendered incapable of fulfilling its obligations under the Indenture, or (d) the Authority defaults in the performance of other covenants under the Indenture which continues for 60 days after notice from the Trustee.

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

Modifications and Amendments. Amendments to the Indenture are permitted without consent of Bondholders for certain purposes, including the imposition of additional restrictions and conditions respecting the issuance of the Bonds, the addition of covenants and agreements by the Authority, the modification of the Indenture to conform the same to governmental regulations (so long as the rights of the Bondholders

are not adversely affected thereby), the curing of any ambiguity, defect or inconsistency in the Indenture, and the making of provision for matters which are necessary or desirable and which do not adversely affect the interests of the Bondholders. Certain other modifications may be made to the Indenture, but only with the consent of the Bond Insurer (if any) and the owners of not less than 66 2/3% in principal amount of outstanding Bonds issued thereunder.

Insurance Provisions. Certain rights are granted to the Bond Insurer under the Indenture should Bond Insurance be obtained for the Bonds. These rights include, among others, the approval of amendments, consents in addition to bondholder consents, control and direction of remedies, receipt and copies of notices, and third-party beneficiary status.

ABSENCE OF LITIGATION

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 the 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.

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

LEGALITY FOR INVESTMENTS

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

TAX EXEMPTION

In the opinion of Bond Counsel, assuming compliance with certain covenants of the Authority and the College, interest on the Bonds will be excluded from gross income of the owners of the Bonds for federal income tax purposes under existing law, as currently enacted and construed. Interest on the Bonds will not be an item of tax preference under the Internal Revenue Code of 1986, as amended (the "Code"), for purposes of determining the alternative minimum tax imposed on individuals. Interest on a Bond held by a foreign corporation may be subject to the branch profits tax imposed by the Code.

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

The Code sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to remain excludible from the gross income of the owners of the Bonds for federal income tax purposes. The Authority and the College have covenanted in the Indenture and the Loan Agreement, respectively, to comply with such requirements. Noncompliance with such requirements may cause the interest on the Bonds to be includible in the gross income of the owners of the Bonds for federal income tax purposes, retroactive to the date of the issuance of the Bonds. The opinion of Bond Counsel, assumes compliance with these covenants and 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 affect the tax status of interest on the Bonds.

Bond Counsel is of the opinion that, under the Laws of the Commonwealth of Pennsylvania, as currently enacted and construed, the Bonds will be exempt from personal property taxes in Pennsylvania and the interest on the Bonds will be exempt from Pennsylvania personal income tax and corporate net income tax.

Pursuant to the provisions of Act 68 of 1993 of the Commonwealth of Pennsylvania (Act "68"), gain from the sale of obligations of the Commonwealth of Pennsylvania or any other agency or governmental unit or political subdivision thereof or authority created thereby and issued after February 1, 1994, shall be subject to Pennsylvania personal income tax. Bond Counsel expresses no opinion as to the treatment of original issue discount in the computation of gain from the sale of the Bonds pursuant to Act 68.

The Bonds have not been designated as "qualified tax-exempt obligations".

CONTINUING DISCLOSURE

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

- (A) Annually, not later than **270 days** following the end of each fiscal year, beginning with the fiscal year ending June 30, 2018, the following financial information and operating information for the College:
 - (1) A copy of the College's annual report which contains its financial statements for the most recent fiscal year, prepared in accordance with generally accepted accounting principles for local government units,
- (B) If not submitted as part of the annual report, then when and if available, audited financial statements for the College;
- (C) In a timely manner not in excess of ten (10) business days after the occurrence of the event, 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; and
 - (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; and
- (D) in a timely manner, notice of a failure of the College to provide the required annual financial information specified above, on or before the date specified above.

With respect to the filing of annual financial and operating information, the College reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information to the extent necessary or appropriate as a result of a change in legal requirements or a change in the nature of the College or its operations or financial reporting, but the College will agree that any such modification will be done in a manner consistent with the Rule.

The events listed in (C) above are those specified in the Rule, not all of which may be relevant to the Bonds. The College may from time to time choose to file notice of the occurrence of other events, in addition to the events listed in (C) above, but the College does not commit to provide notice of the occurrence of any events except those specifically listed in (C) above.

The College acknowledges that its undertaking pursuant to the Rule described herein is intended to be for the benefit of the holders and beneficial owners of the Bonds and shall be enforceable by the holders and beneficial owners of the Bonds, but the right of the holders and beneficial owners of the Bonds to enforce the provisions of the College's continuing disclosure undertaking shall be limited to a right to obtain specific enforcement, and any failure by the College to comply with the provisions of the undertaking shall not be an event of default with respect to the Bonds.

The College's obligations with respect to continuing disclosure described herein shall terminate upon the prior redemption or payment in full of all of the Bonds or if and when the College is no longer an "obligated person" with respect to the Bonds within the meaning of the Rule.

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

Certain operating data of the College may be included in the annual filings of financial statements, the summary of the budget, contents of Official Statements of future bond issues as well as publicly available information.

Existing Continuing Disclosure Filing History

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

Fiscal Year Ending	Filing Deadline ^[1]	Financial Statements		Operating Data	
		Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]
6/30/2013	12/27/2013	12/27/2013	ER598559	1/9/2014	ER602178
6/30/2014	12/27/2014	12/23/2014	ER662996	12/5/2014	EA558678
6/30/2015	12/27/2015	12/23/2015 ^[3]	Archived	12/23/2015 ^[3]	Archived
6/30/2016	12/27/2016	12/23/2016	ER790929	12/23/2016	ER790929
6/30/2017	12/27/2017	12/27/2017	ES843471	N/A ^[4]	

Notes

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

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

^[3] Original filing of the audit report and operating data on 12/23/2015. The report was refiled on 8/2/2016 under EMMA ID ER740857 and the previous filing and report was archived.

^[4] Operating data was contained within the Audit Report, however the College voluntarily filed additional operating data under EMMA ID ES843471.

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

For fiscal year ending June 30, 2013, the College filed the audit report timely and the operating data was filed on January 9, 2014.

For fiscal year ending June 30, 2014 through and including fiscal year ending June 30, 2017, the College filed the annual financial and operating information in a timely fashion.

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

Some of the College’s bond issues that have been outstanding during the past five (5) years have been insured by various bond insurance companies that have received rating downgrades and upgrades by both S&P and Moody’s. This information was publicly available from widely accepted information sources at the time of their respective downgrades or upgrades.

CERTAIN LEGAL MATTERS

Purchase of the Bonds by the Underwriter is subject to the receipt of the approving legal opinion of Houston Harbaugh, P.C., Pittsburgh, Pennsylvania, who has been appointed Bond Counsel to the Authority by the Commonwealth Office of General Counsel. Certain legal matters will be passed upon for the Authority by its counsel, Barley Snyder LLP, Lancaster, Pennsylvania, for the College by its counsel, Andrew F. Szefi, Esquire, Pittsburgh, Pennsylvania and for the Underwriter by its counsel, R. Darryl Ponton & Associates, Pittsburgh, Pennsylvania.

UNDERWRITING

The Underwriter has agreed to purchase the Bonds from the Authority, subject to certain conditions precedent, and will purchase all of the Bonds if any of such Bonds are purchased. The Bonds will be purchased at a purchase price of \$21,031,564.50 equal to the par value of the Bonds less an underwriter's discount of \$90,400.00 and plus a net original issue premium of \$1,121,964.50 as set forth on the inside cover page hereof.

THE TRUSTEE

The Issuer 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 Preliminary Official Statement and assumes no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Preliminary 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 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, or the investment quality of the Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

BOND RATINGS

Standard & Poor's Ratings Group is expected to assign its municipal bond rating of "AA" (Stable Outlook) to the Bonds and will do so with the understanding that upon delivery of the Bonds, a municipal bond insurance policy with respect to the Bonds will be issued by BAM.

Moody's Investors Service has assigned its municipal bond rating of "A3" (Positive Outlook) to this issue of Bonds. Such rating reflects only the view of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. 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.

MISCELLANEOUS MATTERS

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 Bonds, 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 references herein to the Community College of Allegheny County Financial Statements are only brief outlines of certain provisions thereof and do not purport to summarize or describe all the provisions thereof. The Financial Statements have been audited, copies of which can be obtained upon request from the College.

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 their 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 concerning the Authority under the sections captioned "THE AUTHORITY" and "ABSENCE OF 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 effect 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/ Robert Baccon
ROBERT BACCON
Title: EXECUTIVE DIRECTOR

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

APPROVED:

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

By: /s/ Dr. Quintin B. Bullock
DR. QUINTIN B. BULLOCK
Title: PRESIDENT, COMMUNITY COLLEGE OF ALLEGHENY COUNTY

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APPENDIX A

COMMUNITY COLLEGE OF ALLEGHENY COUNTY
FINANCIAL STATEMENTS AS OF AND FOR THE
YEARS ENDED JUNE 30, 2017 and 2016

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COMMUNITY COLLEGE OF ALLEGHENY COUNTY
Pittsburgh, Pennsylvania

Financial Statements and
Required Supplementary Information
for the years ended June 30, 2017 and 2016
and Independent Auditors' Report Thereon



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COMMUNITY COLLEGE OF ALLEGHENY COUNTY

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-14
BASIC FINANCIAL STATEMENTS:	
STATEMENTS OF NET POSITION, JUNE 30, 2017 AND 2016	15
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2017 AND 2016	16
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2017 AND 2016	17-18
NOTES TO THE BASIC FINANCIAL STATEMENTS	19-57
REQUIRED SUPPLEMENTARY INFORMATION	58-59



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Community College of Allegheny County
Pittsburgh, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Community College of Allegheny County (College) and its discretely presented component unit, collectively a component unit of Allegheny County, as of and for the years ended June 30, 2017 and 2016, 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 audits. We did not audit the financial statements of the Community College of Allegheny County Educational Foundation (a component unit of the College), which represent approximately 5%, 8% and 5%, respectively, of the assets, net position, and operating revenues of the College for June 30, 2017, and 4%, 8% and 7%, respectively, of the assets, net position and operating revenues of the College for June 30, 2016. The financial statements of the Community College of Allegheny County Educational Foundation were prepared in accordance with Financial Accounting Standards as issued by the Financial Accounting Standards Board. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Community College of Allegheny County Educational Foundation, is based solely on the report of the other auditors. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Community College of Allegheny County Education Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 College'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 College'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 financial statement 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.

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Opinions

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discreetly presented component unit, as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on Pages 3-14 and schedules of the College's proportionate share of the net pension liabilities and pension contributions on Pages 58-59 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 audits 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.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
December 20, 2017

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Management's Discussion and Analysis For the years ended June 30, 2017 and 2016

Management's Discussion and Analysis (MD&A) of the Community College of Allegheny County's (College) financial performance provides an overall review of the College's financial activities for the fiscal years ended June 30, 2017 and 2016 and is based upon facts, decisions and conditions known as of the date of the audit report. Also included is a comparison of 2017 fiscal year's information with the 2016 and 2015 fiscal years' information, with the primary focus on fiscal year 2017. The intent of this discussion and analysis is to look at the College's financial performance as a whole. Comments do not pertain to the College's discretely presented component unit, the Community College of Allegheny County Foundation (the Foundation). The Foundation's financial results are presented in a columnar format on the basic financial statements with further information found in the notes to the financial statements. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the College's financial performance.

RESULTS IN BRIEF

- Total net position increased \$4.2 million in 2017.
- Restricted net position decreased by \$3.8 million to \$9.8 million.
- Unrestricted net position was \$29.0 million at June 30, 2017 and reflected an increase of \$6.5 million.
 - Unrestricted net position includes designations by the Board of Trustees and other reserves. These designations and reserves increased by \$1.4 million to \$10.5 million.
 - The unassigned net position increased \$0.8 million (12%) to \$7.4 million in 2017.
- Net investment in capital assets increased \$1.5 million.
- The College had \$68.0 million in bond debt outstanding. This represents a decrease of \$2.1 million from 2016.
- The College's investment bond rating from Moody's Investor Service is A3 and includes a stable outlook.

FINANCIAL HIGHLIGHTS

The College continues to position itself for the challenging economic environment in which it operates. Enrollment remained fairly flat from last year. Full-time equivalent (FTE) enrollment decreased 1% from 26.9 thousand in 2016 to 26.7 thousand in 2017. The College increased credit tuition by \$3.00 per credit hour, where rates for Allegheny County residents increased from \$104.75 to \$107.75 per credit hour, and a proportional increase was made for out-of county and out-of-state residents. From an expense management perspective, the College tries to further balance the FTE decrease with controlled discretionary spending.

CCAC remains committed to enhancing services to its students that will contribute to their overall success. Similar to last year, the College budgeted approximately \$4.0 million in its 2017 fiscal year operating budget for programmatic, facility and IT strategic initiatives. The College budgeted \$0.5 million for equipment and space leases for a new Film Technician Program. College IT strategic initiatives include student success and recruiting software, planning and course catalog software, and continued investment in IT infrastructure and security solutions such as firewalls and detection software.

Operating revenues increased \$4.5 million (10%) from \$42.7 million in 2016 to \$47.2 million in 2017. Student tuition and fees increased by \$3.6 million (11%). Factors contributing to this net increase were the increase of \$3.00 per credit hour of tuition, a \$1.1 million decrease in scholarship allowances, and a 1% decrease in FTE enrollment. Federal grants and contracts revenues increased by \$1.0 million (19%) as the result of new grants and additional funding on existing grants. Other miscellaneous revenues decreased by \$0.1 million.

Operating expenses increased \$9.0 million (8%) from \$117.9 million in 2016 to \$126.9 million in 2017. Note 13 details total operating expenses by both natural and functional classification. Functionally, instruction expenses increased \$4.5 million (10%), academic support increased \$0.7 million (7%), student services increased \$1.1 million (9%), institutional support increased \$0.9 million (4%), plant operations increased \$0.5 million (4%), student aid increased \$1.1 million (18%) and depreciation increased \$0.2 million (3%). By expense category type, salaries and wages increased \$2.9 million (4%), benefits increased \$2.3 million (13%), supplies and services increased \$2.6 million (17%), scholarships and fellowships increased \$1.1 million (18%), and depreciation increased \$0.2 million (3%). These increases were partially

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Management's Discussion and Analysis

For the years ended June 30, 2017 and 2016

offset by a decrease in utilities of \$0.1 million. The increase is primarily due to expenses related to instruction, academic and student support for increases in salaries and wages, health care costs, supplies and other services related to the various classes and new programs that are offered.

Total assets increased by \$1.9 million (0.9%) from \$213.7 million to \$215.6 million at June 30, 2017. The increase is mainly due to a \$2.0 million (5%) increase in current cash and cash equivalents and a \$1.1 million (22%) increase in net student and third-party sponsor receivables due to increased credit tuition fees of \$3.00 per credit hour, a \$1.0 million (92%) increase in due from the Foundation and other governmental entities, an increase of \$2.2 million (1%) in net capital assets for completed capital projects, and a \$0.3 million (12%) increase in prepaid expenses and other assets. These increases were partially offset by a \$4.7 million (36%) decrease in noncurrent cash and cash equivalents (cash with trustee), as the College expended funds from related debt issues for capital assets due to construction projects for improvements to academic buildings, physical plant and the College's infrastructure.

Total liabilities decreased \$0.6 million (1%) from \$98.2 million to \$97.6 million at June 30, 2017. The decrease is mainly due to a \$1.8 million (27%) decrease in accounts payable, due to timing differences. The decrease was partially offset by an increase of \$1.0 million (21%) in the College's allocation of the net pension liability and a \$0.2 million (0%) increase of other miscellaneous liabilities.

During fiscal year 2017, the College received \$3.8 million from the State for debt service and capital projects. The College also received approval from the State to fund 50% of capital projects including \$1.8 million for the \$3.5 million Upgrade Electrical Power System project and \$0.4 million for the \$0.8 million Repair/Replace Roofs-Allegheny Campus project. The College must provide a 50% match for these projects from reserves. During 2017, additional State funding of \$0.4 million also became available from refinance savings generated by the refunding of the Series 2008 Bond with the new Series 2016 Bond. The refinance savings was used to fund security upgrades, lab renovations, and other deferred maintenance. The College must provide 50% match for the refinance savings from revenue earmarked for debt.

During fiscal 2017, the College expended \$4.6 million on construction projects for improvements to academic buildings, physical plant and the College's infrastructure. The projects included \$0.2 million to improve labs at the South campus and West Hills Center, \$1.5 million on the Allegheny backfill renovation project (renovation of the space vacated as a result of the completed Science Center Building), \$0.1 million on College-wide parking lots and roads, \$1.3 million on roofs and decks, \$0.1 million for the chiller replacement and energy retro-commissioning improvements at South Campus, \$0.1 million on safety and security upgrades and \$1.3 million on other deferred maintenance projects.

The GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. In accordance with the statement, the current year impact of the pension liability is an increase to the net pension liability of \$1.0 million, an increase to deferred outflows of \$0.8 million and a decrease of \$0.02 million of deferred inflows.

OVERVIEW OF THE FINANCIAL STATEMENTS

The College's 2017 fiscal year financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, using the economic resources measurement focus and the accrual basis of accounting. The College follows accounting principles issued by the Governmental Accounting Standards Board (GASB).

The statements are prepared on the accrual basis and present all assets, deferred outflows of resources, deferred inflows of resources and liabilities of the College, both financial and capital and classified between short- and long-term. They also present all revenues and expenses of the College during the year, regardless of when cash was received or paid. Collectively, the statements provide information regarding the College's financial position as of June 30, 2017 and 2016 and the results of its operations and cash flows for the years then ended. Although the Community College of Allegheny County Educational Foundation (Foundation) is considered a component unit of the College, the Management's

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Management's Discussion and Analysis
For the years ended June 30, 2017 and 2016

Discussion and Analysis will focus on the activities of the College only. See the Foundation's separately issued audited financial statements for further information.

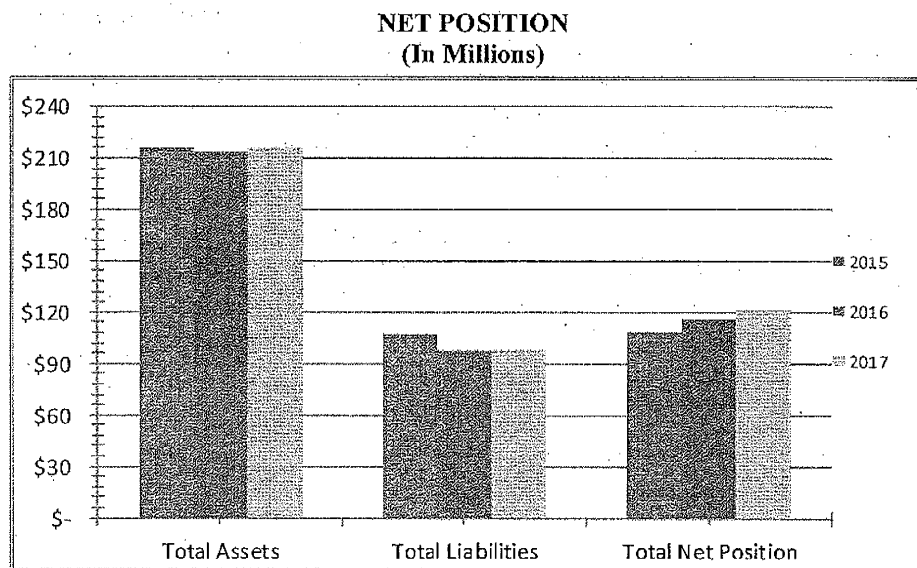
The financial statements incorporate three basic financial statements and the notes thereto. The statements are:

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE

Statement of Net Position

The statement of net position presents the financial position of the College at the end of each year. It displays all of the College's assets, deferred outflows, liabilities and deferred inflows. The difference between assets, deferred outflows, liabilities and deferred inflows is net position.



Deferred outflows and deferred inflows that relate to the refunding of debt and net pension liability were excluded from the above chart, as they only represent a small portion of the net position. Amounts of approximately \$0.7 million, \$1.2 million and \$2.9 million for the years ended 2015, 2016 and 2017, respectively, were recorded for deferred outflows. Amounts of approximately \$0.6 million, \$0.4 million and \$0.3 million for the years ended 2015, 2016 and 2017, respectively, were recorded for deferred inflows.

Assets

Total assets increased by \$1.9 million (1%) from \$213.7 million to \$215.6 million at June 30, 2017, principally due to the following factors:

- Current cash and cash equivalents increased \$2.0 million (5%) and student and third-party sponsor receivables increased \$1.1 million (22%), due to increased credit tuition fees of \$3.00 per credit hour, offset by a 1% decrease in FTE enrollment.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Management's Discussion and Analysis For the years ended June 30, 2017 and 2016

- Due from the Foundation and other governmental entities increased \$1.0 million (92%).
- Net capital assets increased by \$2.2 million (12%), mainly due to construction projects for improvements to academic buildings, physical plant and the College's infrastructure. The projects included \$0.2 million to improve labs at the South campus and West Hills Center, \$1.5 million on the Allegheny backfill renovation project (renovation of the space vacated as a result of the completed Science Center Building), \$0.1 million on College-wide parking lots and roads, \$1.3 million on roofs and decks, \$0.1 million for the chiller replacement and energy retro-commissioning improvements at South Campus, \$0.1 million on safety and security upgrades and \$1.3 million on other deferred maintenance projects. In addition, spending for computer equipment, other equipment and A.V equipment increased by \$2.1 million. Other miscellaneous capital assets increased by \$2.5 million. These increases were partially offset by an increase in accumulated depreciation net of retirements of \$7.0 million.
- Noncurrent cash and cash equivalents (cash with trustee) decreased \$4.7 million, as the College expended funds from related debt issues for capital assets.
- Prepaid expenses and other assets increased by \$0.3 million

Total 2015 assets decreased by \$2.3 million (1%) to \$213.8 million at June 30, 2016, principally due to the following factors:

- Noncurrent cash and cash equivalents (cash with trustee) decreased \$20.4 million, as the College expended funds from related debt issues for capital assets, which increased \$17.3 million.
- Due from Foundation decreased \$0.6 million, due to programs such as Math Cafes ending, which were funded by grants through the Foundation.
- Restricted current cash and equivalents decreased \$0.7 million, due to timing differences between fiscal 2016 and 2015 for when the bond proceeds were received from the Trustee and then expended for capital projects.
- Current cash and cash equivalents including restricted increased \$1.9 million, mainly due to increased State appropriations of \$1.9 million over last year.
- Net capital assets increased by \$14.3 million, mainly due to construction projects for improvements to academic buildings, physical plant and the College's infrastructure. The projects included \$0.6 million to improve labs at Allegheny, Boyce and South Campuses and the EIC Center, \$10.8 million on the backfill renovation project, \$1.8 million on the South Egress Road and College-wide parking lots, \$0.7 million on roofs and decks, \$1.8 million for the chiller replacement and energy retro-commissioning improvements at South Campus, \$0.9 million on fire alarm system upgrades at the Office of College Services and \$1.1 million on other deferred maintenance projects.
- Prepaids and Other Assets increased during 2016 by \$2.2 million, primarily related to an increase in the College's investment held in an insurance consortium where the annual premiums paid by the College significantly exceed the amount of claims paid on the College's behalf during the year.

Deferred Outflows of Resources

The deferred charges on refunding debt, in the amount of \$1.2 million, \$0.3 million and \$0.3 million for fiscal years 2017, 2016 and 2015, respectively, relates to the refunding of the College's Series 2016 Bonds, the Second Series of 2004 SPSBA Bonds and Series of 2005 SPSBA Bonds, as discussed in the notes to the financial statements. The deferred charges on refunding of debt are spent on future capital items.

The deferred charges on net pension liability, in the amount of \$1.7 million, \$0.9 million, and \$0.3 million for the fiscal years 2017, 2016 and 2015, respectively, and represents differences between expected and actual experience, net differences between projected and actual investment earnings and contributions subsequent to the measurement date. Deferred outflows of resources has a positive effect on net position similar to assets.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Management's Discussion and Analysis
For the years ended June 30, 2017 and 2016

Liabilities

Total 2017 liabilities decreased \$0.6 million (1%) from \$98.2 million to \$97.6 million at June 20, 2017, primarily due to the following reasons:

- Accounts payable decreased \$1.8 million (27%), mainly due to timing differences.
- The decrease was partially offset by an increase of \$1.0 million (21%) in the net pension liability, due mainly to market factors and assumptions and an increase of \$0.2 million (0%) of other miscellaneous liabilities.

Total 2016 liabilities decreased \$9.2 million (8.6%) from 2015, primarily due to the following reasons:

- Accounts payable decreased \$5.6 million, mainly due to the fiscal year 2015 ended accounts payable balance, including timing differences of amounts, which were subsequently paid in fiscal 2016 as explained below.
- Long-term obligations and the retirement incentive plan liabilities decreased \$3.1 million and \$0.9 million, respectively, as scheduled payments were made and an additional debt of \$0.9 million was incurred for the new computer replacement cycle.
- There was an increase of \$0.9 million in the net pension liability, due mainly to an increase in the number of participants and other market factors.

Deferred Inflows of Resources

The only item in this category is the deferral of items related to the unfunded pension liability and represents net differences between projected and actual investment earnings, changes in proportions and differences between employer contributions and proportionate share of total contributions. The deferred inflows have a negative effect to net position similar to liabilities.

Net Position

Total net position increased \$4.2 million (4%) from \$116.3 million to \$120.5 million during fiscal year 2017, as compared to an increase in total net position of \$7.8 million from \$108.5 million to \$116.3 million during fiscal 2016. The current year impact of the pension liability is a decrease in unrestricted net position of \$1.0 million, an increase to deferred outflows of resources of \$0.8 million and a decrease to deferred inflows of \$0.02 million.

Net Investment in Capital Assets

During fiscal year 2017, capital assets, net of related debt increased \$1.5 million (2%) from \$80.1 million to \$81.6 million at June 30, 2017. This increase is mainly due to construction projects for improvements to academic buildings, physical plant and the College's infrastructure. The projects included improvements to the labs at the South campus and West Hills Center, the Allegheny backfill renovation project (renovation of the space vacated as a result of the completed Science Center Building), improvements to College-wide parking lots and roads, roofs, and decks, the chiller replacement and energy retro-commissioning improvements at South Campus, safety and security upgrades and other deferred maintenance projects. In addition, the College acquired computer equipment, other equipment and A.V equipment.

During fiscal year 2016, capital assets, net of related debt increased \$17.3 million to \$80.1 million from \$62.8 million for fiscal year 2015. This increase was a result of an increase in capital assets, net of accumulated depreciation of \$14.3 million to \$152.5 million from \$138.2 million. The increase was principally due to projects that include improved labs at Allegheny, Boyce and South Campuses and the EIC Center, the backfill renovation project, South Egress Road and College-wide parking lots, roofs and decks, chiller replacement and energy retro-commissioning improvements at South Campus, fire alarm system upgrades at the Office of College Services and other deferred maintenance projects.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Management's Discussion and Analysis
For the years ended June 30, 2017 and 2016

Restricted Net Position

During fiscal year 2017, restricted net position decreased \$3.8 million (28%) from \$13.6 million to \$9.8 million at June 30, 2016. This decrease was mainly due to the expenditure of bond proceeds for capital outlay projects, including academic and science labs at the South Campus and West Hills Center, the backfill renovation project, roofs and decks, the chiller replacement and energy retro-commissioning improvements at South Campus, College-wide building security upgrades and other miscellaneous capital outlay projects.

During fiscal year 2016, restricted net position decreased \$17.6 million to \$13.6 million from \$31.2 million for fiscal year 2015. This decrease was mainly due to the expenditure of bond proceeds for capital outlay projects, including academic and science labs at the Allegheny, Boyce and South Campuses, the backfill renovation project, the South Egress Road, College-wide parking lots, roofs and decks, the chiller replacement and energy retro-commissioning improvements at South Campus, College-wide building security upgrades and other miscellaneous capital outlay projects.

Unrestricted Position

Board-Designated Campus Building Projects

For the fiscal year 2013, the reserve was increased \$0.05 million from the state capital framework funding of the South Campus Egress Road project and decreased for expenses incurred of \$5.8 million for the Science Center and \$0.005 million for the Science Lab-West Hills, reducing the reserve to \$2.1 million as of June 30, 2013. For the fiscal year 2014, expenses of \$0.5 million were incurred for the Science Center, reducing the reserve to \$1.6 million as of June 30, 2014. For the fiscal year 2015, \$0.7 million in net operating funds were board-designated to increase the campus building projects reserve, resulting in a balance of \$2.3 million. The reserves are used to fund various capital projects. For the fiscal year 2016, board designated operating transfers-in and revenues exceeded expenses by \$1.0 million, increasing the reserve to \$3.3 million as of June 30, 2016. For the fiscal year 2017, board-designated operating transfers-in, the receipt of a legal settlement of \$0.5 million related to the construction of the Science Center, and revenues exceeded expenses by \$1.1 million, increasing the reserve to \$4.9 million as of June 30, 2017.

Reserve for Facilities, Emergency and Other Compelling Needs

At the November 2008 meeting of the College Board of Trustees, annual operating budget policy was revised to call for an administrative process that annually sets aside a portion of projected revenues and existing unrestricted net position to create a reserve for future years for ongoing facilities maintenance, renovations, construction and other emergencies or compelling needs. During fiscal year 2008, a \$4.0 million reserve was established and increased by an additional \$2.0 million in fiscal year 2009 and again by \$0.3 million in fiscal year 2010. As of June 30, 2010, \$6.3 million had been set aside in this reserve. For fiscal 2011, the reserve was decreased by \$3.1 million for maintenance projects, resulting in a total of \$3.2 million now set aside in this reserve. For fiscal 2012, expenses of \$0.03 million were incurred for maintenance projects and \$1.0 million was transferred to the reserve for future operations, reducing the reserve to \$2.2 million as of June 30, 2012. For fiscal 2013, the reserve remained unchanged at \$2.2 million as of June 30, 2013. For fiscal 2014, expenses of \$0.2 million were incurred for maintenance projects, reducing the reserve to \$2.0 million as of June 30, 2014. For fiscal year 2015, IT infrastructure and operating transfers increased the capital outlay for compelling needs and Allegheny Campus parking lot upgrades by \$0.6 million bringing the balance to \$2.5 million. For fiscal 2016, the Board has designated \$1.0 million from the reserve for future operations to the reserve for facilities, emergency and other compelling needs. That plus transfers in plus miscellaneous revenues exceed expenses by \$0.7 million, thereby increasing the reserve to \$3.2 million as of June 30, 2016. For fiscal 2017, expenses and board-designated transfers-out to fund deferred maintenance projects and the State match required for the electrical power upgrades loan exceeded revenues by \$0.3 million. In addition, the College transferred \$0.3 million from this reserve to the reserve for Future Capital Projects. This resulted in a decrease of the reserve to \$2.6 million as of June 30, 2017. It is the College's goal to generate excess revenues to provide for an ongoing net position balance at a level equal to at least 15% of the annual current fund budget, with the target of achieving the goal in five to ten years.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Management's Discussion and Analysis
For the years ended June 30, 2017 and 2016

Reserves for Future Operations

In 2017, the increase in the reserve for Future Operations was generated by a strong fiscal performance during the year and management's focus of expense containment and also reflects an increase in the College's investment held in an insurance consortium where the annual premiums paid by the College exceed the amount of claims paid on the College's behalf during the year.

Reserves for Future Capital Projects

In 2017, the College established a reserve for Future Capital Projects that will be used to fund future capital projects.

Condensed information from the College's statements of net position follows:

	Fiscal Year ended June 30,		
	2017	2016	2015
<u>Assets:</u>			
Current assets	\$ 52,328,603	\$ 47,909,213	\$ 44,097,802
Noncurrent assets:			
Capital assets, net	154,729,254	152,512,500	138,191,833
Other	8,559,412	13,331,382	33,716,438
Total Noncurrent assets	163,288,666	165,843,882	171,908,271
Total Assets	\$ 215,617,269	\$ 213,753,095	\$ 216,006,073
<u>Deferred Outflow of Resources:</u>			
Total Deferred Outflow of Resources	\$ 2,900,883	\$ 1,184,116	\$ 676,406
<u>Liabilities:</u>			
Current liabilities	\$ 22,053,906	\$ 23,150,804	\$ 29,460,307
Noncurrent liabilities	75,605,673	75,133,046	78,068,971
Total Liabilities	\$ 97,659,579	\$ 98,283,850	\$ 107,529,278
<u>Deferred Inflows of Resources:</u>			
Deferred charge on net pension liability	\$ 342,519	\$ 358,590	\$ 629,422
<u>Net Position:</u>			
Invested in capital assets, net of related debt	\$ 81,639,074	\$ 80,121,887	\$ 62,832,746
Restricted:			
Expendable	9,844,819	13,619,804	31,211,387
Nonexpendable	-	-	-
Total restricted	9,844,819	13,619,804	31,211,387
Unrestricted	29,032,161	22,553,080	14,479,646
Total Net Position	\$ 120,516,054	\$ 116,294,771	\$ 108,523,779

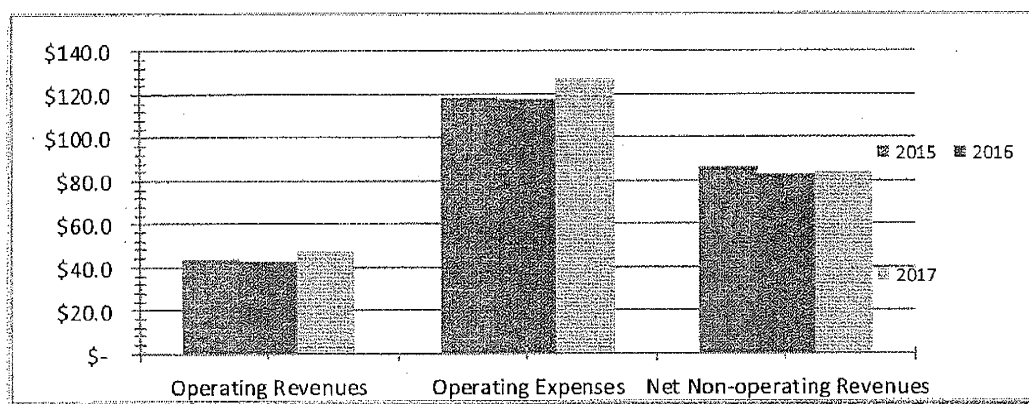
COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Management's Discussion and Analysis
For the years ended June 30, 2017 and 2016

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position is very similar to an operating statement, with the exception that State and County appropriations, investment income and capital gifts and grants are not classified as operating income. Another important difference is the manner in which tuition and fee revenues are reported. Tuition and fees are reported net of student aid. Other federal and state financial aid and nongovernmental financial aid sources are reported as operating revenues, except for federal Pell grants, which are reported as nonoperating, based upon guidance from the Governmental Accounting Standards Board (GASB). For the College, this required presentation as nonoperating revenue results in a large net operating loss, which is offset by nonoperating revenues. The below chart illustrates the change in net position, which incorporates the impact of nonoperating revenues on the College's financial outcomes for the year.

REVENUES and EXPENSES
(In Millions)



Revenues

The College has several streams of operating revenues that supplement its student tuition and fees. As detailed in the statements of revenues, expenses, and changes in net position, this includes federal grants and contracts, state and local grants and contracts, nongovernmental grants and contracts and auxiliary enterprises. The College continues to seek funding from all possible sources to supplement student tuition and to responsibly manage financial resources used to fund operating activities.

Operating Revenues

Total 2017 operating revenues increased \$4.5 million (10%) from \$42.7 million in 2016 to \$47.2 million in 2017, mainly due to the following factors:

- Student tuition and fees increased \$3.6 million (11%), factors contributing to this net increase were the increase of \$3.00 per credit hour of tuition, a \$1.1 million decrease in scholarship allowances, and a 1% decrease in FTE enrollment.
- Federal grants and contracts increased by \$1.0 million (19%) as the result of new grants and additional funding on existing grants.
- Other miscellaneous revenues decreased by \$0.1 million

Total 2016 operating revenues decreased \$0.7 million (1.6%) from 2015, mainly due to the following factor:

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Management's Discussion and Analysis For the years ended June 30, 2017 and 2016

- Nongovernmental grants and contracts decreased \$0.9 million as a result of the FTE enrollment decreasing, and the eligibility of students.

Operating Expenses

Total 2017 operating expenses increased \$9.0 million (8%) from \$117.9 million in 2016 to \$126.9 million in 2017, due to the following:

- Salaries and wages increased \$2.9 million (4%) and benefit expense increased \$2.3 million (13%), most significantly in instructional areas due to salaries and wages increases, and increases in the cost of benefits.
- Supplies and other services increased \$2.6 million (17%), primarily due to increased and new spending in instruction and instructional support for various grant programs as well as public safety, film technician, welding, food service, micro credentials and other miscellaneous programs.
- Scholarships and fellowships increased \$1.1 million (18%), due to mix of the eligibility of students, offset by a 1% decreased FTE enrollment.
- Depreciation and amortization increased \$0.2 million (3%).

Total 2016 operating expenses were \$117.9 million, which decreased \$0.9 million as compared to \$118.8 million in 2015 due to the following:

- Scholarships and fellowships decreased \$1.9 million due to decreased FTE enrollment and eligibility of students.
- Salaries and wages increased, most significantly in instructional salaries, which was offset by a decrease in benefits expense, therefore increasing expenses by \$0.2 million.

Nonoperating Revenues (Expenses)

Total 2017 nonoperating revenues increased \$1.0 million (1%) from \$82.9 million in 2016 to \$83.9 million in 2017, largely due to the following factors:

- Commonwealth of Pennsylvania appropriations increased by \$0.8 million (2%), mainly due to an increase in state operating appropriations of \$0.8 million.
- Allegheny County appropriations increased \$0.5 million (2%), due to the County's legislation requiring a 2% increase in appropriations each year.
- U.S. government revenues decreased by \$1.0 million (4%), due to a decrease in the fiscal year 2017 federal Pell grants, as a result of the FTE enrollment decreasing and the eligibility of students.
- Foundation, investment income, and other nonoperating revenues increased \$0.7 million (67%).

Total 2016 nonoperating revenues decreased \$2.0 million (2.4%) from 2015, largely due to the following factors:

- U.S. government revenues decreased by \$3.8 million, due to a decrease in the fiscal year 2016 federal Pell grants, as a result of the FTE enrollment decreasing and the eligibility of students.
- Commonwealth of Pennsylvania appropriations increased by \$1.9 million, mainly due to an increase in state appropriation operating revenue of \$1.4 million and \$0.5 million increase in capital items.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Management's Discussion and Analysis
For the years ended June 30, 2017 and 2016

Condensed information from the College's statements of revenues, expenses and changes in net position follows:

	Fiscal Year ended June 30,		
	2017	2016	2015
Operating revenues:			
Student tuition and fees, net	\$ 35,194,775	\$ 31,625,956	\$ 31,609,017
Federal, state and local grants and contracts	8,628,585	7,452,371	7,273,031
Nongovernmental grants and contracts	2,664,692	2,894,706	3,749,858
Auxiliary enterprises	688,777	728,754	774,649
Total Operating Revenues	<u>47,176,829</u>	<u>42,701,787</u>	<u>43,406,555</u>
Operating expenses:			
Academic and student support and services	96,586,291	89,409,983	88,016,139
Scholarships and fellowships (financial aid)	7,115,021	6,026,214	7,960,590
Plant operations	23,131,118	22,358,824	22,703,350
Auxiliary operations	68,172	71,236	74,796
Total Operating Expenses	<u>126,900,602</u>	<u>117,866,257</u>	<u>118,754,875</u>
Net Operating Loss	<u>\$ (79,723,773)</u>	<u>\$ (75,164,470)</u>	<u>\$ (75,348,320)</u>
Nonoperating revenues:			
Government appropriations	\$ 85,006,226	\$ 84,648,152	\$ 86,068,349
Investment, Foundation and other income	860,848	474,507	736,027
Other nonoperating revenues - net	303,833	222,551	647,141
Total Nonoperating Revenues	<u>86,170,907</u>	<u>85,345,210</u>	<u>87,451,517</u>
Nonoperating expenses:			
Interest expense	2,225,851	2,409,748	2,481,793
Total Nonoperating Expenses	<u>2,225,851</u>	<u>2,409,748</u>	<u>2,481,793</u>
Net Nonoperating Revenues	<u>83,945,056</u>	<u>82,935,462</u>	<u>84,969,724</u>
Increase (decrease) in net position	4,221,283	7,770,992	9,621,404
Net Position - beginning of year	116,294,771	108,523,779	103,275,566
Adjustment for change in accounting principle	-	-	(4,373,191)
Net Position - beginning of year	<u>116,294,771</u>	<u>108,523,779</u>	<u>98,902,375</u>
Net Position - end of year	<u>\$ 120,516,054</u>	<u>\$ 116,294,771</u>	<u>\$ 108,523,779</u>
TOTAL REVENUES	<u>\$ 133,347,736</u>	<u>\$ 128,046,997</u>	<u>\$ 130,858,072</u>
TOTAL EXPENSES	<u>\$ 129,126,453</u>	<u>\$ 120,276,005</u>	<u>\$ 121,236,668</u>

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Management's Discussion and Analysis
For the years ended June 30, 2017 and 2016

State Appropriations

The State funding for fiscal years prior to 2006 was subject to audit disallowances, and funding for prior fiscal years has been resolved and to the extent that liabilities due the State remain as follows:

- Fiscal year 2003: Final settlement for this fiscal year was reached with the State during fiscal 2011. Disallowances totaled \$1,145,088, of which \$553,005 was waived with final the amount of \$592,083 due to the Commonwealth. Thirty quarterly payments of \$19,736 started in fiscal year 2011 with the second, third and fourth quarterly payment. The remaining liability at June 30, 2013 was \$374,984. The remaining liability at June 30, 2014 was \$296,040. The remaining liability at June 30, 2015 was \$217,096. The remaining liability at June 30, 2016 was \$138,152. The remaining liability at June 30, 2017 was \$59,208. The final payments for this settlement will be made in 2018.

Unlike years prior to fiscal 2006, the State funding that the College received for 2007 and subsequent fiscal years is final, not subject to future audit disallowances.

- The College received \$32,039,833 from the State for fiscal years 2014, 2013 and 2012. In fiscal year 2015, the College received \$32,568,377 from the State, an increase of \$528,544 from 2014. In fiscal year 2016, the College received \$33,988,454 from the State, an increase of \$1,420,077 from 2015. In fiscal year 2017, the College received \$34,749,234 from the State, an increase of \$760,780 from 2016.

State Capital Appropriations

Mandated capital contributions for existing debt service and existing lease obligations have continued. During fiscal years 2016, 2015, 2014 and 2013, the College received approval from the State for funding of \$7.5 million for the \$15.0 million capital project Ridge Avenue Revitalization-Allegheny Campus project, \$0.5 million for the \$0.9 million deferred maintenance project to upgrade the fire alarm system at Office of College Services, \$0.4 million for capital projects that was used to fund deferred maintenance projects at Allegheny and South Campuses, \$1.6 million for the \$3.2 million South Campus Egress Road project, \$6.7 million for the \$13.3 million IT infrastructure upgrades project and \$1.6 million for the \$3.1 million deferred maintenance projects at North, South, Allegheny and West Hills. The State funding is provided for the debt service on these projects and will be received over the amortized life of the debt.

During fiscal year 2017, the College received \$3.8 million from the State for debt service and capital projects. The College also received approval from the State to fund 50% of capital projects, including \$1.8 million for the \$3.5 million Upgrade Electrical Power System project and \$0.4 million for the \$0.8 million Repair/Replace Roofs-Allegheny Campus project. The College must provide a 50% match for these projects from reserves. During 2017, additional State funding of \$0.4 million also became available from refinance savings generated by the refunding of the Series 2008 Bond with the new Series 2016 Bond. The refinance savings was used to fund security upgrades, lab renovations, and other deferred maintenance. The College must provide 50% match for the refinance savings from revenue earmarked for debt.

County Appropriations

The following is a summary of funding received from Allegheny County:

- Fiscal year 2015: The County has appropriated operating funds of \$23,705,264 in its calendar year 2014 budget for the College's 2015 fiscal year. This appropriation does include the 2% annual increase adopted by County ordinance. However, the County discontinued the \$1.5 million support for capital projects in a separate appropriation.
- Fiscal year 2016: The County has appropriated operating funds of \$24,179,369 in its calendar year 2015 budget for the College's 2016 fiscal year. This appropriation does include the 2% annual increase adopted by County ordinance.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Management's Discussion and Analysis
For the years ended June 30, 2017 and 2016

- Fiscal year 2017: The County has appropriated operating funds of \$24,662,956 in its calendar year 2016 budget for the College's 2017 fiscal year. This appropriation does include the 2% annual increase adopted by County ordinance.
- Fiscal year 2018: The County has appropriated operating funds of \$25,156,215 in its calendar year 2017 budget for the College's 2018 fiscal year. This appropriation does include the 2% annual increase adopted by County ordinance.

Debt and Capital Activity

In September 2016, the College refunded its Series of 2008 Bond. The \$9,250,000 issue became the Series of 2016 Bonds. The issuance totaled \$10,198,333 and included the \$9,805,000 retirement of the Series 2008 Bonds. The refunding resulted in \$1,089,779 in savings to be recognized.

In November 2016 and March 2017, the College entered into two loan agreements totaling \$3,500,000. The loan proceeds were designated to upgrade the College's electrical infrastructure to mitigate life safety risk, electrical outages, improving energy efficiency and meeting code compliance.

In June 2015, the College issued a new \$4,000,000 bond issue (Series of 2015). Bond proceeds were designated to finance the acquisition and installation of energy-saving facilities, equipment, retro-commissioning and other energy related upgrades at South Campus.

In June 2012, the College issued a new \$40,000,000 bond issue (Series of 2012). Bond proceeds were designated to finance renovation and improvement projects and ITS infrastructure improvements.

In August 2011, the College refunded its Series of 2005 Bonds. The \$4,445,000 issue became the Series of 2011 Bonds. The issuance totaled \$4,505,112 and included the \$4,330,000 retirement of the 2005 bonds. The refunding resulted in \$182,226 in savings to be recognized.

In September 2011, the College refunded its second Series of 2004 Bonds. The \$15,800,000 issue became the Series A of 2011 Bonds. The issuance totaled \$16,382,827 and included the \$15,515,000 retirement of the second Series of 2004 Bonds. The refunding resulted in \$936,014 in savings to be recognized.

The \$22,000,000 million bond issuance during fiscal 2008 provided the funding for a new 65,000-square-foot Science Center, plus other renovation projects, including academic infrastructure upgrades, infrastructure modifications to comply with the Americans with Disabilities Act (ADA), building exterior infrastructure repairs and elevator and escalator upgrades. Construction of the Science Center project was completed in 2013.

Economic Outlook

State appropriations, County appropriations, student tuition and fees, and federal grants and contracts compose the College's principal revenue sources and support the College's operational needs and its abilities to expand programs and pursue other initiatives. The viability of each of these four critical revenue components is highly dependent on variables external to the College such as enrollment trends, local and state economic conditions, federal, state and local legislative actions and others. The College's ability to manage fluctuations within these revenue sources, as well as potential increases in employee related costs, will be vital to its continued success. The College continues a number of budgetary measures, including expanding operational efficiencies and energy-saving initiatives and moving forward with the College's Facilities Master Plan.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Statements of Net Position
As of June 30, 2017 and 2016

	2017		2016	
	CCAC	CCAC Educational Foundation	CCAC	CCAC Educational Foundation
Current Assets:				
Cash and cash equivalents	\$ 40,050,643	\$ 245,817	\$ 38,155,666	\$ 354,509
Restricted cash and cash equivalents	1,012,416	-	937,951	-
Investments	-	9,584,584	-	8,456,807
Due from federal government	505,827	-	398,536	-
Due from foundation and other	1,022,537	-	402,615	-
Due from the Commonwealth of Pennsylvania	633,930	-	323,241	-
Student and third-party sponsors — net of allowances of \$9,243,626 and \$8,807,636, respectively	5,841,172	-	4,785,738	-
Unconditional promises to give — net of allowances of \$30,000 and \$30,000, respectively	-	264,410	-	524,425
Prepaid expenses and other assets	3,262,078	-	2,905,466	15,000
Total Current Assets	52,328,603	10,094,811	47,909,213	9,350,741
Noncurrent Assets:				
Restricted cash and cash equivalents	8,190,390	-	12,872,569	-
Prepaid debt insurance	369,022	-	458,813	-
Capital assets — net	154,729,254	-	152,512,500	-
Total Noncurrent Assets	163,288,666	-	165,843,882	-
Total Assets	215,617,269	10,094,811	213,753,095	9,350,741
Deferred Outflow of Resources:				
Deferred charges on refunding debt	1,221,150	-	300,301	-
Deferred charges on net pension liability	1,679,733	-	883,815	-
Total Deferred Outflow Of Resources	2,900,883	-	1,184,116	-
Total Assets And Deferred Outflow Of Resources	\$ 218,518,152	\$ 10,094,811	\$ 214,937,211	\$ 9,350,741
Current Liabilities:				
Accounts payable	\$ 4,937,699	-	\$ 6,782,638	-
Accrued salaries and wages	3,711,981	-	3,748,428	-
Compensated absences	3,040,488	-	3,042,428	-
Retirement incentive plan	871,923	-	896,723	-
Other accrued liabilities	3,256,697	-	2,908,596	-
Due to the Commonwealth of Pennsylvania	59,208	-	78,944	-
Due to Community College of Allegheny County	-	\$ 81,431	-	\$ 106,121
Unearned revenue	1,389,725	154,545	1,617,538	172,727
Long-term obligations — current portion	4,786,185	-	4,075,509	-
Total Current Liabilities	22,053,906	235,976	23,150,804	278,848
Noncurrent Liabilities:				
Long-term obligations	68,760,415	-	68,340,757	-
Due to the Commonwealth of Pennsylvania	-	-	59,208	-
Retirement incentive plan	873,802	-	1,795,325	-
Net pension liability	5,971,456	-	4,937,756	-
Total Noncurrent Liabilities	75,605,673	-	75,133,046	-
Total Liabilities	97,659,579	235,976	98,283,850	278,848
Deferred Inflow of Resources:				
Deferred amounts on net pension liability	342,519	-	358,590	-
Net Position:				
Net investment in capital assets	81,639,074	-	80,121,887	-
Restricted:				
Expendable	9,844,819	1,564,991	13,619,804	1,219,025
Nonexpendable	-	4,365,643	-	4,161,620
Total Restricted	9,844,819	5,930,634	13,619,804	5,380,645
Unrestricted	29,032,161	3,928,201	22,553,080	3,691,248
Total Net Position	120,516,054	9,858,835	116,294,771	9,071,893
Total Liabilities, Deferred Inflow Of Resources And Net Position	\$ 218,518,152	\$ 10,094,811	\$ 214,937,211	\$ 9,350,741

See notes to financial statements.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY
Statements of Revenues, Expenses and Changes in Net Position
For the years ended June 30, 2017 and 2016

	2017		2016	
	CCAC	CCAC Educational Foundation	CCAC	CCAC Educational Foundation
Operating Revenues:				
Student tuition and fees — net of scholarships allowances of \$21,111,623 and \$22,209,285, respectively	\$ 35,194,775	-	\$ 31,625,956	-
Federal grants and contracts	6,098,970	-	5,117,237	-
State and local grants and contracts	2,529,615	-	2,335,134	-
Nongovernmental grants and contracts	2,664,692	\$ 1,635,791	2,894,706	\$ 2,341,857
Contributed services	-	319,081	-	323,993
Special events	-	251,077	-	197,780
Sponsorship income	-	48,182	-	48,182
Auxiliary Services	688,777	-	728,754	-
Total Operating Revenues	47,176,829	2,254,131	42,701,787	2,911,812
Operating Expenses:				
Instruction	49,384,496	-	44,890,768	-
Academic support	9,448,345	-	8,791,211	-
Student services and activities	13,949,442	-	12,802,417	-
Institutional support	23,804,008	-	22,925,587	-
Plant operations and maintenance	15,239,455	-	14,688,471	-
Scholarships and fellowships (financial aid)	7,115,021	-	6,026,214	-
Depreciation and amortization	7,891,663	-	7,670,353	-
Program services	-	1,775,622	-	2,418,389
Management and general	-	287,860	-	285,485
Fundraising	-	333,179	-	163,177
Auxiliary enterprises:				
Bookstore	68,172	-	71,236	-
Total Operating Expenses	126,900,602	2,396,661	117,866,257	2,867,051
OPERATING (LOSS) INCOME	(79,723,773)	(142,530)	(75,164,470)	44,761
NONOPERATING REVENUES (EXPENSES):				
Government appropriations:				
Commonwealth of Pennsylvania	38,580,004	-	37,738,154	-
Allegheny County	24,662,956	-	24,179,369	-
U.S. Government	21,763,266	-	22,730,629	-
Investment income	60,098	927,048	26,892	(38,266)
Foundation and other income	800,750	2,424	447,615	1,656
Interest expense	(2,225,851)	-	(2,409,748)	-
Other nonoperating revenues — net	303,833	-	222,551	-
Total Net Nonoperating Revenues	83,945,056	929,472	82,935,462	(36,610)
INCREASE IN NET POSITION	4,221,283	786,942	7,770,992	8,151
NET POSITION — Beginning of year	116,294,771	9,071,893	108,523,779	9,063,742
NET POSITION — End of year	\$ 120,516,054	\$ 9,858,835	\$ 116,294,771	\$ 9,071,893

See notes to financial statements.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Statements of Cash Flows

For the years ended June 30, 2017 and 2016

	CCAC	
	2017	2016
Cash Flows from Operating Activities:		
Tuition and fees	\$ 33,911,528	\$ 30,942,889
Grants and contracts	10,796,353	10,219,713
Payments to suppliers	(30,242,012)	(32,931,226)
Payments to employees	(90,721,033)	(85,984,983)
Bookstore receipts	688,777	728,754
Auxiliary payments	(68,172)	(71,236)
Net Cash Used In Operating Activities	(75,634,559)	(77,096,089)
Cash Flows from Noncapital Financing Activities:		
State appropriations	38,580,004	38,264,148
County appropriations	24,662,956	24,179,369
Federal appropriations	21,763,266	22,730,629
Foundation and other receipts/payments — net	398,357	1,236,860
Net Cash Flows Provided By Noncapital Financing Activities	85,404,583	86,411,006
Cash Flows from Capital and Related Financing Activities:		
Proceeds of loans and bond issuance	3,859,782	937,951
Withdrawals from unspent bond proceeds/restricted cash	4,607,714	21,073,977
Purchases of capital assets	(10,576,915)	(23,088,266)
Principal paid on capital debt and leases	(3,561,855)	(3,845,472)
Interest paid on capital debt and leases	(2,350,175)	(2,683,202)
Other receipts/payments — net	105,214	207,707
Net Cash Used In Capital And Related Financing Activities	(7,916,235)	(7,397,305)
Cash Flows from Investing Activities:		
Interest on investments	41,188	15,733
Increase In Cash And Cash Equivalents	1,894,977	1,933,345
Cash and Cash Equivalents — Beginning of year	38,155,666	36,222,321
Cash and Cash Equivalents — End of year	\$ 40,050,643	\$ 38,155,666
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:		
Operating loss	\$ (79,723,773)	\$ (75,164,470)
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:		
Depreciation and amortization expense	7,891,662	7,670,354
Bad debt expense	1,585,863	2,270,524
Loss on disposal of capital assets	593,923	-
Change in assets and liabilities:		
Receivables	(3,138,221)	(2,803,903)
Prepaid expenses and other assets	(392,245)	(2,360,911)
Accounts payable and accrued expenses	(2,829,649)	(6,324,179)
Unearned tuition and student deposits	(227,813)	(277,052)
Other accrued	258,865	(223,672)
Deferred outflows	(670,800)	(507,710)
Deferred inflows	(16,071)	(270,832)
Net pension liability	1,033,700	895,762
Net Cash Used In Operating Activities:	\$ (75,634,559)	\$ (77,096,089)
Supplemental Disclosure of Noncash Activities:		
Donated fixed assets	\$ 91,456	\$ 151,078

See notes to financial statements.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Statements of Cash Flows

For the years ended June 30, 2017 and 2016

	CCAC Education Foundation	
	2017	2016
Cash Flows from Operating Activities:		
Change in net assets	\$ 786,942	\$ 8,151
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gain on investments	(82,211)	181,203
Change in:		
Unconditional promises to give	260,015	(108,810)
Prepaid expenses	15,000	(15,000)
Due to Community College of Allegheny County	(24,690)	(8,612)
Other accrued liabilities	-	(16,407)
Deferred revenue	(18,182)	(18,182)
Net Cash Provided By Operating Activities	<u>936,874</u>	<u>22,343</u>
Cash Flows from Investing Activities:		
Purchase of investments	(9,795,077)	(105,454)
Proceeds from sale of investments	8,749,511	1,609
Net Cash Used In Investing Activities	<u>(1,045,566)</u>	<u>(103,845)</u>
Net Increase In Cash	<u>(108,692)</u>	<u>(81,502)</u>
Cash and Cash Equivalents — Beginning of year	<u>354,509</u>	<u>436,011</u>
Cash and Cash Equivalents — End of year	<u>\$ 245,817</u>	<u>\$ 354,509</u>

See notes to financial statements.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements

For the years ended June 30, 2017 and 2016

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Community College of Allegheny County (College) is an institution of higher education. General Commonwealth of Pennsylvania (State) legislation "The Community College Act of 1963" (Act 1963), as amended, provides for the establishment of community colleges and for the reimbursement of certain community college expenditures from State funds appropriated for this purpose. In addition, the State shall reimburse the College for one-half of all approved capital expenditures, including debt service and net rental costs (gross rentals less amounts included therein for maintenance). The remaining operating expenses must be provided by the sponsor of the College or by private sources, non-state public sources and from student tuition. The remaining capital expenditures must be provided by the sponsor. Allegheny County (County) is the sponsor of the College. The College is a component unit of the County, since it is a legally separate organization for which the nature and significance of the relationship with the County is such that exclusion from the audited financials of the County would cause the financials of the County to be misleading or incomplete. As a result, the College's financial statements will be included in the County's December 31, 2017 comprehensive annual financial report.

The College is exempt from income taxes, except for unrelated business income, as a political subdivision under federal income tax laws and regulations of the Internal Revenue Service.

The Allegheny County Community College Educational Foundation (Foundation) is a component unit of the College. It is a legally separate organization for which the nature and significance of the relationship with the College is such that exclusion would cause the College's audited financials to be misleading or incomplete. The Allegheny County Community College Educational Foundation's financial statements identify the financial data of the College's component unit, which is a legally separate, not-for-profit organization incorporated and operated exclusively for the benefit of the College and is presented as a discrete component unit in the accompanying financial statements in accordance with *Governmental Accounting Standards Board (GASB) Statement No. 39, Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No. 14*. It is reported separately to emphasize that it is legally separate from the College. The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board standards. 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 audited financial information as it is presented herein. Complete financial statements for the Foundation can be obtained from Ms. Roseann DiCola, Executive Director of the Foundation, 808 Ridge Avenue, Pittsburgh, Pennsylvania 15212-6097. (See also Note 11.)

The College applies GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. The objective of this statement is to modify certain requirements for inclusion of component units in the financial reporting entity.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, using the economic resources measurement focus and the accrual basis of accounting. The College follows accounting principles issued by the GASB. The financial statements of its component unit are also presented under the accrual basis of accounting.

Use of Estimates

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

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements

For the years ended June 30, 2017 and 2016

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non-exchange transactions, in which the College receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the College must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the College on a reimbursement basis. Reimbursements for operating expenditures from the County and the State are recorded as revenue when earned.

Unearned Revenue

Unearned revenue arises when cash is received before revenue recognition criteria has been satisfied. Unearned revenues are composed of deferred grant revenue and student tuition revenue and deposits. Unearned grant revenue represents monies received on approved grants in advance of incurring the corresponding expenses. Student deposits and tuition received at June 30 and applicable to the subsequent summer and fall terms have been deferred and are included in revenue in the succeeding year. In addition, certain grant proceeds that do not meet the revenue recognition criteria under GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and GASB Statement No. 36, *Recipient Reporting for Certain Sharing Nonexchange Revenues* (an amendment of GASB Statement No. 33) are deferred.

Expenses

On the accrual basis of accounting, expenses are recognized when they are incurred.

Cash and Cash Equivalents (including restricted)

The College considers all highly liquid investments with original maturities of three months or less to be cash equivalents and are stated at fair value. Cash and cash equivalents that are restricted or intended for property expenditures and are not cash and cash equivalents for the purpose of the statements of cash flows.

Student and Third-Party Sponsors Receivables

Accounts receivable consists of amounts due for tuition and fees and grants and contracts from the federal, state and local governments, or private sources, made in accordance with agreements. Uncollectible amounts have been reserved on a percentage basis of accounts receivable balance by aging category.

Capital Assets

Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. Building improvements and improvements other than buildings are recorded at the aggregate cost of the construction of the improvement. Expenditures for construction in progress are capitalized as incurred. Repair and maintenance costs are expensed as incurred; renovations and improvements, which extend the physical or economic life of an asset, are capitalized. Library books are purchased and recorded as a composite group of similar assets according to the limits within the depreciation and amortization note. When property is sold or otherwise disposed of, the carrying value of such assets is removed from the accounts.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements

For the years ended June 30, 2017 and 2016

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation and Amortization

Depreciation and amortization of leased and owned assets are computed on the straight-line method over the estimated useful lives of the leased and owned property and equipment and is presented as a separate functional expense category in the statements of revenues, expenses and changes in net position.

The College's estimated useful lives used to compute depreciation and capitalization limits are as follows:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Leasehold improvements and infrastructures	25 years
Land improvements	15 years
Furniture and fixtures	10 years
Library books	10 years
Vehicles and equipment (other than computer)	7 years
Computer equipment	5 years
Computer software	3 years

Bond Interest Expense

Interest expense is capitalized on qualifying assets during the period necessary to ready the assets for its intended use. Interest capitalized is net of interest earnings, if any, from proceeds of tax-exempt borrowings for the respective projects. For fiscal year 2017, total interest incurred amounted to \$2,458,741, of which \$0 was capitalized. For fiscal year 2016, total interest incurred amounted to \$2,683,202, of which \$146,383 was capitalized.

Compensated Absences

Full-time employees receive paid time off for vacation, illness and personal reasons. Time is accrued on a monthly basis based on a calendar year or academic calendar year based on employee job classification. The amount of time accrued plus the amount of unused leave that can be carried over into the next calendar year or academic year is dependent on the employee's job classification. Compensated absences, including unpaid vacation and sick leave, are accrued to conform to GASB Statement No. 16, *Accounting for Compensated Absences*, using the vesting method. (See Note 8 for more information.) Per AFT collective bargaining agreement Article XXV, A9, a tenured full-time teaching employee may accumulate a maximum of twenty-four unpaid credit teaching overage hours. (See Note 8 for more information.)

Net Position Classifications

Net position is required to be classified for accounting and reporting purposes into the following categories:

Net Investment in Capital Assets

This category includes all of the College's capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction or improvement of those assets.

Restricted

The College classifies the net position resulting from transactions with purpose restrictions as restricted net position until the specific resources are used for the required purpose or for as long as the provider requires the resources to remain intact.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements
For the years ended June 30, 2017 and 2016

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Restricted expendable - may be spent by the College, but only for the purpose specified by the donor, grantor or other external entity. (See Note 2 for further explanation for what is included in this category.)
- Restricted nonexpendable - funds held in perpetuity as designated by the donor; however, interest and dividends from these funds are used for scholarships of students and other needs, as directed by the donor.

Unrestricted

The net position that is neither reserved, restricted, nor invested in capital assets, net of related debt, is classified as unrestricted net position. The College's unrestricted net position may be designated by actions of the College's Board of Trustees (Board).

Use of Restricted Net Position

The College is not required to, nor has it, adopted a formal policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Generally, the College utilizes restricted net position first when practicable.

Operating Revenues and Expenses

All revenues from tuition, auxiliary enterprises and grant sources are considered to be operating revenues. Operating expenses include educational costs, auxiliary enterprises, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition, including State appropriations, investment income and interest on capital asset-related debt, are reported as nonoperating revenues and expenses.

Scholarship Allowances

Scholarship allowances represent the difference between the stated charge for services provided by the College and the amount that is paid by the student or third parties making payments on behalf of the student. Accordingly, some types of student financial aid, such as Pell grants and scholarships awarded by the College, are considered to be scholarship allowances. These allowances are netted against tuition and fees revenues in the statements of revenues, expenses and changes in net position.

Bond Premiums and Discounts

Bond premiums and discounts are amortized over the term of the bonds. Bond premiums are presented as an increase in the face amount of the applicable debt payable, while discounts are presented as a decrease in the face amount of the debt payable. The College refinances bonds when the market conditions are right for refinancing.

Deferred Outflows of Resources

In addition to assets, the statements of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The College's deferred outflows of resources is related to the net pension liability of \$1.7 million and deferred charges of \$1.2 million arising from the refinancing of debt. The College recorded total deferred outflows of resources of \$2.9 million and \$1.2 million at June 30, 2017 and 2016, respectively. More detailed information related to the net pension liability can be found in Note 10.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements

For the years ended June 30, 2017 and 2016

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows of Resources

In addition to liabilities, the statements of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The College's deferred inflows of resources is related to the net pension liability. The College recorded total deferred inflows of resources of \$0.3 million and \$0.4 million at June 30, 2017 and 2016, respectively. More detailed information can be found in Note 10.

Pensions

GASB Statements No. 68 and 71 require governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits and also require a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The statements also enhance accountability and transparency through revised note disclosures and required supplementary information (RSI).

The College has reported a net pension liability in the amount of \$6.0 million, deferred outflows of \$1.7 million and deferred inflows of \$0.3 million as of June 30, 2017. The College has reported a net pension liability in the amount of \$4.9 million, deferred outflows of \$0.9 million and deferred inflows of \$0.4 million as of June 30, 2016.

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 fiduciary net position of the Pennsylvania State Employees' Retirement System (SERS) and the Public School Employees' Retirement System (PSERS) and additions to/deductions from SERS's and PSERS's fiduciary net position have been determined on the same basis as they are reported by SERS and 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.

Newly Adopted Accounting Pronouncements

The GASB has issued the following statements, which were evaluated by the College:

GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which provides guidance on reporting OPEB plans similar to how pension plans are reported under Statement 67. This statement was effective for reporting periods beginning after June 15, 2016. Implementation of Statement 74 had no effect on the College's financial statements.

GASB issued Statement No. 77, *Tax Abatement Disclosures*, which provides guidance for reporting tax abatements granted by state and local governments that reduces the tax revenue that the governments would have received. This statement was effective for reporting periods beginning after December 15, 2015. Implementation of Statement 77 had no effect on the College's financial statements.

GASB issued Statement No. 78, *Pensions Provided through Certain Multiple - Employer Defined Benefit Pension Plans*, which amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan. This statement was effective for reporting periods beginning after December 15, 2015. Implementation of Statement 78 had no effect on the College's financial statements.

GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*, which amends the blending requirements for the financial statement presentation of component units for reporting periods beginning after June 15, 2016. Implementation of Statement 80 had no effect on the College's financial statements.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements

For the years ended June 30, 2017 and 2016

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which provides recognition and measurement guidelines for accounting and financial reporting for irrevocable split-interest agreements in situations in which a government is a beneficiary of the agreement. This statement was effective for reporting periods beginning after December 15, 2016. Implementation of Statement 81 had no effect on the College's financial statements.

GASB issued Statement No. 82, *Pension Issues*, which provides guidance for the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and the classifications of payments made by employers to satisfy employee (plan member) contribution requirements. This statement was effective for reporting periods beginning after June 15, 2016. Implementation of Statement 82 had no effect on the College's financial statements.

The GASB has issued the following statements not yet implemented by the College. The College's management is currently evaluating these standards to determine the effect, if any, these statements will have on the College's financial statements and related disclosures.

GASB issued statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which provides guidance on reporting OPEB liabilities similar to how pension liabilities are now reported under Statement 68. This statement is effective for reporting periods beginning after June 15, 2017.

GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs). This statement is effective for reporting periods beginning after June 15, 2018. The College is currently evaluating this statement to determine the effect, if any, it will have on its financial statements.

GASB issued Statement No. 84, *Fiduciary Activities*, which provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement is effective for reporting periods beginning after December 15, 2018.

GASB issued Statement No. 85, *Omnibus 2017*, which provides guidance regarding the blending of component units, goodwill, fair value measurements and application and postretirement benefits. This statement was effective for reporting periods beginning after June 15, 2017.

GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which provides guidance to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources. This statement is effective for reporting periods beginning after June 15, 2017.

GASB issued Statement No. 87, *Leases*, which provides guidance regarding improving accounting and financial reporting for leases by governments. This statement is effective for reporting periods beginning after December 15, 2019.

Subsequent Events

The College has evaluated subsequent events through December 20, 2017, the date on which the financial statements were available to be issued.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements

For the years ended June 30, 2017 and 2016

NOTE 2 - NET POSITION

Of the total net position as of June 30, the following constraints upon their use have been imposed, either externally or internally by action of the College's Board:

	<u>2017</u>	<u>2016</u>
Restricted expendable net position:		
Scholarship and tuition funds	\$ 158,475	\$ 256,754
Student development funds	638,760	641,739
Capital outlay	<u>9,047,584</u>	<u>12,721,311</u>
Total restricted expendable net position	<u>\$ 9,844,819</u>	<u>\$ 13,619,804</u>
Unrestricted net position:		
Board-designated:		
Campus building projects	\$ 4,879,361	\$ 3,261,324
Reserve for facilities emergency and other compelling needs	2,593,142	3,192,801
915 Ridge property	511,389	522,438
Allegheny County Schools Health Consortium	2,297,939	2,122,211
Visual Arts Center	207,020	-
Auxiliary services	7,358,402	6,828,526
Future operations	7,403,839	6,625,780
Future capital projects	<u>3,781,069</u>	<u>-</u>
Total unrestricted net position	<u>\$ 29,032,161</u>	<u>\$ 22,553,080</u>

Scholarships and Student Development

Scholarship and tuition and student development funds include funds that have been generated from student-related sources, the principal source of which is student fees. As such, the funds must be used specifically for the benefit of students. The allocation of scholarships and development is determined by the Board.

Capital Outlay Reserve

Capital outlay funds may be reserved or restricted by the Board or debt-related restrictions. Restrictions on current capital outlay include the terms of appropriations, interest earned on bond proceeds and unspent bond proceeds, which are restricted for the use of capital purchases under terms of the debt agreements. As of June 30, 2017 and 2016, funds restricted amounted to \$9,047,584 and \$12,721,311, respectively.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements
For the years ended June 30, 2017 and 2016

NOTE 2 - NET POSITION (Continued)

Board-Designated Net Position

Campus Building Projects and West Hills Renovation Project Reserves

At the October 1997 meeting, the Board authorized an increase in the Campus Building Projects Reserve from a balance of \$1,470,613 to \$5,000,000 to provide the College share of funds for renovation and construction of science labs at the campuses. The science labs project total was estimated at that time at \$10,000,000 and consisted of a new science building at the Allegheny Campus, major improvements to the South Campus labs and less-extensive updating costs to the Boyce and North Campuses. In 1998, after discussions with the architect, the estimate was increased to \$12,000,000. Accordingly, at the October 1998 meeting, the Board allocated an additional \$1,000,000 to the reserve from that fiscal year's interest income. The reserve then amounted to \$6,000,000. In May 2006, the Board approved the 2006-2008 Capital Outlay Plan, which included the transfer of this \$6,000,000 to a new reserve called the "West Hills Renovation Project Reserve." The College completed major renovation of the center during fiscal 2007 and 2008. At its November 2007 meeting, the Board authorized an addition of \$1,000,000 to the Campus Building Projects Reserve from unrestricted net position as of June 30, 2007, bringing the total in this reserve as of June 30, 2007 to \$3,000,000. During fiscal year 2008, \$569,435 was spent from that reserve for the College's one-half share of the fiscal 2008 debt service on the portion of the new 2008 bond issue attributable to the Science Center construction project. At its November 2008 meeting, the Board authorized an addition of \$3,000,000 from unrestricted net position as of June 30, 2008, bringing the total of the Campus Building Projects Reserve as of June 30, 2008 to \$5,430,565. Payments during 2008-2009 for the College's one-half share amounted to \$567,386, further reducing the reserve to \$4,863,179. Payments made during fiscal 2010 for the College's one-half share were \$567,586. The Board designated an additional \$1,704,407, bringing the reserve total to \$6,000,000. Payments made during fiscal 2011 for the College's one-half share were \$565,661, reducing the reserve to \$5,434,339. For the fiscal year 2011, an additional \$3,565,661 was added, bringing the reserve total to \$9,000,000, which is the projected amount required to complete the Science Center project as of June 30, 2011. For the fiscal year 2012, expenses of \$1,172,984 were incurred for the Science Center, reducing the reserve to \$7,827,016 as of June 30, 2012. For the fiscal year 2013, expenses of \$5,708,963 were incurred for the Science Center, reducing the reserve to \$2,118,053 as of June 30, 2013. For the fiscal year 2014, expenses of \$506,852 were incurred for the Science Center, reducing the reserve to \$1,611,200 as of June 30, 2014. For the fiscal year 2015, board-designated operating transfers-in and revenues exceeded expenses by \$683,020, increasing the reserve to \$2,294,220 as of June 30, 2015. For the fiscal year 2016, board-designated operating transfers-in and revenues exceeded expenses by \$967,104, increasing the reserve to \$3,261,324 as of June 30, 2016. For the fiscal year 2017, board-designated operating transfers-in, the receipt of a legal settlement of \$550,000 related to the construction of the Science Center, and revenues exceeded expenses by \$1,068,038, increasing the reserve to \$4,879,361 million as of June 30, 2017. The reserves will be utilized to complete the Science Center and for various campus building projects.

Reserve for Board-Designated Facilities Emergency and Other Compelling Needs

At the November 2008 meeting of the College's Board, the annual operating budget policy was revised to call for an administrative process that annually sets aside a portion of projected revenues and existing unrestricted net position to create a reserve for future years for ongoing facilities maintenance, renovations, construction and other emergencies or compelling needs, including but not limited to legal, technological, safety/risk management, academic or other financial imperatives. After revenues to fund current operating needs and strategic goals for the budget year have been identified, it is the goal to generate excess revenues to provide for an ongoing net position balance at a level equal to at least 15% of the annual current fund budget, with the target of achieving the goal in five to ten years.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements
For the years ended June 30, 2017 and 2016

NOTE 2 - NET POSITION (Continued)

During fiscal year 2008, a \$4,000,000 reserve was established. In fiscal year 2009, the reserve was increased by an additional \$2,000,000. For fiscal 2010, the reserve was increased by another \$295,593, resulting in a total of \$6,295,593. For fiscal 2011, the reserve was decreased by \$368,690 for maintenance projects, resulting in a total of \$5,926,903. The reserve was further reduced by \$2,776,903, which was transferred to Campus Building Projects Reserve for the completion of the Science Center building, leaving a balance of \$3,150,000 as of June 30, 2011. For fiscal 2012, expenses of \$25,314 were incurred for maintenance projects and \$968,000 was transferred to the reserve for future operations, reducing the reserve to \$2,156,686 as of June 30, 2012. For fiscal 2013, there were no expenses incurred that were charged to the reserve. For fiscal 2014, expenses of \$192,590 were incurred for maintenance projects, reducing the reserve to \$1,964,096 as of June 30, 2014. For fiscal 2015, revenues and board-designated operating transfers-in to fund maintenance projects and ITS infrastructure improvements exceeded expenses by \$573,101, increasing the reserve to \$2,537,197 as of June 30, 2015. For fiscal 2016, transfers in plus miscellaneous revenues exceed expenses by \$655,604. In addition, the Board designated \$1,000,000 from the reserve for future operations to the reserve for facilities, emergency and other compelling needs reserve, thereby increasing the reserve to \$3,192,801 as of June 30, 2016. For fiscal 2017, expenses and Board-designated transfers-out to fund deferred maintenance projects and the State match required for the electrical power upgrades loan exceeded revenues by \$318,590. In addition, the College transferred \$281,069 from this reserve to the reserve for Future Capital Projects, thereby reducing the reserve to \$2,593,142 as of June 30, 2017. The reserve has been designated for the following capital projects:

Communications Equipment: Connectivity to State Network-Kinber	\$ 275,000
Electrical Upgrade Project Match	1,663,126
Allegheny Parking Lots	44,731
College-wide Master Plan (Final Phase)	90,249
Miscellaneous Deferred Maintenance Projects - College-wide	<u>520,036</u>
Total designated projects	<u>\$ 2,593,142</u>

915 Ridge Property

Rental income in excess of rental expenses is designated for future improvements or renovations to the 915 Ridge property. During fiscal year 2017, expenses exceeded revenues by \$11,049, thereby reducing the designated net position to \$511,389 as of June 30, 2017.

Allegheny County Schools Health Insurance Consortium

CCAC is a member of the Allegheny County Schools Health Insurance Consortium (Consortium). The Consortium was formed to purchase health benefits on behalf of Allegheny County Schools. CCAC's portion of the Consortium's total net assets available for benefits as of June 30, 2017 and 2016 was \$2,297,939 and \$2,122,211, respectively.

Visual Arts Center (900 Lincoln Avenue Property)

In August 2016, the College entered into a three-year lease agreement with the City of Pittsburgh for the space that formerly served as the College's Visual Arts Center located at 900 Lincoln Avenue. The City of Pittsburgh will utilize the space as a training center for its police force. The income in excess of rental expenses is designated for future improvements or renovations to the 900 Lincoln Avenue property. During fiscal year 2017, revenues exceeded expenses by \$207,020, thereby generating a designated net position value of that amount as of June 30, 2017.

Reserve for Auxiliary Services

The reserves for Auxiliary Services is the excess of revenues over expenses from auxiliary enterprise operations.

Reserve for Future Operation

Funds that have not been currently designated by the Board for future operations.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements

For the years ended June 30, 2017 and 2016

NOTE 2 - NET POSITION (Continued)

Reserve for Future Capital Projects

This is a new reserve established by the College in 2017 to fund future capital projects. For fiscal 2017, the College transferred \$3,500,000 from the reserve for future operations to the reserve for future capital projects. In addition, the College transferred \$281,069 from the reserve for facilities, emergency and other compelling needs reserve to the reserve for future capital projects, thereby increasing the reserve to \$3,781,069 as of June 30, 2017.

NOTE 3 - DEPOSITS AND INVESTMENTS

By policy of the Board, the College is permitted to invest funds consistent with sound business practices in the following types of investments: U.S. Treasury Bills; obligations of the United States of America and related agencies and the Commonwealth of Pennsylvania; A-1, P-1-rated commercial paper, or equivalent instruments; fully collateralized, per Act 72, time deposits, certificates of deposit and repurchase agreements of financial institutions that have a short-term rating by Moody's (or equivalent) of "P-1" or better and whose long-term senior debt rating is "A2" or better and which have a combined capital surplus and undivided profits of not less than \$1,000,000; money market mutual funds/investment companies that are AAA-rated by Moody's (or equivalent), managed to a \$1.00 net asset value and are in compliance with Section 2A-7 of Securities and Exchange Commission (SEC) rules and which restrict their investments to instruments described above. No more than \$5,000,000 of the College's cash reserves may be invested in instruments with maturities of more than one year, and in no event may any investment have a maturity of more than five years. Pursuant to Act 72 of the Pennsylvania State Legislature, a depository must pledge assets to secure state and municipal deposits. The pledged assets must at least be equal to the total amount of such assets required to secure all of the public deposits at the depository and may be on a pooled basis. Additionally, all such pledged assets must be delivered to a legal custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of a depository financial institution or counterparty to a transaction, the College will be unable to recover the value of deposits or collateral securities that are in the possession of an outside party. The College's policy for deposits requires any balance not covered by depository insurance to be collateralized by the financial institution with eligible pledged securities. The June 30, 2017 and 2016 bank balances for cash and cash equivalents and restricted cash and cash equivalents were \$38,387,374 and \$39,879,820 and \$8,190,390 and \$12,872,569, respectively. The balances covered by federal depository insurance were \$1,364,212 and \$1,538,921, respectively. The balances covered by pledged securities held by the financial institution's trust department or in the name of the College were \$35,157,170 and \$42,194,314, respectively. The remaining bank balances as of June 30, 2017 and 2016 of \$10,056,382 and \$9,019,154, respectively, were not covered by depository insurance or collateralized by the financial institution with eligible pledged securities.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements
For the years ended June 30, 2017 and 2016

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	July 1, 2016	Additions	Retirements*	June 30, 2017
Cost				
Capital assets not being depreciated:				
Construction-in-progress	\$ 20,601,362	\$ 4,364,264	\$ (19,607,888)	\$ 5,357,738
Land	4,028,747	-	-	4,028,747
	<u>24,630,109</u>	<u>4,364,264</u>	<u>(19,607,888)</u>	<u>9,386,485</u>
Capital assets being depreciated:				
Buildings	198,247,987	22,257,768	(550,000)	219,955,755
Land improvements	7,376,367	27,228	-	7,403,595
Infrastructures	8,658,997	320,539	-	8,979,536
Leasehold improvements	403,476	-	-	403,476
Equipment and A.V. equipment	13,162,238	1,595,775	(221,449)	14,536,564
Grant-related equipment	6,371,076	307,774	(346,286)	6,332,564
Furniture and fixtures	2,466,958	-	(926)	2,466,032
Computer equipment	18,004,958	958,816	(255,011)	18,708,763
Computer software	4,332,074	101,295	-	4,433,369
Library books	5,196,364	251,344	-	5,447,708
	<u>264,220,495</u>	<u>25,820,539</u>	<u>(1,373,672)</u>	<u>288,667,362</u>
	<u>288,850,604</u>	<u>30,184,803</u>	<u>(20,981,560)</u>	<u>298,053,847</u>
Accumulated depreciation				
Buildings	93,013,229	3,667,097	(44,000)	96,680,326
Land improvements	5,666,701	251,327	-	5,918,028
Infrastructures	1,663,524	333,463	-	1,996,987
Leasehold improvements	25,841	16,139	-	41,980
Equipment and A.V. equipment	8,675,263	1,119,739	(188,914)	9,606,088
Grant-related equipment	4,520,558	499,678	(302,286)	4,673,950
Furniture and fixtures	1,967,553	96,758	(926)	2,063,385
Computer equipment	12,540,873	1,488,164	(243,623)	13,785,414
Computer software	4,054,008	121,041	-	4,175,049
Library books	4,210,554	172,832	-	4,383,386
	<u>136,338,104</u>	<u>\$ 7,766,238</u>	<u>\$ (779,749)</u>	<u>143,324,593</u>
Net investment in capital assets	\$ <u>152,512,500</u>			\$ <u>154,729,254</u>

* Included within retirement is the transfer of assets capitalized from within the construction-in-progress category.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements
For the years ended June 30, 2017 and 2016

NOTE 4 - CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements*</u>	<u>June 30, 2016</u>
Cost				
Capital assets not being depreciated:				
Construction-in-progress	\$ 18,716,321	\$ 13,860,560	\$ (11,975,519)	\$ 20,601,362
Land	4,028,747	-	-	4,028,747
	<u>22,745,068</u>	<u>13,860,560</u>	<u>(11,975,519)</u>	<u>24,630,109</u>
Capital assets being depreciated:				
Buildings	187,367,704	10,880,283	-	198,247,987
Land improvements	7,354,627	21,740	-	7,376,367
Infrastructures	3,900,897	4,758,100	-	8,658,997
Leasehold improvements	38,857	364,619	-	403,476
Equipment and A.V. equipment	11,559,432	1,703,050	(100,244)	13,162,238
Grant-related equipment	6,064,401	322,302	(15,627)	6,371,076
Furniture and fixtures	2,467,462	-	(504)	2,466,958
Computer equipment	16,479,702	1,854,156	(328,900)	18,004,958
Computer software	4,269,358	62,716	-	4,332,074
Library books	5,091,035	105,329	-	5,196,364
	<u>244,593,475</u>	<u>20,072,295</u>	<u>(445,275)</u>	<u>264,220,495</u>
	267,338,543	33,932,855	(12,420,794)	288,850,604
Accumulated depreciation				
Buildings	89,334,321	3,678,908	-	93,013,229
Land improvements	5,416,803	249,898	-	5,666,701
Infrastructures	1,412,621	250,903	-	1,663,524
Leasehold improvements	16,995	8,846	-	25,841
Equipment and A.V. equipment	7,821,606	969,528	(115,871)	8,675,263
Grant-related equipment	4,046,072	474,486	-	4,520,558
Furniture and fixtures	1,835,568	132,489	(504)	1,967,553
Computer equipment	11,345,685	1,524,088	(328,900)	12,540,873
Computer software	3,884,107	169,901	-	4,054,008
Library books	4,032,932	177,622	-	4,210,554
	<u>129,146,710</u>	<u>\$ 7,636,669</u>	<u>\$ (445,275)</u>	<u>136,338,104</u>
Net investment in capital assets	\$ <u>138,191,833</u>			\$ <u>152,512,500</u>

* Included within retirement is the transfer of assets capitalized from within the construction-in-progress category.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements
For the years ended June 30, 2017 and 2016

NOTE 5 - STATE APPROPRIATIONS

State legislation provides for the establishment of community colleges and for the reimbursement of certain community college expenditures from State funds appropriated for this purpose. The legislation currently in effect (Act 46) provides that the State shall reimburse the College an amount for operating expenditures each year, consisting of a base amount not less than the amount received for the 2005 fiscal year. In addition, the College shall receive a pro rata share of the Economic Development Stipend fund, based on its enrollments in certain categories of workforce development-related programs and courses as compared to the other State community colleges' enrollments in those categories.

Effective with the 2006 fiscal year, the College was no longer subject to audit by the State. All audits have been completed and resolved with the State. The Pennsylvania Department of Education (PDE) and the College had reached the following negotiated settlements:

In fiscal 2005, the College recognized a liability with a corresponding reduction of revenue for fiscal year 2003 audit findings in the amount of \$1,145,088. Final settlement for this fiscal year was reached with the State during 2010-2011. The State waived \$553,005 of the original audit finding, which left \$592,083 due to the Commonwealth. Thirty quarterly payments of \$19,736 started in fiscal year 2011 with the second, third and fourth quarterly payment. The remaining liability was \$59,208 and \$138,152 at June 30, 2017 and 2016, respectively.

In addition, the State shall reimburse the College for one-half of all approved capital expenditures, including debt service and net rental costs (gross rentals less amounts included therein for maintenance). The State pays its share of operating expenses at the end of each quarter and has the option of paying its share of capital expenditures either when incurred or over a period of time. Election of the latter method requires the State to also pay a pro rata share of the interest expense incurred by the College. The remaining operating expenses must be provided by the sponsor of the College or by private sources, nonstate public sources and from student tuition. The remaining capital expenditures must be provided by the sponsor.

NOTE 6 - LONG-TERM OBLIGATIONS

Long-term obligations at June 30 are as follows:

Interest rate	Next	Maturity	Balance Due		
	Installment Due		Due	2017	2016
Bonds payable					
SPSBA 2008 - 3.3% to 4.4%	June 15	2027	-	\$	9,805,000
SPSBA Series of 2011 - 2.0% to 3.8%	July 15	2025	\$	3,155,000	3,455,000
SPSBA Series A 2011 - 2.0% to 4.0%	July 15	2025	11,505,000		12,560,000
SPSBA 2012 - 2.0% to 5.0%	July 15	2034	37,575,000		38,390,000
SPSBA 2015 - 1.07% to 4.0%	Nov 15	2035	3,715,000		3,860,000
SPSBA 2016 - 2.0% to 5.0%	Dec 17	2027	9,250,000		-
Total bonds payable			65,200,000		68,070,000
Net Premiums			2,768,613		2,028,906
Total bonds payable			67,968,613		70,098,906
Loans payable					
2.00%, \$ 20,332 paid monthly		2020	695,911		937,951
2.00%, \$317,006 paid semi-annually		2022	2,715,377		-
2.00%, \$ 52,576 paid semi-annually		2022	450,355		-
Total loans payable			3,861,643		937,951

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements

For the years ended June 30, 2017 and 2016

NOTE 6 - LONG-TERM OBLIGATIONS (Continued)

Interest rate	Next Installment Due	Maturity Due	Balance Due	
			2017	2016
Balance forward			\$ 3,861,643	\$ 937,951
Capitalized lease obligations				
1.57%, \$22,035 paid monthly		2017	-	262,076
1.54%, \$35,693 paid monthly		2019	703,928	1,117,333
2.23%, \$22,035 paid monthly		2021	1,012,416	-
Total - capitalized lease obligations			1,716,344	1,379,409
Total obligations			73,546,600	72,416,266
Current portion			4,786,185	4,075,509
Total noncurrent long-term obligations			\$ 68,760,415	\$ 68,340,757

Bonds

Unexpended bond proceeds and interest earned on proceeds of \$8,190,390 and \$12,872,569 at June 30, 2017 and 2016, respectively, are available to finance the completion of the projects included in the Series 2016 revenue bonds (refunded the Series of 2008 Bonds), the Series 2011 revenue bonds, the Series 2012 revenue bonds and the Series 2015 revenue bonds and are included in noncurrent cash and cash equivalents.

The following provides a summary description of the College's bond issuance activity through June 30, 2017:

- Second Series of 2004 SPSBA Bonds (Second Series of 2004) - In July 2004, the College, through the SPSBA, accomplished a new \$20,000,000 bond issue for the funding of maintenance and critical infrastructure projects required to upgrade the College's physical plant. The final payment on the bonds was due in 2025, but they were refinanced in September 2011. The refunding debt service was issued through the SPSBA to take advantage of the low-interest-rate environment. The debt service retired totaled \$15,515,000. (See Series A of 2011 SPSBA below.)
- Series of 2005 SPSBA Bonds (Series of 2005) - In July 2005, the College, through the SPSBA, accomplished a new \$5,600,000 bond issue for the funding to purchase the Siemen's Building in Oakdale, Pennsylvania (West Hills Center). The final payment on the bonds was due in 2025, but they were refinanced in August 2011. The refunding debt service was issued through the SPSBA to take advantage of the low-interest-rate environment. The debt service retired totaled \$4,330,000. (See Series of 2011 SPSBA below.)
- Series of 2008 SPSBA Bonds (SPSBA 2008) - In June 2008, the College, through the SPSBA, accomplished a new \$22,040,000 bond issue (Series of 2008). Bond proceeds pertaining to the construction of a Science Center Facility on Allegheny Campus totaled \$15,950,000, and the remaining \$6,090,000 was for funding renovation projects to upgrade infrastructure at all four campuses. The refunding debt service was issued through the SPSBA to take advantage of the low-interest-rate environment. The debt service retired totaled \$ 9,805,000. (See Series of 2016 SPSBA below.)

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements

For the years ended June 30, 2017 and 2016

NOTE 6 - LONG-TERM OBLIGATIONS (Continued)

- Series of 2011 SPSBA Bonds Refinancing Debt Service Bonds (SPSBA Series of 2011) - In August 2011, the College, through the SPSBA, refunded the Series of 2005 Bonds (see above). The \$4,445,000 issue became the Series of 2011 Bonds. The issuance totaled \$4,505,112 and included the \$4,330,000 retirement of the 2005 bonds. The refunding resulted in \$182,226 in savings to be recognized. Principal payments on the bonds are due annually in July, while interest is due semiannually on January and July 15. Interest rates for the Series of 2011 Bonds range from 2.0% to 3.8%, compared to the 3.5% to 4.4% for the remainder of the 2005 Bonds. The final payment on the bonds is scheduled for July 15, 2025.
- Series A of 2011 SPSBA Bonds Refinancing Debt Service Bonds (SPSBA Series A 2011) - In September 2011, the College, through the SPSBA, refunded the second Series of 2004 Bonds (see above). The \$15,800,000 issue became the Series A of 2011 Bonds. The issuance totaled \$16,382,827 and included the \$15,515,000 retirement of the second Series of 2004 Bonds. The refunding resulted in \$936,014 in savings to be recognized. Principal payments on the bonds are due annually in July, while interest is due semiannually on January and July 15. Interest rates for the Series A of 2011 Bonds range from 2.0% to 4.0%, compared to the 3.5% to 4.8% for the remainder of the second Series 2004 Bonds. The final payment on the bonds is scheduled for July 15, 2025.
- Series of 2012 SPSBA Bonds (SPSBA 2012) - In June 2012, the College, through the SPSBA, accomplished a new \$40,000,000 bond issue (Series of 2012). Bond proceeds were used to finance renovation and improvements projects and ITS infrastructure improvements. The final payment for the bonds is scheduled for July 15, 2034. Principal payments on the bonds are due annually in July, while interest is due semiannually in January and July on the 15th.
- Series of 2015 SPSBA Bonds (SPSBA 2015) - In June 2015, the College, through SPSBA, accomplished a new \$4,000,000 bond issue (Series of 2015). Bond proceeds were used to finance the acquisition and installation of energy-saving facilities, equipment, retro-commissioning and other energy related upgrades at South Campus. The final payment for the bonds is scheduled for May 15, 2035. Principal payments on the bonds are due annually in May, while interest is due semiannually in November and May on the 15th.
- Series of 2016 SPSBA Bonds Refinancing Debt Service Bonds (SPSBA Series 2008) - In September 2016, the College, through the SPSBA, refunded the second Series of 2008 Bonds (see above). The \$9,250,000 issue became the Series of 2016 Bonds. The issuance totaled \$ 10,198,333 and included the \$9,805,000 retirement of the Series of 2008 Bonds. The refunding resulted in \$ 1,089,779 in savings to be recognized. Principal payments on the bonds are due annually in June, while interest is due semiannually on December and June 15. Interest rates for the Series of 2016 Bonds range from 2.0% to 5.0%, compared to the 3.6% to 4.55% for the remainder of the Series 2008 Bonds. The final payment on the bonds is scheduled for June 15, 2027.

Principal and interest payment requirements for the bonded debt for the years subsequent to June 30, 2017 are summarized as follows:

Years Ending June 30	Principal	Interest	Total
2018	\$ 2,995,000	\$ 2,419,964	\$ 5,414,964
2019	3,315,000	2,292,514	5,607,514
2020	3,470,000	2,143,939	5,613,939
2021	3,625,000	1,988,189	5,613,189
2022	3,770,000	1,835,107	5,605,107
2023-2027	20,155,000	6,935,568	27,090,568
2028-2032	16,440,000	4,015,838	20,455,838
2033-2035	11,430,000	848,763	12,278,763
	<u>\$ 65,200,000</u>	<u>\$ 22,479,882</u>	<u>\$ 87,679,882</u>

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements

For the years ended June 30, 2017 and 2016

NOTE 6 - LONG-TERM OBLIGATIONS (Continued)

Loans Payable

In 2016, the College entered into a replacement loan for microcomputer systems, laptops and workstations in the amount of \$937,851. The loan is at a 2.0% interest rate, payable in monthly installments of \$20,332 through June 15, 2020. The balance due as of June 30, 2017 was \$ 695,911. The loans payable are collateralized by the equipment.

In 2017, the College entered into a renovation loan to upgrade the College's electrical infrastructure in the amount of \$3,000,000. The loan is at a 2.0% interest rate, payable in semi-annual installments of \$317,006 through December 15, 2021. The balance due as of June 30, 2017 was \$ 2,715,377. The loans payable are collateralized by the renovations.

In 2017, the College entered into a renovation loan to upgrade the College's electrical infrastructure in the amount of \$500,000. The loan is at a 2.0% interest rate, payable in semi-annual installments of \$52,577 through December 15, 2021. The balance due as of June 30, 2017 was \$ 450,355. The loans payable are collateralized by the renovations.

Capital Leases

In 2014, the College entered into a capitalized lease obligation for desktops, monitors, laptops and tablets in the amount of \$1,031,150. The lease obligation is at 1.57% and is payable in monthly installments of \$22,025 through June 2017. The balance due as of June 30, 2017 is \$-0-. The net book value of the equipment is \$313,417 as of June 30, 2017. The capitalized equipment leases are collateralized by the equipment.

In 2015, the College entered into a capitalized lease obligation for desktops, monitors, laptops and tablets in the amount of \$1,660,537. The lease obligation is at 1.54% and is payable in monthly installments of \$35,693 through February 2019. The balance due as of June 30, 2017 is \$703,928. The net book value of the equipment is \$830,503 as of June 30, 2017. The capitalized equipment leases are collateralized by the equipment.

In 2017, the College entered into a capitalized lease obligation for desktops, monitors, laptops and tablets in the amount of \$1,012,416. The lease obligation is at 2.23% and is payable in monthly installments of \$22,025 through June 2021. The balance due as of June 30, 2017 is \$1,012,416. The capitalized equipment leases are collateralized by the equipment to be purchased.

Operating Leases

The College leases various other facilities throughout the County that are separate from the main campuses and involve commitments that extend into future years. The facilities are used for educational purposes only. The following schedule of future minimum payments lists the obligations for these leases under the column headed "Operating Leases."

Future minimum payments required under other long-term debt and lease obligations existing at June 30, 2017 are as follows:

Years Ending June 30	Loans	Capitalized Leases	Operating Leases	Total
2018	\$ 983,145	\$ 692,622	\$ 376,908	\$ 2,052,675
2019	983,145	549,849	213,773	1,746,767
2020	968,374	264,304	199,859	1,432,537
2021	739,166	264,304	136,448	1,139,918
2022	369,583	-	27,000	396,583
	4,043,413	1,771,079	953,988	6,768,480
Less interest	181,769	54,736	-	236,505
	<u>\$ 3,861,644</u>	<u>\$ 1,716,343</u>	<u>\$ 953,988</u>	<u>\$ 6,531,975</u>

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements

For the years ended June 30, 2017 and 2016

NOTE 7 - CHANGE IN LONG-TERM LIABILITIES

Long-term liabilities transactions activity for the years ended June 30 are as follows:

<u>2017</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Long-term obligations	\$ 72,416,266	\$ 4,905,749	\$ 3,775,415	\$ 73,546,600	\$ <u>4,786,185</u>
Retirement incentive plan	2,692,048	-	946,323	1,745,725	\$ <u>871,923</u>
Due to the Commonwealth of Pennsylvania	138,152	-	78,944	59,208	\$ <u>59,208</u>
Net pension liability	<u>4,937,756</u>	<u>1,033,700</u>	<u>-</u>	<u>5,971,456</u>	\$ <u>-</u>
Total long-term liabilities	\$ <u>80,184,222</u>	\$ <u>5,939,449</u>	\$ <u>4,800,682</u>	\$ <u>81,322,989</u>	
<u>2016</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Long-term obligations	\$ 75,450,686	\$ 937,951	\$ 3,972,371	\$ 72,416,266	\$ <u>4,075,509</u>
Retirement incentive plan	3,615,766	-	923,718	2,692,048	\$ <u>896,723</u>
Due to the Commonwealth of Pennsylvania	419,849	-	281,697	138,152	\$ <u>78,944</u>
Net pension liability	<u>4,041,994</u>	<u>895,762</u>	<u>-</u>	<u>4,937,756</u>	\$ <u>-</u>
Total long-term liabilities	\$ <u>83,528,295</u>	\$ <u>1,833,713</u>	\$ <u>5,177,786</u>	\$ <u>80,184,222</u>	

NOTE 8 - COMPENSATED ABSENCES

The composition of the compensated absences liability as of June 30 is as follows:

	<u>2017</u>	<u>2016</u>
Accrued vacation leave	\$ 1,906,868	\$ 1,909,572
Banked credits	<u>1,133,620</u>	<u>1,132,856</u>
	\$ <u>3,040,488</u>	\$ <u>3,042,428</u>

Banked credits occur when a tenured full-time teaching employee teaches above his/her base course load of 15 credits, he/she can then elect to bank the time instead of receiving overage compensation at that time. The person may later elect to utilize the earned leave to reduce his/her work schedule at 90% of the compensable rate. At time of retirement or separation of employment, any remaining credit will be paid at the overage rate in effect at the time of their accumulation with no accrued interest.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements

For the years ended June 30, 2017 and 2016

NOTE 9 - PENSIONS AND BENEFIT PLANS

Substantially all full-time employees of the College are covered under the Pennsylvania Public School Employees Retirement System (PSERS), the Pennsylvania State Employees Retirement System (SERS), the Teachers Insurance and Annuity Association-College Retirement and Equity Fund (TIAA-CREF) retirement plan, Fidelity Investment Retirement Plan, or Lincoln Financial Retirement Plan. Prior to July 1, 2014, The College recognized annual pension expense equal to its contractually required contributions to the plans and continues to for the TIAA-CREF, Fidelity and Lincoln Financial Plans through June 30, 2017.

About 94.7% of eligible employees participate in TIAA-CREF, Fidelity Investments (Fidelity) or Lincoln Financial plans, which are cost-sharing multiple-employer-defined contribution plans. In a defined contribution plan, benefits depend on amounts contributed to the plan plus investment earnings. Employer and employee contribution rates are established by collective bargaining agreements with the American Federation of Teachers (AFT) and the Service Employees International Union (SEIU). The agreements require contributions by active members and the College. Active members contribute at a rate of 5% of the qualifying compensation and the College contributes at the rate of 5% on the first \$6,000 and 10% on the remaining qualifying compensation. SEIU members have an alternate option to contribute at a rate of 1% of the qualifying compensation instead of the 5% rate and the College would contribute at the rate of 1%. The contributions to the TIAA-CREF, Fidelity and Lincoln Financial plans for the years ended June 30, 2017, 2016 and 2015 were \$4,352,614 and \$4,230,995 and \$4,135,973 from the College and \$2,309,196 and \$2,247,704 and \$2,188,166 from employees, respectively. Employees are vested immediately in all of their contributions and the College's contributions.

The PSERS is a governmental cost-sharing multiple-employer defined benefit plan in which about 4.2% of the eligible employees participate. It provides retirement and disability benefits, legislative mandated ad hoc cost-of-living adjustments and health care insurance premium assistance to qualifying annuitants. PSERS issues a comprehensive annual financial report that includes financial statements and RSI for the plan. A copy of the report may be obtained by writing to the Office of Financial Management, Public School Employees' Retirement System, 5 N 5th Street, Harrisburg, Pennsylvania 17101-1905. Article II of the State's Constitution assigns the authority to establish and amend the benefit provisions of the plan to the General Assembly. The contribution policy for PSERS is established in the Public School Employees' Retirement Code and requires contributions by active members, the College and the Commonwealth of Pennsylvania.

Active members contribute at a rate of 6.5%, 7.5% or 10.3% of their qualifying compensation. The contribution rate for the College and the Commonwealth is an actuarially determined rate. The rate for the years ended June 30 2017, 2016 and 2015 is 25.0%, 25.0% and 20.5%, respectively, of annual covered payroll for each. The College's contributions to PSERS for the years ended June 30, 2017, 2016 and 2015 were \$349,469 and \$251,307 and \$192,681, respectively, equal to the required contractual contribution. At the time of transition to GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, there was no pension liability or asset.

SERS is a governmental cost-sharing multiple-employer defined benefit plan in which about 1.1% of eligible employees participate. It provides retirement, death and disability benefits and legislative mandated ad hoc cost-of-living adjustments. Article II of the Commonwealth of Pennsylvania's Assembly, SERS issues a publicly available annual financial report that includes financial statements and requires supplementary information for the plan. A copy of the report may be obtained by writing to Pennsylvania State Employees' Retirement System, 30 North 3rd Street, Suite 150, Harrisburg, PA 17101. The contribution policy for SERS, as established by SERS's Board, requires contributions by active members and the College. Active members contribute at a rate of 6.25% or 9.3% of their qualifying compensation.

The contribution rate for the College and Commonwealth is an actuarially determined rate, which varies by class of employee for the following years ended June 30, 2017, 2016 and 2015: 23.96% or 20.70%, 19.92% or 17.18% and 15.12% or 13.77% of annual covered payroll for each, respectively. The College's contributions to SERS for the years ended June 30, 2017, 2016 and 2015 were \$251,165, \$165,126 and \$105,687, respectively, equal to the required contractual contribution. At the time of transition to GASB Statement No. 27, there was no pension liability or asset.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements

For the years ended June 30, 2017 and 2016

NOTE 9 - PENSIONS AND BENEFIT PLANS (Continued)

Retirement Incentive Plan

The College offered a voluntary Retirement Incentive Plan (RIP) approved by the Board of Trustees for a limited time from March 6, 2014 to June 2, 2014 to realize budgetary savings in fiscal year 2015 and subsequent years by reducing salary and benefit expenses. Through the RIP, the College offered retirement incentives to eligible employees. Eighty-six employees elected to participate in the RIP. An employee was eligible to receive retirement incentive benefits if the employee met each of the following conditions:

- The employee had completed at least 20 years of service with the College as of June 30, 2014;
- The employee was at least 60 years old as of June 30, 2014;
- The effective date of the employee's retirement was no earlier than June 30, 2014 and no later than August 1, 2014;
- The employee completed, signed and returned a retirement election and general release form to the Human Resources office on or before the close of business June 2, 2014; and
- The employee did not revoke the retirement election and general release form in writing within seven calendar days after signing it.

Employees who retired and met the eligibility criteria above shall receive the following, in addition to their normal retirement benefits:

- A cash severance payment equal to one week of the eligible employee's earnings multiplied by the employee's total years of service. The employee chose a lump-sum payment, which was paid on September 2, 2014, or elected to receive the severance payment in five equal annual installments according to the following schedule:

Payment	Date
Installment #1	September 2, 2014
Installment #2	September 1, 2015
Installment #3	September 1, 2016
Installment #4	September 1, 2017
Installment #5	September 1, 2018

- A supplemental severance payment equal to \$6,500 per year for a period of five years following the effective date of retirement. The supplemental severance benefit will be paid in installments, according to the schedule above.
- Eligible employees may elect to remain enrolled in the College's group health, dental and vision insurance plans, provided that the employee pays the full monthly premiums for such coverage.
- Eligible employees may enroll in the College's credit or state-reimbursable non-credit classes, on a space available basis, following retirement and without payment of applicable tuition. Eligible employees who enroll on a tuition-free basis will be required to pay appropriate fees associated with enrolled courses or programs. No liability existed for this benefit as of June 30, 2014. The College will expense the cost of this benefit in the period it is incurred.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements

For the years ended June 30, 2017 and 2016

NOTE 9 - PENSIONS AND BENEFIT PLANS (Continued)

Employees will not be eligible for the benefits if any of the following apply:

- The employee is a former employee of the College who retired or resigned effective as of a date prior to June 30, 2014;
- The employee's employment with the College is involuntarily terminated for cause, as determined in the sole discretion of the College; or
- The employee's employment with the College is terminated as a result of the employee's death or disability.

As of June 30, 2017, the College has a total liability of \$1,745,725 relative to existing Plan agreements with the College's employees covered by PSERS, SERS and TIAA-CREF.

The liability as of June 30, 2017 can be broken into the required payments as shown below at current cost:

Fiscal Year	Planned Severance Payments
2018	\$ 871,923
2019	873,802
	<u>\$ 1,745,725</u>

NOTE 10 - SERS AND PSERS DEFINED BENEFIT PLANS

SERS Plan Description

SERS - is the administrator of a cost-sharing multiple-employer defined benefit pension plan established by the Commonwealth of Pennsylvania (Commonwealth) to provide pension benefits for employees of state government and certain independent agencies. SERS is a component unit of the Commonwealth and is included in the Commonwealth's financial report as a pension trust fund.

Membership in SERS is mandatory for most state employees. Members and employees of the Pennsylvania General Assembly, certain elected or appointed officials in the executive branch, department heads and certain employees in the field of education are not required, but are given the option to participate.

Section 5507 of the State Employees' Retirement Code (SERC) (71 Pa. C.S. §5507) requires the Commonwealth and other employers whose employees are SERS members to make contributions to the fund on behalf of all active members and annuitants necessary to fund the liabilities and provide the annuity reserves required to pay benefits. SERS funding policy, as set by the SERS board, provides for periodic active member contributions at statutory rates. The SERS funding policy also provides for periodic employer contributions at actuarially determined rates based on SERS funding valuation, expressed as a percentage of annual retirement covered payroll, such that they, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due. However, Act 2010-120 imposes rate increase collars (limits on annual rate increases) on employer contributions. The collar for Commonwealth's fiscal year 2015 was 4.5% and will remain at that rate until no longer needed.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements

For the years ended June 30, 2017 and 2016

NOTE 10 - SERS AND PSERS DEFINED BENEFIT PLANS (Continued)

PSERS Plan Description

PSERS - Public School Employees' Retirement System (PSERS) is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in PSERS include 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. Public School Employees' Retirement Board is established by state law as an independent administrative board of the Commonwealth. The Public School Employees' Retirement Board exercises control and management of PSERS, including the investment of its assets. Changes in benefit and contribution provisions for the retirement plan must be made by legislation.

SERS Benefits Provided

SERS - provides retirement, disability and death benefits. Article II of the Commonwealth's constitution assigns the authority to establish and amend the benefit provision of the plan to the Pennsylvania General Assembly. Member retirement benefits are determined by taking years of credited service, multiplied by final average salary, multiplied by 2.5% or 2%, depending on the membership class, multiplied by years of service multiplier. According to the SERC, all obligations of SERS will be assumed by the Commonwealth should SERS terminate.

Members are eligible for monthly retirement benefits upon the membership class information noted below. Membership Class A-3 (Class A-3) includes all eligible employees hired after December 31, 2010, except members of the judiciary. Certain groups have effective dates after December 31, 2010 that are tied to the expiration of collective bargaining agreements. Membership Class A-4 (Class A-4) is the same as Class A-3 except that this class is for members who elect to pay a higher member contribution amount and receive a higher benefit. Membership Class AA includes all employees hired after June 30, 2001 but prior to January 1, 2011, except State police officers, members of the judiciary and legislators, and employees hired before July 1, 2001, who elected Class AA by December 31, 2001. To qualify for normal retirement, Class A-3 and Class A-4 members must work until age 65 with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits for Class AA and Class A-4 are equal to 2.5% of the high three-year final average salary (FAS) of the member multiplied by the number of years and fractions of credited service. To qualify for normal retirement, Class AA and Class A members must work until age 60 with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits for Class A and Class A-3 are equal to 2% of the high 3 year FAS of the member multiplied by the years and fractions of credited service. Members who have 41 or more years of combined Class A-3, A-4, A and AA service are entitled to a supplemental benefit ranging from 2% of the applicable single life annuity for members with 41 years of service to 10% of the applicable single life annuity for members with 45 or more years of service. The benefit for a member who works past age 70 is at least equal to a benefit that is the actuarial equivalent of the prior year's benefit. All Class A-3 and A-4 members have a vested entitlement after 10 years of credited service. All other classes are vested after five years of credited service.

The disability benefit is equal to the benefit calculated as of normal retirement age, based on years of credited service at disability, if the result is greater than or equal to 33 1/3% of FAS at time of disability. If the benefit so calculated is less than 33 1/3% of FAS, the disability benefit is equal to the smaller of:

- a. The benefit calculated as of normal retirement age based on service projected to retirement date; or
- b. 33 1/3% of FAS at time of disability.

For service-connected disabilities, the disability benefit payable will be increased, as needed, so that the sum of the plan benefit and the benefits paid or payable under the Workers' Compensation Act, The Pennsylvania Occupational Disease Act and the Social Security Act equals 70% of FAS.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements

For the years ended June 30, 2017 and 2016

NOTE 10 - SERS AND PSERS DEFINED BENEFIT PLANS (Continued)

A member is eligible for death benefits prior to retirement if the member is under the age of 60 and has five years of credited service for those in Class A and AA and under the age of 65 and has 10 years of credited service for those in Class A-3 and A-4 or has reached the age of 60 for members in Class A and AA (or age 65 for members in Class A-3 and A-4) with three years of credited state service. A member who elects the maximum single life annuity is entitled to a refund of the unpaid balance of the accumulated member contributions and interest at the time of retirement. A member may elect one of several optional reduced pensions in lieu of the maximum single life annuity to provide additional death benefit protection. The optional forms of benefit are actuarially equivalent to the maximum single life annuity benefit using 4.0% interest per annum, compounded annually, and several actuarial equivalence factors.

PSERS Benefits Provided

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

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

SERS Member Contributions

Regular member contributions for Class A-3 and Class AA are equal to 6.25% of total compensation, for Class A-4 contributions are equal to 9.30% of total compensation and Class A contributions are equal to 5.00% of total compensation.

Any member who elects the Social Security Integration Credit pays 5.00% of any salary in excess of the amount of salary covered by social Security during the year for which contributions are being made. A member electing to end additional contributions is ineligible to make future contributions or accrue future benefits. Class A and AA members may elect to waive future contributions on an annual basis if their maximum single life annuity exceeds 110% of their highest calendar year compensation.

PSERS Member Contributions

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.5% (Membership Class T-D) of the member's qualifying compensation.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements
For the years ended June 30, 2017 and 2016

NOTE 10 - SERS AND PSERS DEFINED BENEFIT PLANS (Continued)

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.5% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.5% (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 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011 who elect Class T-F membership contribute at 10.3% (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 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

SERS Employer Contributions

The employers contractually required contribution rates for SERS for fiscal years ended December 31, 2016 and 2015 were as follows:

Class/Description	Category Description	Employer Contribution Rate
A3/A4 Effective 1/1/2011	All others with age 65 retirement	20.70%
A	All others with a retirement age of 60	23.96%
AA	All others with a retirement age of 60	29.95%

The percentages above were 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. The College's contributions to SERS for the years ended June 30, 2017, 2016 and 2015 were \$192,720, \$165,126 and \$105,687, respectively, equal to the required contractual contributions.

PSERS Employer Contributions

The employer's contractually required contribution rate for PSERS was 29.2% and 25.0% of covered payroll for fiscal years ended June 30, 2017 and 2016, respectively. This amount was 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. Per section 8327 of the PSERS Retirement Code, the Commonwealth is required to contribute 50% of the above-stated contribution rate directly to PSERS on behalf of the employer. The College's contributions to PSERS for the years ended June 30, 2017, 2016 and 2015 were \$349,367, \$251,307 and \$192,681, respectively, equal to the required contractual contributions.

Combined Net Pension Liability and Proportionate Share

At June 30, the College reported a liability for its proportionate share of the net pension liability of SERS and PSERS. The amount recognized by the College as its proportionate share was as follows:

Plan	Measurement Date	Net Pension Liability		Proportionate Share	
		2017	2016	2017	2016
SERS	December 31	\$ 2,353,456	\$ 1,992,756	0.01222%	0.01096%
PSERS	June 30	3,618,000	2,945,000	0.00730%	0.00680%
	Net Pension Liability	\$ 5,971,456	\$ 4,937,756		

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements
For the years ended June 30, 2017 and 2016

NOTE 10 - SERS AND PSERS DEFINED BENEFIT PLANS (Continued)

SERS Proportionate Share

The net pension liability relative to SERS was measured as of December 31, 2016 and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of December 31, 2015 to December 31, 2016. The employer's portion 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 December 31, 2016, the employer's proportion share of the net pension liability was 0.01222%, which was an increase of 0.00126% from the proportion measured as of December 31, 2015.

PSERS Proportionate Share

At June 30, 2017 and 2016, the College reported a liability for its proportionate share of the net pension liability that reflected a decrease for Commonwealth pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the College are in the table above.

The net pension liability relative to PSERS was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The College's portion of the net pension liability was calculated utilizing the College's one-year reported covered payroll as it relates to the total one-year reported covered payroll. As of the measurement date of June 30, 2016, the College's proportionate share of the net pension liability was 0.00730%, which was an increase of 0.00050% from the proportion measured as of June 30, 2015. The College's proportionate share of the net pension liability was \$3,618,000 and \$2,945,000 at June 30, 2017 and 2016, respectively. These amounts were recognized by the College in its June 30, 2017 and 2016 statements of net position.

The Commonwealth of Pennsylvania (Pennsylvania) is required to contribute 50% of the College's contribution directly to PSERS on behalf of the College. The total of the collective net pension liability relative to PSERS that is associated with the College as of the respective measurement date of June 30, 2017 and 2016 is as follows:

	2017	2016
College	\$ 3,618,000	\$ 2,945,000
Pennsylvania	3,618,000	2,945,000
	<u>\$ 7,236,000</u>	<u>\$ 5,890,000</u>

Combined Deferred Outflows of Resources and Deferred Inflows of Resources

For the years ended June 30, 2017 and 2016, the College recognized pension expense of \$741,767 and \$87,170, respectively. At June 30, 2017, employer contributions payable was \$38,658 payable for PSERS. At June 30, 2016, employer contributions payable was \$26,803 payable for PSERS. These amounts were for the legally required contributions to the plans.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements

For the years ended June 30, 2017 and 2016

NOTE 10 - SERS AND PSERS DEFINED BENEFIT PLANS (Continued)

At June 30, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017		2016	
	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows Resources</u>
Difference between expected and actual experience	\$ 52,655	\$ 33,972	\$ 12,000	\$ 40,351
Changes in assumptions	-	274,752	-	59,203
Net differences between projected and actual investment earnings	-	398,785	6,000	202,899
Changes in proportions	240,154	498,564	238,368	185,806
Difference between employer contributions and proportionate share of total contributions	49,710	11,769	102,222	49,447
Contributions subsequent to the measurement date	-	461,891	-	346,109
	<u>\$ 342,519</u>	<u>\$ 1,679,733</u>	<u>\$ 358,590</u>	<u>\$ 883,815</u>

The \$461,891 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

SERS Deferred Outflows of Resources and Deferred Inflows of Resources

The components of deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual investment earnings on investments, are amortized into pension expenses over a 5.2-year closed period, which reflects the weighted average remaining service life of all SERS members, beginning the year in which the deferred amount occurs (current year). The components of deferred outflow of resources and deferred inflows of resources were amortized into pension expense over a 5.6-year closed period in the prior period. The annual difference between the projected and actual earnings on SERS investments is amortized over a five-year closed period beginning the year in which the difference occurs (current year).

PSERS Deferred Outflows of Resources and Deferred Inflows of Resources

The components of deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual investment earnings on investments, are amortized into pension expenses over 5.0 years, which is the average expected remaining service lives of active and inactive members. The components of deferred outflow of resources and deferred inflows of resources were amortized into pension expense over 5.15 years in the prior period. The annual difference between the projected and actual earnings on PSERS investments is amortized over a five-year period.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements

For the years ended June 30, 2017 and 2016

NOTE 10 - SERS AND PSERS DEFINED BENEFIT PLANS (Continued)

Combined Future Period Deferred Outflows of Resources and Deferred Inflows of Resources

The amounts of deferred outflows of resources and deferred inflows of resources related to the above items that will be recognized in pension expense in future periods as of June 30 are as follows:

June 30, 2017					
Fiscal Year	SERS		PSERS		
	Deferred Inflows	Deferred Outflows	Deferred Inflows	Deferred Outflows	
2018	\$ 83,680	\$ 201,970	-	\$ 78,000	
2019	83,680	201,970	-	78,000	
2020	56,942	187,999	-	157,000	
2021	16,848	81,979	-	120,000	
2022	3,369	11,924	-	-	

June 30, 2016					
Fiscal Year	SERS		PSERS		
	Deferred Inflows	Deferred Outflows	Deferred Inflows	Deferred Outflows	
2017	\$ 66,832	\$ 125,561	\$ 40,000	-	
2018	66,832	125,561	40,000	-	
2019	66,832	125,561	40,000	-	
2020	40,094	113,031	-	\$ 35,000	
2021	-	13,992	-	-	

SERS Actuarial Assumptions

The total pension liability as of December 31, 2016 was determined by rolling forward the SERS's total pension liability as of the December 31, 2015 actuarial valuation to the December 31, 2016 valuation using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age for 2016 and 2015.
- Investment return - 7.25% and 7.50% net of expenses for 2016 and 2015, respectively, including inflation of 2.60% and 2.75% for 2016 and 2015, respectively.
- Salary increases - Average of 5.60%, with range of 3.70% to 8.90%, including inflation for 2016. Average of 5.70%, with range of 3.85% to 9.05%, including inflation for 2015.
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females for 2016 and 2015.
- Amortization method - Used straight-line amortization of investments over a five-year period, and amortized assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits for 2016 and 2015.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements
For the years ended June 30, 2017 and 2016

NOTE 10 - SERS AND PSERS DEFINED BENEFIT PLANS (Continued)

- Asset valuation method - Fair market value for 2016 and 2015.
- Cost-of-Living Adjustments (COLA) - Provided ad hoc at the discretion of the General Assembly, none were provided during 2015 and 2016.

The actuarial assumptions used in the December 31, 2016 and 2015 valuation were based on the experience study that was performed for the five-year period ended December 31, 2015. The recommended assumption changes based on this experience study were adopted by the SERS Board at its April 2017 Board meeting. The SERS Board approved the recommendations of the actuary, and the new assumptions were first used in the December 31, 2016 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, are summarized in the following table:

Asset Class	2016		2015	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Alternate investments	16%	8.00%	15%	8.50%
Global public equity	43%	5.30%	40%	5.40%
Real assets	12%	5.44%	17%	4.95%
Diversifying assets	12%	4.75%	10%	5.00%
Fixed income	14%	1.63%	15%	1.50%
Liquidity reserve	3%	(0.25%)	3%	0.00%
	100%		100%	

PSERS Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level percentage of pay for 2016 and 2015.
- Investment return - 7.25% and 7.50% includes inflation at 2.75% and 3.0% for 2016 and 2015, respectively.
- Salary increases - For 2016, effective average of 5.0%, which reflects an allowance for inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases. For 2015, effective average of 5.5%, which reflects an allowance for inflation of 3.0%, real wage growth of 2.5% for real wage growth and for merit or seniority increases

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements

For the years ended June 30, 2017 and 2016

NOTE 10 - SERS AND PSERS DEFINED BENEFIT PLANS (Continued)

- Mortality - For 2016, mortality rates were based on the RP-2014 Mortality Tables for males and Females, adjusted to reflect PSERS's experience and projected using a modified version of MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS's experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For 2015, mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.
- Amortization method - Level dollar, open for 2016 and 2015.
- Asset valuation method - 10-year smoothed market for 2016 and 2015.
- COLA - provided from the annuity reserve account, none were provided during 2015 and 2016

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

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

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

Asset Class	2016		2015	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	22.5%	5.3%	22%	4.8%
Private markets (equity)	-	-	15%	6.6%
Private real estate	12.0%	4.0%	12%	4.5%
Global fixed income	28.5%	2.1%	8%	2.4%
U.S. long treasuries	-	-	3%	1.4%
TIPS	-	-	12%	1.1%
High yield bonds	-	-	6%	3.3%
Cash	3.0%	0.2%	3%	0.7%
Absolute return	10.0%	3.3%	10%	4.9%
Risk parity	10.0%	3.9%	10%	3.7%
MLPs/Infrastructure	5.0%	4.8%	5%	5.2%
Alternative investments	15.0%	6.6%	-	-
Commodities	8.0%	2.5%	8%	3.1%
Financing (LIBOR)	(14.0)%	0.5%	(14%)	1.1%
	<u>100.0%</u>		<u>1000%</u>	

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements

For the years ended June 30, 2017 and 2016

NOTE 10 - SERS AND PSERS DEFINED BENEFIT PLANS (Continued)

The above was the PSERS Board's adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2016 and June 30, 2015.

Combined Discount Rate

The discount rate used to measure the total pension liability for SERS and PSERS was 7.25% for 2017 and 2016. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable for each member and that employer contributions will be made based on rates determined by the actuary. Based on those assumptions, fiduciary net position was projected to be available to make all projected future benefit payments of current active and non-active members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension liability.

Combined 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 at June 30, 2017 and 2016, calculated using the discount rate of 7.25% and 7.50%, respectively, 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% and 6.50%) or 1 percentage point higher (8.25% and 8.50%) than the current rate:

	1% Decrease 6.25% and 6.50%	Current Discount Rate 7.25% and 7.50%	1% Increase 8.25% and 8.50%
2017 SERS College's proportionate share of the net pension liability	\$ 2,912,511	\$ 2,353,456	\$ 1,874,706
2017 PSERS College's proportionate share of the net pension liability	4,425,000	3,618,000	2,939,000
2016 SERS College's proportionate share of the net pension liability	2,475,380	1,992,757	1,578,935
2016 PSERS College's proportionate share of the net pension liability	3,631,000	2,945,000	2,370,000

SERS Pension Plan Fiduciary Net Position

Detailed information about SERS's fiduciary net position, plan's basis of accounting and information about the substance and magnitude of significant changes that have occurred is available in SERS Comprehensive Annual Financial Report which can be found on the System's website at www.sers.pa.gov

PSERS Pension Plan Fiduciary Net Position

Detailed information about PSERS's fiduciary net position, plan's basis of accounting and information about the substance and magnitude of significant changes that have occurred is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.state.pa.us

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to Basic Financial Statements

For the years ended June 30, 2017 and 2016

NOTE 11 - EDUCATIONAL FOUNDATION

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. It is governed by its own Board of Directors whose members represent the broad-based corporate and community interests of the County. The Foundation's Board of Directors forms policy and maintains fiscal accountability over funds administered by the Foundation. Although the College does not control the timing or amount of receipts from the

Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is therefore discretely presented with the College's financial statements in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No. 14*. Based on the Foundation's audited financial statements as of June 30, 2017 and 2016, the Foundation's net assets totaled \$9,858,835 and \$9,071,893, respectively. Complete financial statements for the Foundation can be obtained from Ms. Roseann DiCola, Executive Director of Foundation, 808 Ridge Avenue, Pittsburgh, Pennsylvania 15212-6097.

NOTE 12 - CONTINGENCIES

The nature of the educational industry is such that, from time to time, the College is exposed to various risks of loss related to torts; alleged negligence; acts of discrimination; breach of contract; disagreements arising from the interpretation of laws or regulations; theft of; damage to; and destruction of assets; errors and omissions; injuries to employees; and natural disasters. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system. In addition, the College's liability associated with some claims may be negated or substantially reduced by the governmental or sovereign immunity afforded to it through the Tort Claims Act. The College has not reduced any of its insurance coverage from the prior year and settled claims have not significantly exceeded the College's coverage in any of the past three years. The College does not participate in any public entity risk pools and does not retain risk related to any aforementioned exposure, except for those amounts incurred relative to policy deductibles that are not significant.

Litigation

During the normal course of its operations, the College has been named as a defendant in certain legal actions and claims. The College's management is of the opinion that the disposition of these legal actions and claims will not have a material adverse effect on the financial condition of the College. The College purchases commercial insurance to cover certain potential losses. The amount of settlement has not exceeded insurance coverage in fiscal years ended June 30, 2017 and 2016.

Grants

The College received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the College. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position, operations or cash flows of the College at June 30, 2017 and 2016.

Pollution Remediation

In accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, the College is required to recognize and disclose estimated costs for cleanup of pollution that the College might have an obligation to remediate. The pollution remediation liability is estimated by reviewing the current status of known polluted sites and developing estimates of cleanup costs. These estimates are subject to change due to improvements in technology, inflation, changes in the scope of work and the pursuit of reimbursement from other responsible parties. Pursuant to this accounting pronouncement, the College does not have any known remediation obligations. Accordingly, no recorded liabilities exist as of June 30, 2017 and 2016.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY
Notes to Basic Financial Statements
For the years ended June 30, 2017 and 2016

NOTE 13 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

Expenses by natural classification for the years ended June 30 are as follows:

	2017					
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarship and Fellowships	Depreciation and Amortization
Instruction	\$ 37,038,979	\$ 8,367,405	\$ 3,978,112	-	-	\$ 49,384,496
Academic support	6,361,582	2,104,063	982,700	-	-	9,448,345
Student services and activities	9,185,169	3,113,727	1,650,546	-	-	13,949,442
Institutional support	13,039,060	3,754,872	7,009,076	1,000	-	23,804,008
Plant operations						
and maintenance	5,429,730	2,157,369	3,638,136	4,014,220	-	15,239,455
Student aid	-	-	-	-	\$ 7,115,021	7,115,021
Depreciation and amortization	-	-	-	-	-	7,891,663
Auxiliary enterprise	-	-	68,172	-	-	68,172
	<u>\$ 71,054,520</u>	<u>\$ 19,497,436</u>	<u>\$ 17,326,742</u>	<u>\$ 4,015,220</u>	<u>\$ 7,115,021</u>	<u>\$ 126,900,602</u>
	2016					
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarship and Fellowships	Depreciation and Amortization
Instruction	\$ 35,423,705	\$ 7,115,902	\$ 2,348,388	\$ 2,773	-	\$ 44,890,768
Academic support	6,041,659	1,795,417	946,272	7,863	-	8,791,211
Student services and activities	8,523,953	2,533,607	1,744,857	-	-	12,802,417
Institutional support	12,812,818	3,836,544	6,276,225	-	-	22,925,587
Plant operations						
and maintenance	5,308,938	1,898,775	3,359,828	4,120,930	-	14,688,471
Student aid	-	-	-	-	\$ 6,026,214	6,026,214
Depreciation and amortization	-	-	-	-	-	7,670,353
Auxiliary enterprise	-	-	71,236	-	-	71,236
	<u>\$ 68,111,073</u>	<u>\$ 17,180,245</u>	<u>\$ 14,746,806</u>	<u>\$ 4,131,566</u>	<u>\$ 6,026,214</u>	<u>\$ 117,866,257</u>

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to the Basic Financial Statements
For the years ended June 30, 2017 and 2016

NOTE 14 - COMPONENT UNIT FINANCIAL STATEMENTS AND DISCLOSURES

The following are the notes taken directly from the Foundation's audited financial statements:

1. Significant Accounting Policies

Organization

The Community College of Allegheny County Educational Foundation (Foundation) is a nonprofit organization. The purpose of the Foundation is to meet benefactor's goals and to provide resources to the Community College of Allegheny County (College) for comprehensive training programs, scholarships and capital improvements. The majority of contributions are received from donors located in Western Pennsylvania.

Reporting Entity

The Foundation is a component unit of the College, as it raises and holds economic resources for the direct benefit of the College.

Basis of Accounting

The Foundation's policy is to prepare its financial statements on the accrual basis of accounting. Under this basis, revenues are recognized when earned and expenses are recognized when incurred. Unconditional promises to give are recorded as received as either unrestricted or temporarily restricted support dependent upon the existence of a donor-imposed restriction. When a donor restriction expires (that is, when a purpose or time restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Financial Statement Presentation

Assets, liabilities, and net assets of the Foundation are reported in three self-balancing net asset classes as follows:

Unrestricted - accounts for unrestricted and board-designated resources, which are not subject to restrictions imposed by contributors or grantors.

Temporarily Restricted - accounts for assets whose use is limited by stipulations imposed by contributors or grantors until those stipulations are fulfilled and removed by the Foundation's actions. During 2017 and 2016, \$1,523,464 and \$1,917,945, respectively, of net assets were released from donor restrictions by incurring expenses that satisfied the restricted purpose.

Permanently Restricted - accounts for assets whose use of principal is restricted indefinitely by stipulations imposed by contributors or donors. Income earned on permanently restricted assets is recorded as unrestricted income.

Cash

Cash includes cash on hand and in-demand deposits. The Foundation maintains its checking account in one commercial bank. At times, the balance has exceeded the Federal Deposit Insurance Corporation amount.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to the Basic Financial Statements
For the years ended June 30, 2017 and 2016

NOTE 14 - COMPONENT UNIT FINANCIAL STATEMENTS AND DISCLOSURES (Continued)

Investments

The Foundation reports investments at fair value with gains and losses included in the statements of activities as further described in Note 2. Realized and unrealized gains or losses are determined based on specific identification by comparison of asset cost to net proceeds received at the time of disposal or changes in the difference between fair values and cost, respectively. Realized and unrealized gains or losses are reflected in the applicable unrestricted, temporarily, or permanently restricted net assets.

Risks and Uncertainties

Concentration of credit risk for investments in marketable securities is mitigated by both the distribution of investment funds among asset managers and the overall diversification of managed investment portfolios. Investment securities are also exposed to various other risks such as interest rate and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near-term and that such change could materially affect the amount reported on the statements of financial position.

Fixed Assets

Fixed assets are recorded at cost at the time of purchase or fair market value at the time of donation. Expenses for maintenance, repairs and minor renewals are charged to expense as incurred. There is no minimum value assigned to determine depreciable assets. Depreciation of owned assets is computed on the straight-line method over the estimated useful lives as follows:

Furniture and fixtures	10 years
Computer equipment	5 years
Computer software	3 years
Other equipment	7 years

Deferred Revenue

The Foundation received revenue in advance for the sponsorship agreement with the Coca-Cola Bottling Group as further described in Note 8. Such amount is recorded as deferred revenues and will be recognized in future years when earned.

Use of Estimates in the Preparation of Financial Statements

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

Concentrations

The Foundation is primarily operated for the benefit of the College within the Allegheny County area. Therefore, any change to the College's existence or economic and demographic influences on this area may impact the Foundation's existence.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to the Basic Financial Statements
For the years ended June 30, 2017 and 2016

NOTE 14 - COMPONENT UNIT FINANCIAL STATEMENTS AND DISCLOSURES (Continued)

Unconditional Promises to Give

The Foundation records the receivable for unconditional pledges and corresponding revenue, at estimated net realizable value when the commitment is made. Pledges receivable are recorded based on written commitments of the donors.

Contributed Services

Services contributed to the Foundation that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Contributions of noncash assets are recorded at their estimated fair values in the period received.

Income Taxes

The Internal Revenue Service considers the Foundation exempt from taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has been classified as an organization that is not a private foundation. Further, the Foundation annually files a Form 990.

Pending Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, "Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities," which aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The ASU changes the net asset classification, requires presentation of expenses both by nature and function, requires investment return reported net of investment expenses, requires placed-in-service approach for gifts of/for long-lived assets and provides enhanced disclosures for: government body restrictions; composition of net assets with donor restrictions; qualitative and quantitative information on liquidity; methods to allocate costs among program and support functions; and underwater donor restricted endowment. The changes in the standard are effective for annual financial statements issued for fiscal years beginning after December 15, 2017 (the Foundation's fiscal year ending June 30, 2019). The Foundation is in the process of determining the impact of the adoption of this guidance on its financial statements.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

2. Investments

Investment income (loss) for the years ended June 30 are summarized as follows:

	2017	2016
Interest and dividend income	\$ 160,763	\$ 142,937
Net realized and unrealized gain	766,285	(181,203)
	\$ 927,048	\$ (38,266)

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to the Basic Financial Statements
For the years ended June 30, 2017 and 2016

NOTE 14 - COMPONENT UNIT FINANCIAL STATEMENTS AND DISCLOSURES (Continued)

Fair Value Hierarchy

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for Level 2 investments are determined by reference to quoted prices for similar investments in active markets. Level 3 investments have significant unobservable inputs, as they trade infrequently or not at all. Fair values for Level 3 financial instruments are determined by significant unobservable inputs, including the Foundation's own assumptions in determining the fair value of financial instruments.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for Level 3 assets measured at fair value at June 30, 2016. The Level 3 investment was sold during the year ended June 30, 2017 when the Foundation changed investment institutions.

Mellon Optima L/S Strategy FD LLC: Mellon Optima Fund is a closed-end, non-diversified, hedge fund. The fund was valued at the net asset value (NAV) of units of a collective fund as reported to the Foundation, as of June 30, 2016. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. The NAV is based on the Mellon Optima L/S Strategy FD LLC net assets divided by the total of all participants' units. The value of the assets of the trust, as well as the value of a unit in the trust, is determined daily. Participant contributions or withdrawals may occur at any time, but are based upon the most recent calculated value. For Level 3 items, the Foundation's valuation is determined in good faith by the hedge fund administrators as provided by the custodian, as they have no significant observable inputs. Quantitative unobservable inputs of Level 3 items are not developed by the Foundation for measuring fair value.

Fair values of assets measured on a recurring basis at June 30 are as follows:

	Fair Value Measurement at Reporting Date			
	June 30, 2017	Level 1	Level 2	Level 3
Equities:				
Domestic stocks	\$ 581,903	\$ 581,903		
Foreign stocks	903,322	903,322		
Other equity	6,969		\$ 6,969	
Mutual funds:				
Fixed income	1,201,988	1,201,988		
Real Estate	155,055	155,055		
ETF funds	5,663,499	5,663,499		
Alternative investments	399,499	399,499		
Money market funds	672,349	672,349		
Totals	\$ 9,584,584	\$ 9,577,615	\$ 6,969	

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to the Basic Financial Statements
For the years ended June 30, 2017 and 2016

NOTE 14 - COMPONENT UNIT FINANCIAL STATEMENTS AND DISCLOSURES (Continued)

	June 30, 2016	Fair Value Measurement at Reporting Date		
		Level 1	Level 2	Level 3
Equities:				
U.S. large cap	\$ 2,481,304	\$ 2,481,304		
U.S. mid cap	353,864	353,864		
U.S. small cap	279,557	279,557		
International-developed	552,067	552,067		
Emerging markets	326,265	326,265		
Other equity	146,834	146,834		
Fixed income:				
Taxable	2,605,140	2,605,140		
Alternative investments	644,224	403,380		\$ 204,844
Balance funds	1,052,615	1,052,615		
Cash and cash equivalents	14,937	14,937		
Totals	\$ 4,316,916	\$ 4,076,072		\$ 204,844

3. Contributed Services

Under an agreement with the College, the Foundation is provided office space and administrative assistance at no cost. The Foundation considers these amounts immaterial to record in its financial statements. In addition, the Foundation received other contributed services, consisting mostly of payroll and payroll related expenses, in the amount of \$319,081 and \$323,993 during 2017 and 2016, respectively. The Foundation's policy is to record these contributed services as support and expense in its financial statements.

4. Net Assets

Temporarily restricted net assets at June 30, 2017 and 2016 of \$1,564,991 and \$1,219,025, respectively, are available for educational and related purposes as designated by the donor. These funds are to be used specifically for projects of the College and for scholarships of students that attend the College.

Permanently restricted net assets at June 30, 2017 and 2016 of \$4,365,643 and \$4,161,620, respectively, are to be held in perpetuity as designated by the donor as currently understood by the Foundation. Interest and dividends from these assets are used for scholarships of students and other needs of the Foundation, as directed by the donor.

5. Fixed Assets

Fixed asset balances at June 30 consisted of the following:

	June 30 2016	Additions	Disposals	June 30 2017
Equipment	\$ 25,531			\$ 25,531
Accumulated depreciation	(25,531)			(25,531)
Net fixed assets	\$ -	\$ -	\$ -	\$ -

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to the Basic Financial Statements
For the years ended June 30, 2017 and 2016

NOTE 14 - COMPONENT UNIT FINANCIAL STATEMENTS AND DISCLOSURES (Continued)

	June 30 2015	Additions	Disposals	June 30 2016
Equipment	\$ 25,531			\$ 25,531
Accumulated depreciation	(25,531)			(25,531)
Net fixed assets				

6. Promises to Give

Unconditional promises to give at June 30 are summarized as follows:

	2017	2016
Receivable in less than one year	\$ 132,790	\$ 333,738
Receivable in one to five years	161,620	210,687
Receivable in more than five years		10,000
	294,410	554,425
Less - Allowance for uncollectible promises	30,000	30,000
	\$ 264,410	\$ 524,425

The allowance for uncollectible promises at June 30, 2017 and 2016 is determined by management after review of payment status of existing commitments. The above amounts are recorded at face value, as the effect of a present valuation of the promises to give would be immaterial.

7. Related-Party Transactions

The Foundation pays the College for two employees' services. For these two employees, the Foundation remits funds to the College as reimbursement of salaries, health and life insurance, payroll taxes, and other payroll expenses. The retirement plan of the College is available to these employees, although participation is not mandatory. Payroll and payroll related expenses remitted to the College totaled \$176,175 and \$167,091 for the years ended June 30, 2017 and 2016, respectively.

8. Commitments

During fiscal year 2015, the Foundation entered into a sponsorship agreement with the Coca-Cola Bottling Group (Coca-Cola) granting Coca-Cola the exclusive right to provide beverages for sale and distribution on campus, as well as, at athletic contests, student government activities, booster club activities, and all other special events conducted on the campus for an initial sponsorship fee of \$200,000 and an additional annual fee of \$30,000 during the term of the agreement. The term of the agreement is for the period beginning January 1, 2015 and ending December 31, 2025. In addition, Coca-Cola agrees to contribute \$5,000 annually during the term of the agreement to the Legends in Leadership event, as well as the Golf Outing for a Gold Sponsorship at each event. During the term of this agreement, no competitive products are to be sampled, sold, served, or dispensed anywhere on the campus. The Foundation will recognize revenue from the sponsorship agreement equally over the life of the agreement.

The Foundation received the initial sponsorship fee of \$200,000 in 2015. The fee will be earned equally over the 11-year term of the agreement. As such, \$18,182 will be recognized each year as revenue, with the remaining balance reported as deferred revenue.

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to the Basic Financial Statements
For the years ended June 30, 2017 and 2016

NOTE 14 - COMPONENT UNIT FINANCIAL STATEMENTS AND DISCLOSURES (Continued)

9. Endowment Disclosures

The Foundation's endowment was established for a variety of purposes, including for scholarships, facilities, or unrestricted operating purposes. Its endowment includes both donor-restricted endowment funds and unrestricted funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation has interpreted Pennsylvania State Act 141 of 1998 (Act) 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund and investment income in excess of amounts designated for current operations and losses up to the extent of accumulated gains.

Endowment net asset composition by type of fund at June 30, 2017 and 2016, and changes in endowment net assets for the fiscal year ended June 30, 2017 and 2016 are as follows:

	Unrestricted Board- Designated	Permanently Restricted	Total
Endowment net assets			
Beginning of year 2015	\$ 1,807,521	\$ 3,891,073	\$ 5,698,594
Investment return:			
Investment income	31,673	55,653	87,326
Net depreciation (unrealized and unrealized)	(36,691)	(84,927)	(121,618)
Total investment return	(5,018)	(29,274)	(34,292)
Contributions		270,547	270,547
Other changes:			
Withdrawals	(73,303)		(73,303)
Transfers in		29,274	29,274
Miscellaneous income (expense)	(7,733)		(7,733)
End of year 2016	\$ 1,721,467	\$ 4,161,620	\$ 5,883,087
Investment return:			
Investment income	33,481	64,935	98,416
Net depreciation (unrealized and unrealized)	169,137	378,925	548,062
Total investment return	202,618	443,860	646,478
Contributions		204,023	204,023
Other changes:			
Withdrawals	(78,096)		(78,096)
Transfers in		(443,860)	(443,860)
Miscellaneous income (expense)	(7,090)		(7,090)
End of year 2017	\$ 1,838,899	\$ 4,365,643	\$ 6,204,542

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Notes to the Basic Financial Statements
For the years ended June 30, 2017 and 2016

NOTE 14 - COMPONENT UNIT FINANCIAL STATEMENTS AND DISCLOSURES (Continued)

Permanently restricted funds had investment return of \$443,860 and \$(29,274) during 2017 and 2016, respectively, which is transferred as investment income (loss) in either unrestricted or temporarily restricted funds.

Return Objectives and Risk Parameters

Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The Foundation has adopted policies and guidelines for endowment and restricted funds.

To satisfy its long-term rate-of-return objectives, the Foundation relies on returns in excess of the rate of inflation. The Foundation targets a diversified portfolio of stocks, bonds, and cash equivalent investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy of appropriating for distribution each year, up to 4% of the average market value of the endowment fund for the previous three fiscal years. The presumption is that over the course of multiple years, the average investment returns will meet the objective of providing on-going financial support to the Foundation.

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REQUIRED SUPPLEMENTARY INFORMATION

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Required Supplementary Information
For the years ended June 30, 2017 and 2016

Required Supplementary Information
**Schedule of the College's Proportionate Share of the Net Pension Liability
Pennsylvania State Employees' Retirement System Pension Plan**

	<u>2017</u>	<u>2016</u>
College's proportion of the net pension liability (asset)	0.01222%	0.01096%
College's proportionate share of the net pension liability (asset)	\$ 2,353,456	\$ 1,992,757
College's covered-employee payroll	800,441	748,662
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	294.02%	266.18%
Plan fiduciary net position as a percentage of the total pension liability	57.8%	58.90%

Schedule of College SERS Contributions

	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 192,720	\$ 165,126
Contributions in relation to the contractually required contribution	192,720	165,126
Contribution deficiency (excess)	-	-
College's covered-employee payroll	800,441	748,662
Contributions as a percentage of covered-employee payroll	24.08%	22.06%

**Schedule of the College's Proportionate Share of the Net Pension Liability
Public School Employees' Retirement System**

	<u>2017</u>	<u>2016</u>
College's proportion of the net pension liability (asset)	0.00730 %	0.00680%
College's proportionate share of the net pension liability (asset)	\$ 3,618,000	\$ 2,945,000
Commonwealth of Pennsylvania's proportionate share of the net pension liability (asset)	3,618,000	2,945,000
Total proportionate share of the net pension liability (asset)	\$ <u>7,236,000</u>	\$ <u>5,890,000</u>
College's covered-employee payroll	\$ 950,088	\$ 878,019
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	380.80%	335.41%
Plan fiduciary net position as a percentage of the total pension liability	50.14%	54.36%

Schedule of College PSERS Contributions

	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 349,367	\$ 251,307
Contributions in relation to the contractually required contribution	349,367	251,307
Contribution deficiency (excess)	-	-
College's covered-employee payroll	950,088	878,019
Contributions as a percentage of covered-employee payroll	36.77%	28.62%

COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Required Supplementary Information
For the years ended June 30, 2017 and 2016

Required Supplementary Information (Continued)

Notes to the Required Supplementary Information for the Year Ended June 30, 2016

Changes of benefit terms

There were no changes in benefit terms affecting SERS and PSERS plans for the plan years ended December 31, 2016 and June 30, 2016, respectively.

Changes of assumptions

There were no changes in assumptions or plan amendments affecting SERS and PSERS plans for the plan years ended December 31, 2016 and June 30, 2016, respectively.

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APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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