

In the opinion of Bond Counsel, under existing statutes, regulations and judicial decisions, interest on the Bonds is excluded from gross income for purposes of federal income taxation and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations although in the case of certain corporations and entities treated as corporations for Federal income tax purposes, such interest may be indirectly subject to the alternative minimum tax because of its inclusion in the income reported for financial accounting purposes or earnings and profits of the holder. This opinion of Bond Counsel is subject to continuing compliance by the SPSBA, the Joint Committee and the Participating Districts with the covenants in the Indenture and other documents to comply with requirements of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder.

Bond Counsel is also of the opinion that under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the Bonds are exempt from personal property taxes in the Commonwealth of Pennsylvania and the interest on the Bonds is exempt from the Commonwealth of Pennsylvania Personal Income Tax and the Commonwealth of Pennsylvania Corporate Net Income Tax.

The Bonds are "deemed designated" as "qualified tax exempt obligations" for the purposes and effect contemplated by Section 265 of the Internal Revenue Code of 1986, as amended (relating to expenses and interest relating to tax-exempt income of certain financial institutions).

For further information concerning federal and state tax matters relating to the Bonds, see "Tax Exemption and Other Tax Matters" herein.

\$8,815,000

STATE PUBLIC SCHOOL BUILDING AUTHORITY (Commonwealth of Pennsylvania)

School Lease Revenue Bonds (North Montco Technical Career Center Project), Series of 2015

Dated: March 25, 2015

Interest Due: May 15 and November 15

Principal Due: November 15, as shown on inside cover

First Interest Payment: May 15, 2015

The State Public School Building Authority, School Lease Revenue Bonds (North Montco Technical Career Center Project), Series of 2015 (the "Bonds") in the aggregate principal amount of \$8,815,000 will be issued in registered form in denominations of \$5,000 or any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry only system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein. If, under the circumstances described herein, Bonds are ever issued in certificated form, the Bonds will be subject to registration of transfer, exchange and payment as described herein.

The Bonds will be special limited obligations of the State Public School Building Authority (the "SPSBA or the "Authority") equally and ratably secured under the provisions of an Indenture, dated as of the dated date of the Bonds (the "Indenture") between the Authority and the Wells Fargo Bank, N.A., Philadelphia, Pennsylvania, as trustee. The Indenture provides that the Bonds shall be secured equally and ratably secured by a pledge and assignment by the SPSBA to the Trustee of the sublease rentals payable by the North Montco Vocational Technical School d/b/a The North Montco Technical Career Center (the "School") Area Vocational-Technical Board (the "Technical School Board") under the terms of a sublease agreement dated as of the dated date of the Bonds (the "Sublease"), between the Authority, as lessor, and Methacton School District, North Penn School District, Perkiomen Valley School District, Souderton Area School District and Wissahickon School District (the "Participating Districts") and the Technical School Board, as lessees, by certain funds to be held by the Trustee under the Indenture and by a covenant of guaranty of each of the Participating Districts except Perkiomen Valley School District ("PVSD") contained in the Sublease. Each of the Participating Districts, with the exception of PVSD, has pledged its full faith, credit and taxing power for its proportionate share of the rental payments due under the Sublease. PVSD has not guaranteed and is not responsible for paying, any rentals due under the Sublease or any debt service under the Bonds. The taxing power of each of the Participating Districts (except PVSD) presently includes the power to levy an annual ad valorem tax on all taxable real property and available taxing power located within such Participating District as to rate or amount for the purpose of making payments in respect of such Participating District guaranty of its proportionate share of the rental payments under the Sublease (See "Security" and "Act 1 of Special Session 2006 ("Taxpayer Relief Act")" herein).

THE BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE SPSBA, PAYABLE SOLELY FROM THE RENTALS TO BE RECEIVED FROM EACH OF THE PARTICIPATING DISTRICTS (EXCEPT PVSD) UNDER THE SUBLEASE AND CERTAIN FUNDS THAT MAY BE HELD BY THE TRUSTEE UNDER THE INDENTURE, AS PROVIDED IN THE INDENTURE. NEITHER THE CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN METHACTON SCHOOL DISTRICT, NORTH PENN SCHOOL DISTRICT, SOUDERTON AREA SCHOOL DISTRICT AND WISSAHICKON SCHOOL DISTRICT) IS PLEDGED TO PAY THE PRINCIPAL OF OR INTEREST ON THE BONDS AND THE BONDS SHALL NOT BE DEEMED OBLIGATIONS OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN METHACTON SCHOOL DISTRICT, NORTH PENN SCHOOL DISTRICT, SOUDERTON AREA SCHOOL DISTRICT AND WISSAHICKON SCHOOL DISTRICT), NOR SHALL THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN METHACTON SCHOOL DISTRICT, NORTH PENN SCHOOL DISTRICT, SOUDERTON AREA SCHOOL DISTRICT AND WISSAHICKON SCHOOL DISTRICT) BE LIABLE FOR THE PAYMENT OR THE PRINCIPAL OF OR INTEREST ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER.

The Bonds are subject to redemption prior to maturity as described herein.

Proceeds of the Bonds will be used to currently refund the Authority's outstanding School Lease Revenue Bonds (North Montco Technical Career Center Project), Series of 2010 and pay the costs and expenses related to the issuance of such Bonds.

The Bonds are an authorized investment for fiduciaries in the Commonwealth pursuant to the Pennsylvania Probate, Estate and Fiduciaries Code, Act of June 30, 1972, No. 164, P.L. 508, as amended and supplemented.

MATURITIES, AMOUNTS, RATES AND YIELDS (as shown on inside cover)

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Fox Rothschild LLP, of Blue Bell, Pennsylvania, Bond Counsel, to be furnished upon delivery of the Bonds. Certain other matters will be passed upon for the SPSBA by its Counsel, Buchanan Ingersoll & Rooney PC, Pittsburgh, Pennsylvania, and Fox Rothschild LLP, of Blue Bell, Pennsylvania, Solicitor to the School. Public Financial Management, Inc., Harrisburg, Pennsylvania, will serve as Financial Advisor to the Technical School in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery in New York, New York, on or about March 25, 2015.



\$8,815,000
STATE PUBLIC SCHOOL BUILDING AUTHORITY
(Commonwealth of Pennsylvania)
School Lease Revenue Bonds
(North Montco Technical Career Center Project)
Series of 2015

Dated: March 25, 2015
Interest Due: May 15 and November 15

Principal Due: November 15, as shown below
First Interest Payment: May 15, 2015

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND PRICES

Maturity (Nov. 15)	Principal Amounts	Interest Rates	Initial Offering Yields	Prices
2015	\$205,000	0.300%	0.300%	100.000%
2016	485,000	0.500	0.500	100.000
2017	490,000	2.000	0.880	102.914
2018	510,000	3.000	1.160	106.536
2019	520,000	3.000	1.370	107.300
2020	535,000	2.000	1.580*	102.064
2021	545,000	2.000	1.800*	100.976
2022	560,000	2.000	2.040	99.717
2023	570,000	2.125	2.260	98.944
2024	585,000	2.125	2.340	98.153
2025	595,000	2.250	2.440	98.227
2026	610,000	2.400	2.660	97.410
2027	625,000	2.550	2.770	97.665
2028	640,000	2.650	2.870	97.529
2029	660,000	3.000	3.070	99.177
2030	680,000	3.000	3.170	97.914

*Yield to Optional Redemption Date of May 15, 2020

State Public School Building Authority

Commonwealth of Pennsylvania

MEMBERS OF THE AUTHORITY

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

Honorable Lloyd K. Smucker
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 Mike Turzai
Speaker of the House of Representatives Vice President

Honorable Christopher B. Craig
Executive Deputy State Treasurer Treasurer

Honorable Curtis M. Topper
Acting Secretary of General Services.....Secretary

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

Honorable Eugene A. DePasquale
Auditor General Board Member

Honorable Pedro A. Rivera
Acting Secretary of Education Board Member

EXECUTIVE DIRECTOR

ROBERT BACCON

COUNSEL TO THE AUTHORITY

(Appointed by the Office of General Counsel)
BUCHANAN INGERSOLL & ROONEY PC
Pittsburgh, Pennsylvania

BOND COUNSEL

(Appointed by the Office of General Counsel)
FOX ROTHSCHILD LLP
Blue Bell, Pennsylvania

TRUSTEE

WELLS FARGO BANK, N.A.
Philadelphia, Pennsylvania

AUTHORITY ADDRESS

STATE PUBLIC SCHOOL BUILDING AUTHORITY
1035 Mumma Road
Wormleysburg, Pennsylvania 17043

STATE PUBLIC SCHOOL BUILDING AUTHORITY
(Commonwealth of Pennsylvania)
(North Montco Career Center Project)
(Lansdale, Pennsylvania)

SCHOOL BOARD

Mr. William Brong	Chairperson	Souderton Area School District
Ms. Diana Landes	Vice-Chairperson	Perkiomen Valley School District
Ms. Kim Woodring	Secretary	Methacton School District
Mr. Timothy Kerr	Treasurer	North Penn School District
Mr. Richard Bouher	Member	Perkiomen Valley School District
Mr. Ken Keith	Member	Souderton Area School District
Ms. Suzan Leonard	Member	North Penn School District
Mr. Frank O'Donnell	Member	North Penn School District
Mr. James Phillips	Member	Methacton School District
Mr. Ron Stoloff	Member	Wissahickon School District
Ms. Tracie Walsh	Member	Wissahickon School District

SUPERINTENDENT OF RECORD

DR. CLIFFORD ROGERS

ADMINISTRATIVE DIRECTOR

MICHAEL LUCAS

PRINCIPAL/ASSISTANT DIRECTOR

DR. DAWN LEBLANC

ASSISTANT DIRECTOR

MRS. GINA PARDOVICH

FINANCIAL CONSULTANT

MS. SANDRA EDLING

SOLICITOR

FOX ROTHSCHILD LLP

Blue Bell, Pennsylvania

BOND COUNSEL

FOX ROTHSCHILD LLP

Blue Bell, Pennsylvania

FINANCIAL ADVISOR

PUBLIC FINANCIAL MANAGEMENT, INC.

Harrisburg, Pennsylvania

UNDERWRITER

JANNEY MONTGOMERY SCOTT LLC

Philadelphia, Pennsylvania

TRUSTEE

WELLS FARGO BANK, N.A.

Philadelphia, Pennsylvania

TECHNICAL AND CAREER CENTER ADDRESS

1265 Sumneytown Pike
Lansdale, Pennsylvania 19446

No dealer, broker, salesman or other person has been authorized by the SPSBA, School or the Participating Districts to give information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been obtained from the School, the Participating Districts and from other sources which are believed to be reliable but the SPSBA, the School or the Participating Districts does not guarantee the accuracy or completeness of information from sources other than the SPSBA, the Technical School, or the Participating Districts. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof.

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OFFICIAL STATEMENT
\$8,815,000
STATE PUBLIC SCHOOL BUILDING AUTHORITY
(Commonwealth of Pennsylvania)
School Lease Revenue Bonds (North Montco Technical Career Center Project),
Series of 2015

Introduction

This Official Statement is furnished by the State Public School Building Authority (the “SPSBA or the “Authority”) in connection with the offering of \$8,815,000 aggregate principal amount of State Public School Building Authority, School Lease Revenue Bonds (North Montco Technical Career Center Project), Series of 2015, dated as of March 25, 2015 (the “Bonds”). The Bonds are authorized to be issued pursuant to the State Public School Building Authority Act of 1947, P.L. 1217, as supplemented and amended (the “Act”), a Resolution as adopted February 5, 2015, which approved projects financed thereunder (the “Resolution”) and a Trust Indenture, dated as of March 25, 2015 (the “Indenture”) between the SPSBA and Wells Fargo Bank, N.A., Pennsylvania, as Trustee (the “Trustee”).

The North Montco Vocational-Technical School (d/b/a the North Montco Technical Career Center) (the “School”) is sponsored by Methacton School District, North Penn School District, Perkiomen Valley School District, Souderton Area School District, Wissahickon Area School District, all located in Montgomery County, Pennsylvania and a portion of Bucks County, Pennsylvania (the “Participating Districts”). The land and buildings constituting the School are owned jointly, legally and/or equitably, by the Participating Districts and the School Area Vocation-Technical Board (the “Technical School Board”).

The Participating Districts and the Technical School Board will lease real and personal property of the School (the “Leased Property”) to the SPSBA under a lease (the “Lease”) for a term not less than the maturity of the Bonds, and the SPSBA under the Lease covenants proceeds of the Bonds to be used for the refunding the Authority’s School Lease Revenue Bonds (North Montco Technical Career Center Project), Series of 2010 (the “2010 Bonds”) and pay the costs and expenses related to the issuance of the Bonds (the “Project”). The 2010 Bonds were issued to finance the acquisition, design and construction of renovations, additions and improvements to educational facilities on the Leased Property and costs and expenses related to the issuance of the 2010 Bonds. The SPSBA will sublease to the Technical School Board and the Participating Districts the Leased Property under a Sublease Agreement dated as of March 25, 2015 (the “Sublease”) for rental payments in amounts sufficient to provide for the debt service on the Bonds. Under the Indenture, the SPSBA will pledge and assign to the Trustee the sublease rentals to be paid pursuant to the Sublease. Such Sublease rental payments are pledged by the SPSBA for the benefit of the holders of the Bonds.

The SPSBA is a body corporate and politic created in 1947 by the Act. Under the Act, the SPSBA 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”).

The descriptions and summaries of the Indenture, the Sublease and various other legal documents set forth in this Official Statement do not purport to be comprehensive or definitive and reference is made to each such document for complete details of its terms and conditions; all statements made herein are qualified in their entirety by the terms of such documents.

Copies of the Indenture, the Lease, the Sublease, and other legal documents relating to the Bonds are available upon request from the administrative offices of the School, 1265 Sumnertown Pike, Lansdale, PA, 19446, Attention: Business Manager, or from the offices of the Financial Advisor, Public Financial Management, One Keystone Plaza, Suite 300, N. Front and Market Streets, Harrisburg, Pennsylvania 17101, Attention: Ms. Jamie Doyle.

THE SPSBA

The SPSBA and the Pennsylvania Higher Educational Facilities Authority (PHEFA) share an executive, fiscal and administrative staff, and operate under a joint administrative budget. The SPSBA 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 SPSBA 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 SPSBA in his or her stead. The members of the SPSBA 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 SPSBA are exercised by a governing body consisting of the members of the SPSBA acting as a board.

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

Robert Baccon
Executive Director

Mr. Baccon has served as an executive with the SPSBA 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 SPSBA, 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 are being issued by the SPSBA on behalf of the School and the Participating Districts (except PVSD) pursuant to the Resolution, the Act and the Indenture. The SPSBA has and will continue to issue bonds/notes for other eligible institutions and projects in Pennsylvania. **None of the revenues of the SPSBA pledged to payment of the Bonds will be pledged to the payment of such other bonds/notes.**

Except for any Additional Bonds, none of the revenues of the SPSBA with respect to any of the revenue bonds and notes referred to above are pledged as security for any of the Bonds, and, conversely, the revenue bonds and notes referred to above are not payable from or secured by the revenues of the SPSBA or other moneys securing the Bonds. See “SECURITY FOR THE BONDS” herein.

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PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used to currently refund the Authority's School Lease Revenue Bonds (North Montco Technical Career Center Project), Series of 2010, currently outstanding in the aggregate principal amount of \$8,480,000 (the "2010 Bonds") and to pay the costs and expenses related to the issuing the Bonds.

Upon issuance of the Bonds, a portion of the proceeds will be deposited with Wells Fargo Bank, N.A. as trustee for the 2010 Bonds, in an amount sufficient to redeem the 2010 Bonds at a redemption price of 100% of principal amount plus accrued interest, on May 15, 2015.

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 Proceeds	\$8,815,000.00
Net Original Issue Premium	<u>7,151.75</u>
Total Source of Fund	<u><u>\$8,822,151.75</u></u>

Use of Funds

Amount Required to Call the 2010 Bonds	\$8,639,487.50
Costs of Issuance ⁽¹⁾	<u>182,664.25</u>
Total Use of Funds	<u><u>\$8,822,151.75</u></u>

⁽¹⁾Includes total bond discount, legal, financial advisor, printing, rating, trustee, and miscellaneous fees.

THE BONDS

The Bonds will be dated March 25, 2015 and will bear interest from such date at the rates set forth on the inside front cover page hereof, payable semiannually on May 15 and November 15 of each year (each, an "Interest Payment Date"), commencing May 15, 2015 (until maturity or prior redemption), and will mature on the dates and in the amounts forth on the inside front cover page hereof. The Bonds when issued will be registered in the name of Cede & Co., as a nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. While the Bonds are in the Book-Entry-Only System, references to the "owner" or the "registered owner" as described herein are to Cede & Co., as registered owner for DTC. Each beneficial owner of a Bond may desire to make arrangements with a DTC Participant to receive notices or communications with respect to matters described herein. See "Book-Entry-Only System" herein.

The Bonds will be issued in fully registered form in denominations of \$5,000 or any multiple thereof. While all of the Bonds are held in Book-Entry-Only form, payments thereon shall be made to Cede & Co., as holder thereof. See "Book-Entry-Only System" herein. At all other times, the principal of the Bonds, and the premium, if any, payable upon redemption, are payable at the designated corporate trust office of the Trustee, and the interest thereon is payable by check mailed by the Trustee on each Interest Payment Date to the persons who were the registered owners of the Bonds on the registration books maintained by the Trustee, at the close of the last day of the calendar month (whether or not a business day) immediately preceding the month of an Interest Payment Date (a "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 SPSBA 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 SPSBA 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 SPSBA and the Trustee, and any notice to the contrary shall not be binding upon the SPSBA or the Trustee.

No service charge will be made to the Bondholders of the Bonds for any exchange or transfer, but the SPSBA 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 SPSBA 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 SPSBA and the Trustee may charge the registered owner of such Bond with its reasonable fees and expenses and require indemnity in connection therewith.

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 SPSBA (sometimes herein referred to as the "Issuer"), the School, Financial Advisor, and the Underwriter makes no representation as to the accuracy of such information.

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

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

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

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

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

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

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

Redemption proceeds, distributions, and dividend payments on the Securities 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 redemption proceeds, distributions, and dividend payments 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 Tender Agent, 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 Tender Agent. 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 Tender Agent'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 Agent. 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 SPSBA 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 SPSBA 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 SPSBA 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 discharging its responsibilities under applicable law. In addition, the SPSBA, or the SPSBA at the request of the School, may remove DTC or a successor securities depository for any reason at any time. In such event, the SPSBA 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 SPSBA 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 SPSBA 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 SPSBA 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 SPSBA, or the Trustee for the accuracy of such designation. Whenever DTC requests the SPSBA or the Trustee to do so, the SPSBA 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 SPSBA, THE SCHOOL 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 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 OFFICIAL STATEMENT.

REDEMPTION OF BONDS

Optional Redemption

The Bonds maturing on or after November 15, 2020 are subject to optional redemption prior to maturity by SPSBA at the direction of the Technical School Board in whole or from time to time in part, at any time on and after May 15, 2020, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued and unpaid interest to the date of redemption. Any partial redemption may be in any order of maturity and in any principal amount within a maturity as designated by the Technical School Board. In the case of any Bond also subject to mandatory redemption, SPSBA, at the direction of the Technical School Board, shall be entitled to designate whether any optional redemption shall be credited against principal amounts due at maturity or against particular scheduled mandatory redemption obligations with respect to such Bond. The Bonds to be redeemed within maturity will be selected by the Trustee by lot.

Notice of Redemption

Notice of any redemption shall be given by depositing a copy of the redemption notice in first class mail not more than forty-five (45) 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 kept by the Trustee as of the day such Bonds are selected for redemption. Failure to give such notice of redemption, or any defect therein or in the mailing thereof shall not affect the validity of any proceeding for redemption of other Bonds so 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, premium, if any, and accrued interest being held by the Trustee, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds or portions thereof so called for redemption 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 thereto, except to receive payment of the principal to be redeemed and accrued interest thereon to the date fixed for redemption, together with the redemption premium, if any.

If the redemption date for any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth are authorized by law or executive order to close, then the date for payment of the principal, premium, if any, and interest upon such redemption shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of 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 that is equal to the principal amount thereof divided by \$5,000, each \$5,000 portion of such Bond 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.

NORTH MONTCO TECHNICAL CAREER CENTER

Pursuant to the Articles of Agreement of the School, as amended (the "Articles of Agreement"), the Participating Districts have agreed to a formula for the allocation of all costs of capital outlay (as included under Capital Outlay in the Manual of Accounting and Related Financial Procedures for Pennsylvania School Systems) for capital projects, including debt service payments for the Bonds, which are to be appropriated and paid annually from current revenues of each Participating Districts.

Notwithstanding anything contained herein to the contrary, each Participating District is permitted to prepay its respective share of the costs of the capital projects and, to the extent that any Participating District prepays its respective share of the costs of the capital project, such Participating District has no other financial obligation toward the costs of the capital project. It is hereby acknowledged and agreed that Perkiomen Valley School District ("PVSD") had prepaid its respective share of the costs of the capital project for which the 2010 Bonds were issued and, as a result, PVSD is not responsible for the rental payments under the Sublease including, without limitation, debt service due on the Bonds.

The allocation of the par amount of the Bonds for the Participating Districts, with the exception of PVSD, is as follows:

Member District	Pro-Rata Share% of 2015 Bonds	School District Share of Par Amount
Methacton School District	15.69%	\$1,383,073.50
North Penn School District	46.10%	4,063,715.00
Souderton Area School District	18.00%	1,586,700.00
Wissahickon Area School District	20.21%	1,781,511.50

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SUMMARIES OF CERTAIN PROVISIONS OF THE LEASE, SUBLEASE AND THE INDENTURE

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

Lease

The Lease provides for the leasing of the “Leased Property” by the Participating Districts and the Technical School Board, as legal or equitable owners and lessors, and the SPSBA as lessee. The Leased Property will be subleased to the Technical School Board and the Participating Districts’ pursuant to the terms of the Sublease, described below. The term of the Lease commences on the date of the Bonds, and subject to the School’s option to discharge its obligation under the Sublease by prepaying its obligations thereunder, ends 15 calendar days after the earlier to occur of the final maturity date of the Bonds or such time as the Indenture has been satisfied and discharged. As rental under the Sublease the SPSBA will deposit with the Trustee the net proceeds of the issuance sale of the Bonds for application to the costs of the Project as provided in the Indenture. Under the terms of the Lease, the SPSBA has no responsibilities with respect to the maintenance, repair or operation of the Leased Property. All such obligations, including the duties to insure the Leased Property and pay all expenses related thereto, are assumed by the Technical School Board and the Participating Districts under the terms of the Lease and Sublease.

Sublease

In connection with the issuance of the Bonds, the Technical School Board and the Participating Districts will enter into the Sublease with the SPSBA. The Sublease will provide for rental payments by each of the Participating Districts (except PVSD) to the SPSBA (the “Sublease Rentals”) at the times and in amounts sufficient to pay the debt service requirements on the Bonds. The Technical School Board has the right to cause the prepayment of the Sublease Rentals to redeem the Bonds pursuant to optional redemption provisions.

Representations, Warranties and Covenants: The Participating Districts make certain representations, warranties and covenants under the Sublease, including without limitation, with respect to the existence and authority of the Participating Districts, the enforceability of the Sublease and the absence of material litigation.

Source of Rental Payments: The Sublease Rentals are payable by the Participating Districts (except PVSD) from current revenues appropriated by the Participating Districts (except PVSD). Each of the Participating Districts (except PVSD) has pledged its full faith, credit and taxing powers as security for the obligation of such Participating Districts (except PVSD) to pay Sublease Rentals under the Sublease.

Assignment of Sublease: The Sublease Rentals shall be paid directly to the Trustee under an assignment by the SPSBA to the Trustee of such payments for the benefit and security of the Bondholders under the Indenture.

Unconditional Obligation: The obligations of the Participating Districts (except PVSD) to pay the Sublease Rentals due under the Sublease and all other sums payable under the Sublease are absolute and unconditional. The Sublease Rentals 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 SPSBA under the Sublease.

Maintenance and Repair: The Technical School Board covenants under the terms of the Sublease to pay the costs to operate, to maintain and repair the School facilities from time to time as may be necessary. It is understood that this provision applies to all repairs, major as well as minor, without exception.

Insurance: The Technical School Board also covenants in the Sublease to maintain adequate insurance on the School facilities in the name of the School, the Participating Districts, the SPSBA and the Trustee as additional insureds as their interest may appear, with any loss payable to the Trustee. The total amount recovered from time to time in connection with any fire or other casualty covered by insurance shall, at the option of the School, be made available by the Trustee to the School for the purpose of rebuilding, repairing or replacing such destroyed or partially destroyed School facilities or to be retained by the Trustee and credited to the Bond Redemption Fund provided for in the Indenture. The School agrees to remain in possession of its School facilities during the period of reconstruction or repair and to continue to pay its Sublease Rentals irrespective of the damage.

Compliance with Code: The School and each of the Participating Districts covenants to comply with all applicable provisions of the Internal Revenue Code of 1986, as amended (the “Code”) in order to protect the tax-exempt status of the Bonds.

Defaults and Remedies: Under the Sublease, the failure of the Participating Districts or the Technical School Board to make any payments required by the Sublease, or the failure to comply with certain covenants after written notice, or the occurrence of a default under the Indenture and as a result of such default the Bonds shall have been declared due and payable by acceleration in accordance with the Indenture, or the failure to carry out the Project to be financed in part by the proceeds of the Bonds after written notice, shall constitute events of default. In the event of any such default, and after due notice as required, the SPSBA, and/or the Trustee as its assignee, may, in addition to any other remedies (i) by legal action enforce all rights of SPSBA under the Sublease; and (ii) in the event of a default resulting from the failure to make rental payments, notify the Secretary of the Department of Education of the Commonwealth of Pennsylvania to commence proceedings for the withholding of any appropriations due the Participating Districts (except PVSD) under the Public School Code, as appropriate.

THE INDENTURE

Limited Obligations of the Bonds: The Bonds are limited obligations of the SPSBA and are secured by a pledge and assignment to the Trustee of payments and other revenues or income derived by or for the SPSBA from or with respect to the Sublease and all moneys to be paid over to the Trustee under the provisions of the Indenture. The SPSBA has no taxing power. Neither the general credit of the SPSBA nor the credit or taxing power of the United States of America, the Commonwealth of Pennsylvania or any of its other school districts or any political subdivision thereof is pledged for the payment of the principal of, or the interest on the Bonds; nor shall the Bonds be deemed to be obligations of the SPSBA, the Commonwealth of Pennsylvania, its other school districts or any other political subdivision thereof. The Participating Districts are empowered to levy ad valorem taxes, and each of the Participating Districts (except PVSD) has irrevocably pledged its full faith, credit and taxing power, which taxing power includes the power to levy ad valorem taxes on all taxable property within such Participating District the limits provided by law (see "Taxing Powers of the Participating Districts" herein).

Pledge and Assignment of Certain Revenues: The SPSBA has pledged to the Trustee, in the Indenture its right, title and interest in all Sublease Rentals and other sums payable under the Sublease, except for "Reserved Rights" as described below, for the benefit and security of the registered owners of the Bonds issued under such Indenture.

Project Fund: All payments under the Sublease with respect to the Bonds are required to be deposited in the Project Fund from which monies shall be disbursed at the requisition of the SPSBA and the School for payment of the costs and expenses of the Project in accordance with the terms of the Indenture.

Revenue Fund: Debt Service Fund and Sinking Fund: All Sublease Rentals with respect to the Bonds are due twenty (20) days prior to the date of the corresponding debt service payment on the Bonds from the Participating Districts (except PVSD) to the Business Manager of the School who will in return will forward the aggregate payment to the Trustee at least fifteen (15) days prior to the date of the corresponding debt service payment on the Bonds and are required to be deposited to the Revenue Fund established under the Indenture with the Trustee. Moneys in the Revenue Fund are required to be transferred by the Trustee to the Debt Service and Sinking Fund established under the Indenture and applied to pay the debt service on the Bonds when due.

Rebate Fund: The Trustee is required to establish a Rebate Fund. The SPSBA will periodically, and upon retirement of the last Bond, determine or cause to be determined the sum required to be deposited in the Rebate Fund (if any) and direct the Trustee to transfer such sum from the Debt Service and Sinking Fund. The SPSBA 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, and all extant regulations promulgated hereunder.

Investment of Funds: Moneys held in the funds and accounts established under the Indenture shall be invested in investments that are permitted for public school districts to the extent permitted under the applicable laws of the Commonwealth of Pennsylvania and otherwise in accordance with the terms of 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 SPSBA issued on behalf of the School or financing the costs of any capital project of the School.

Default and Remedies: The Act, which governs the SPSBA, provides remedies to the Bondholders in the event of default or failure on the part of the SPSBA to fulfill its covenants under the Indenture.

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

Neither the Trustee nor any receiver, however, may sell, assign, mortgage, or otherwise dispose of any assets of the SPSBA other than its right to receive Sublease Rentals. For a more complete statement of rights and remedies of the Bondholders and of the limitations thereon, reference is made to the Indenture.

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

Reserved Rights: Under the terms of the Indenture, the SPSBA has reserved the right to receive payment of any fees, costs and expenses from the School and its right to indemnification by the School. Such rights are not assigned to the Trustee.

Defeasance: Whenever all Bonds outstanding under the Indenture and all other sums due thereunder have been paid, or provision shall have been made for payment, then the rights, title and interest of the Trustee under the Indenture shall cease and the Trustee shall release and discharge the lien of the Indenture.

SOURCES OF PAYMENT FOR THE BONDS

Sublease Payments

The Bonds are limited obligations of the SPSBA, payable solely from (a) Sublease Rentals paid to the SPSBA, (b) moneys derived from the investment of such Sublease Rentals; and (c) other receipts, revenues and moneys otherwise available to the SPSBA under the Indenture. None of the SPSBA, the School, nor the Technical School Board has any taxing power.

Notwithstanding anything contained herein to the contrary, it is hereby acknowledged and agreed that PVSD has prepaid its respective share of the costs of the capital project for which the 2010 Bonds were issued and that PVSD shall not be responsible for the debt service due on the Bonds.

The Sublease Rentals payable under the Sublease will be assigned to the Trustee. The Sublease Rentals are payable from current revenues appropriated by the Participating Districts, with the exception of PVSD (see above paragraph). Under a covenant guaranty contained in the Sublease, each of the Participating Districts (except PVSD) has covenanted to and with the holders and/or registered owners of the Bonds from time to time "Outstanding" under the Indenture, that it (i) shall include its proportionate share of the debt service on the Bonds payable in respect of the guaranty, for each fiscal year in which such sums shall be payable in its budget for that year, (ii) shall appropriate such amounts from its taxes and general revenues for payment to the Trustee of its obligations under the covenant of guaranty, and (iii) shall duly and punctually pay or cause to be paid from its sinking fund created for the purpose or any other of its revenues or funds the amounts payable in respect of such guaranty, at the dates and in the manner provided for under the covenant of guaranty. For such budgeting, appropriation and payment, each of the Participating Districts (except PVSD) has pledged, irrevocably, its full faith, credit and taxing power. The Pennsylvania Local Government Unit Debt Act provides that such a covenant shall be specifically enforceable. The covenant of guaranty shall remain in full force and effect until the principal of and interest on the Bonds has been paid or provisions therefore made the satisfaction of the Trustee.

THE BONDS DO NOT PLEDGE THE GENERAL CREDIT OF THE SPSBA OR THE CREDIT OR TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA. THE SPSBA, THE TECHNICAL SCHOOL BOARD AND THE SCHOOL HAVE NO TAXING POWER.

Commonwealth Enforcement of Lease Rentals and Debt Service Payments

Section 785 of the School Code, as amended by Act No. 154, approved December 21, 1998, provides that if any school district fails to pay rental payment due any State Public School Building Authority in accordance with the terms of any lease entered into under the provisions of Section 785, the Secretary of Education shall withhold any state appropriations due such school district and pay over the amount so withheld to the SPSBA in payment of the rental.

The withholding provisions of Section 785 described above are no part of any contract with the registered owners of the Bonds any may be amended or repealed by future legislation. The effectiveness of Section 785 may be limited by the application of other withholding provisions contained in the School Code, such as provisions for withholding and paying over the appropriations for payment of unpaid teachers' salaries. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles effecting the enforcement of creditors' rights generally. Nor can there be any assurance that any payments pursuant to such withholding provision will be made the date on which such payments are due to the bondholders.

ORGANIZATION OF THE NORTH MONTCO TECHNICAL CAREER CENTER

Under Articles of Agreement which comply with Act No. 579 of the General Assembly of the Commonwealth of Pennsylvania approved June 21, 1965, the Participating District established and provided for the method of operation of the School and for the allocation of payments among the Participating Districts.

The Participating District established the School to be operated, administered and managed by the members of the Board of School Directors elected by the Participating District for purposes of operating the School (the "Joint Committee").

The purpose of the School is to provide vocational or technical training and education for secondary school pupils, out-of-school youth, and adults within the Participating District.

Certain provisions of the Articles of Agreement include:

The Technical School Board

- A. The Technical School Board shall have authority and its duties shall be to purchase land, adopt the annual budgets, approve capital expenditures for buildings or equipment, and other responsibilities which the Technical School Board may not lawfully delegate or does not wish to delegate, as particularly set forth in Section 1850.1 of the Act of the General Assembly approved February 1, 1966, designated Act Number 579, as amended from time to time.
- B. The Technical School Board delegates to the Joint Committee the power and authority to operate, administer and manage the School and is directed to conduct the affairs of the School within the limits of the budget adopted by the Technical School Board.
- C. The following powers are herewith reserved exclusively to the Technical School Board:
 - 1. To adopt the budgets for operation of the School as prepared in the same manner provided for in Section 687 of the Pennsylvania School Code.
 - 2. To acquire real property by purchase, gift or condemnation, to lease, rent, sell, improve, build land and buildings, all for the purposes of the School. The title to any real estate, acquired for the purpose of establishing the School shall be held in the name of one or more of the Participating School Districts establishing the same, on behalf of all, as they may agree.
 - 3. To receive Federal, State, School Participating District, and other public and private funds and to expend such funds to establish, operate, improve, and expand the school.
 - 4. To approve and submit to the Department of Education on or before July 1 of each year, for approval, a budget of proposed expenditures for the School for the ensuing year.
 - 5. To locate the School or additions or supplements thereto.

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Joint Committee: This Committee shall be composed of 2-3 members from each of the Participating District Boards of Directors, to be elected by such individual Boards of School Directors, at their annual December meeting and to serve for terms of three years each. The terms of each of the members from a Participating District shall be staggered so that one member shall be elected each December.

DUTIES OF THE JOINT COMMITTEE:

- A. The Joint Committee has been given the power and authority and has the duty to operate, administer, and manage the School and shall conduct the affairs of the School within the limits of the budget adopted by the Technical School Board.
- B. The Joint Committee shall, with the assistance of its selected Superintendent, have the obligation and duty to prepare and submit the annual operating budget to the Technical School Board and to the PARTICIPATING DISTRICTS which may approve the budget by the affirmative vote of a majority of all the school directors of the Technical School Board and by the approval of four-fifths of the PARTICIPATING DISTRICTS; and providing further for the purpose of budget approval the vote of any PARTICIPATING DISTRICT shall be determined by a majority vote of all school directors of that Participating District. All votes shall be duly recorded and shall show how each member voted.

The budget shall include the expenditures classified under "Budget for Vocational Schools" in the Manual of Accounting and Financial Procedures" for Pennsylvania School Systems.

Budgetary transfers shall be made in accordance with the requirements of the Pennsylvania School Code.

- C. All powers subject to delegation as set forth in Section 1850.1, as amended from time to time, other than those specifically reserved to the Technical School Board above, are delegated by the Technical School Board to the Joint Committee to the extent that the enumerated items are fully provided for within the current budget, including but not restricted to the following:
 - 1. To employ a superintendent, temporary professional and professional employees, supervisors and teachers, and to employ all other persons necessary to carry on vocational-technical education, and to determine the salaries to be paid.
 - 2. To recommend to the Technical School Board, for its approval, the purchase, lease, rent, improvement and sale of land, and to recommend that the Board build, repair, improve, lease, rent, buy and sell buildings.
 - 3. To purchase, lease, rent or otherwise acquire all necessary furniture, implements, books, materials, equipment and supplies.
 - 4. To make contracts with counties, cities, boroughs, towns, townships, school districts, other political subdivisions, community colleges, public and private agencies, quasi-public agencies, nonprofit corporations, the Federal Government and its agencies and instrumentalities, municipalities and other public authorities, or other persons for carrying out the purposes of operation of the School within the powers granted under Section 18-1850.1 of the Pennsylvania School Code, as amended from time to time.

Lay Advisory Committee. The Lay Advisory Committee shall be appointed by the Joint Committee from local trades, industries, businesses, health services, research and educational agencies and occupations. The members of the Lay Advisory Committee shall be appointed by the Joint Committee in the month of December and shall take office on January 1, following their appointment and serve for a term of one year or until a successor is named.

The Lay Advisory Committee shall advise the Joint Committee on such matters as the need for particular skills and training in the community, present and anticipated the need for particular shops, laboratories, equipment, curriculum, labor-management coordination, business and industrial requirements or selection of personnel.

The Lay Advisory Committee shall meet at least three times per year and at such other time as deemed necessary by its Chairman.

The officers of the Lay Advisory Committee shall be elected in the month following their appointment and shall consist of a Chairman, Vice-Chairman, and Secretary, who shall serve until their successors are elected in a like manner. Such officers shall be members of the Lay Advisory Committee.

Vacancies in the Lay Advisory Committee shall be filled for the unexpired term by the Joint Committee.

DESCRIPTION OF THE NORTH MONTCO TECHNICAL CAREER CENTER

The School is a full-time, comprehensive public vocational-technical high school serving Methacton School District, North Penn School District, Perkiomen Valley School District, Souderton Area School District, and Wissahickon Area School District. Students from other school districts may attend on a tuition basis.

<u>Construction Trades</u>	<u>Health and Human Services</u>
Construction Carpentry	Allied Health
Heating Ventilation and Air Conditioning (HVAC)	Biotechnology
Electrical Trades	Health Occupations
<u>Engineering & Manufacturing</u>	Protective Services
Drafting and Design	<u>Power and Transportation</u>
Mechatronics (Robotics)	Auto Collision Repair
Precision Machining	Automotive
Welding & Fabrication	Diesel Truck Technology
<u>Culinary</u>	Recreational Power Equipment
<u>Cosmetology</u>	Retail & Distribution
<u>Floral Design and Landscaping</u>	<u>Visual Communications</u>
Floral Design and Landscape Technology	Commercial Art
	Graphic Arts
	Internet Technologies

Source: School Officials

Officers of the Joint Committee are elected by vote of its members. The members of the Joint Committee, their offices, the Participating District they represent, and the expiration of their terms are set forth below:

<u>NAME</u>	<u>APPOINTING SCHOOL DISTRICT</u>	<u>OFFICE</u>	<u>TERM EXPIRATION</u>
Mr. William Brong	Souderton Area School District	Chairperson	12/2015
Ms. Diana Landes	Perkiomen Valley School District	Vice -Chairperson	12/2015
Ms. Kim Woodring	Methacton School District	Secretary	5/2015
Mr. Timothy Kerr	North Penn School District	Treasurer	6/2016

School officials.

SCHOOL FINANCES

Introduction

The School budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the Director and Business Manager of the School and submitted to the Technical School Board and the Joint Committee for approval prior to the beginning of the fiscal year on July 1.

Financial Reporting

The School's financial statements are audited annually by an independent certified public accountant, as required by State law.

Summary and Discussion of Financial Results

A summary of Comparative General Fund balance sheet and changes in fund balances for the School is presented in Tables 1 and 2 which follow. The 2014-15 budget as adopted June 16, 2014, projected revenues of \$11,671,945 and expenditures of \$12,034,332. The majority of the budgeted expenditures in excess of revenues are strategic usages of fund balance for capital improvement, technology enhancements and other such planned expenses.

Table 1 shows the School's Balance Sheet and Table 2 shows revenues and expenditures for recent years, and its budget for the 2014-15 school year.

**TABLE 1
NORTH MONTCO CAREER CENTER
BALANCE SHEET**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
ASSETS					
Cash and Cash Equivalent	\$1,725,584	\$1,966,939	\$1,787,814	\$1,702,900	\$1,907,081
Investment	0	248,000	248,000	198,000	220,000
Due From Other Funds	0	0	97,871	6,477	10,343
Due from Other Governments	0	72,066	105,220	0	217,945
State Revenue Receivable	81,945	140,115	0	126,779	0
Federal Revenue Receivable	23,640	0	0	29,438	0
Advances to Other Funds	50,246	0	0	0	0
Other Receivables	0	20,196	31,693	34,827	25,839
Other Current Assets	24,552	1,289	2,537	41,344	8,520
Prepaid Expenses/Expenditures	95,887	6,690	254,341	182,850	119,151
TOTAL ASSETS	<u>\$2,001,854</u>	<u>\$2,455,295</u>	<u>\$2,527,476</u>	<u>\$2,322,615</u>	<u>\$2,508,879</u>
LIABILITIES					
Accounts Payable	\$20,519	\$31,835	\$362,062	\$55,330	\$116,717
Accrued Salaries & Benefits	545,506	669,268	680,811	804,110	929,323
Payroll Deducts & Withholdings	59,117	0	0	63,175	0
Deferred Revenues	22,818	0	22,465	34,864	0
Other Current Liabilities	0	17,705	0	0	13,346
Other	0	0	0	0	1,437
TOTAL LIABILITIES	<u>\$647,960</u>	<u>\$718,808</u>	<u>\$1,065,338</u>	<u>\$957,479</u>	<u>\$1,060,823</u>
FUND EQUITIES					
Reserve for Capital Projects	\$49,769	\$0	\$0	\$0	\$0
Reserve for Other	764,833	0	0	0	0
Unreserved – undesignated	539,292	0	0	0	0
Nonspendable Fund Balance	0	7,979	256,878	224,194	127,396
Committed Fund Balance	0	300,000	0	19,531	195,000
Assigned Fund Balance	0	615,528	654,803	512,374	407,512
Unassigned Fund Balance	0	812,980	550,457	609,037	718,148
TOTAL FUND EQUITY	<u>\$1,353,894</u>	<u>\$1,736,487</u>	<u>\$1,462,138</u>	<u>\$1,365,136</u>	<u>\$1,448,056</u>
TOTAL LIABILITIES & FUND EQUITIES	<u>\$2,001,854</u>	<u>\$2,455,295</u>	<u>\$2,527,476</u>	<u>\$2,322,615</u>	<u>\$2,508,879</u>

Source: School Board Annual Financial Reports.

TABLE 2

NORTH MONTCO CAREER CENTER

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE*

(Fiscal Years Ending June 30)

	Actual					Budget
REVENUES	2010	2011	2012	2013	2014	2015⁽¹⁾
Local Revenue	\$8,748,955	\$9,066,912	\$9,435,421	\$9,643,753	\$9,818,892	\$9,889,056
State Sources	936,775	1,001,861	1,124,760	1,241,835	1,376,918	1,492,889
Federal Sources	283,682	312,557	227,083	294,377	276,716	275,000
Other Sources	0	0	3,800	50	0	15,000
TOTAL REVENUE	\$9,969,412	\$10,381,330	\$10,791,064	\$11,180,015	\$11,472,526	\$11,671,945
EXPENDITURES						
Instruction	\$6,073,478	\$6,118,434	\$6,463,464	\$6,562,914	\$6,820,593	\$7,336,847
Support Services	3,386,666	3,522,518	3,799,540	3,672,937	3,687,754	3,755,909
Noninstructional Services	27,374	40,731	21,640	33,561	30,941	32,601
Capital Outlay.....	0	0	86,719	193,751	19,531	195,000
Debt Service	0	317,054	694,050	690,425	694,925	713,975
Fund Transfers.....	0	0	0	122,303	130,240	0
Refund of Prior Year Receipts	0	0	0	1,126	5,622	0
Budgetary Reserve.....	0	0	0	0	0	0
TOTAL EXPENDITURES.....	\$9,487,518	\$9,998,737	\$11,065,413	\$11,277,017	\$11,389,606	\$12,034,332
REVENUES UNDER (OVER) EXPENDITURES	\$481,894	\$382,593	(\$274,349)	(\$97,002)	\$82,920	(\$362,387)
Beginning Fund Balance	\$872,000	\$1,353,894	\$1,736,487	\$1,462,138	\$1,365,136	
Ending Fund Balance	\$1,353,894	\$1,736,487	\$1,462,138	\$1,365,136	\$1,448,056	

*Totals may not add due to rounding.

⁽¹⁾Budget as adopted June 16, 2014.

Source: School Board Annual Financial Reports and Budget.

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TABLE 3
NORTH MONTCO CAREER CENTER
DEBT SERVICE REQUIREMENTS*

Year	Series		
	2015		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014-15	\$0	\$28,085	\$28,085
2015-16	205,000	201,901	406,901
2016-17	485,000	200,381	685,381
2017-18	490,000	194,269	684,269
2018-19	510,000	181,719	691,719
2019-20	520,000	166,269	686,269
2020-21	535,000	153,119	688,119
2021-22	545,000	142,319	687,319
2022-23	560,000	131,269	691,269
2023-24	570,000	119,613	689,613
2024-25	585,000	107,341	692,341
2025-26	595,000	94,431	689,431
2026-27	610,000	80,418	690,418
2027-28	625,000	65,129	690,129
2028-29	640,000	48,680	688,680
2029-30	660,000	30,300	690,300
2030-31	680,000	10,200	690,200
Total	<u>\$8,815,000</u>	<u>\$1,955,440</u>	<u>\$10,770,440</u>

*Totals may not add due to rounding.

Future Financing

The Technical School does not anticipate issuance of additional (non-refunding) long-term debt in the next 3 years.

LABOR RELATIONS

There are presently 83.5 full-time employees of the School, including 51 teachers, 3 administrators, and 29.5 support personnel, includes secretaries, maintenance staff, cafeteria staff, and instructional aides.

The School teachers are represented by the North Montco Career Center Education Association, an affiliate of the Pennsylvania State Educational Association ("PSEA"), under a contract, which expires June 30, 2015. The administrative Act 93 contract expires on June 30, 2015.

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Pension Program

Technical schools in Pennsylvania are required to participate in a statewide pension program administered by the State Public School Employees Retirement System ("PSERS"). All of the Technical School's full-time employees and part-time employees who work more than 80 days in a school year, and hourly employees who work over 500 hours a year, participate in the program. However, please note a recent Pennsylvania Supreme Court decision has removed the hourly de minimis requirement for part-time employees regarding participation in the program.

Employer Contributions - Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2015, the rate of employer's contribution is 21.40% of covered payroll. The 21.40% rate is composed of a pension contribution rate of 20.50% for pension benefits and 0.90% for healthcare insurance premium assistance. Recent School payments have been as follows:

Fiscal Year	Pension Payment
2010-11	\$645,869
2011-12	928,258
2012-13	989,330
2013-14	1,277,328
2014-15 (budget)	1,228,388

Other Post-Employment Benefits (OPEB)

The School's other post-employment benefits include a single-employer defined benefit plan that provides medical insurance to certain eligible retirees and their spouses. The JOC has the authority to establish and amend benefit provisions. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

Funding Policy

The School's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the JOC.

Annual OPEB Cost and Net OPEB Obligation

The School's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The School's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2014, 2013 and 2012 were as follows:

Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$21,014	52.45%	\$61,336
2013	21,226	39.31%	51,343
2012	28,609	42.20%	38,462

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation, the actuarial accrued liability for benefits was \$153,315, all of which was unfunded. The covered payroll (annual payroll of active employees was \$5,316,888 and the ratio of the unfunded actuarial accrued liability ("UAAAL") to the covered payroll was 2.88%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and benefit cost trends. Amounts determined regarding the funded status and the annual required contribution of the Career Center are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information

about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

INFORMATION REGARDING THE PARTICIPATING DISTRICTS

Reference is made to Appendix A through D for information concerning each of the Participating Districts.

LITIGATION

At the time of settlement, Bond Counsel will confirm that, to its knowledge, there is no litigation pending with respect to the Bonds, the Indenture or the right of the SPSBA to issue the Bonds.

TAX EXEMPTION AND CERTAIN OTHER TAX MATTERS

Certain Federal Income Tax Matters

On the date of delivery of the Bonds, Fox Rothschild LLP (“Bond Counsel”) will issue an opinion to the effect that under existing laws as enacted and construed as of the date of initial delivery of the Bonds, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on any Bonds held by certain foreign corporations may be subject to the branch profits tax imposed by the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations promulgated thereunder. This opinion of Bond Counsel will assume the accuracy of certifications made by the SPSBA, the Technical School Board and Participating Districts and will be subject to the condition that the SPSBA, the Participating Districts and the Technical School Board comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excluded from gross income for federal tax purposes. The SPSBA, the Technical School Board and the Participating Districts have covenanted to comply with all such requirements, which include, among others, restrictions upon the yield at which proceeds of the Bonds and other money held for the payment of the Bonds and deemed to be “proceeds” thereof may be invested and the requirement to calculate and rebate any arbitrage that may be generated with respect to investments allocable to the Bonds. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds.

Certain maturities of the Bonds may be sold to the public in the initial offering at a price less than the stated redemption price of such Bonds at maturity (that is, at less than par or the stated principal amount), the difference being “original issue discount.” Generally, original issue discount accruing on a tax-exempt obligation is treated as interest entitled to the same tax exemption and alternative minimum tax status as regular interest. In addition, original issue discount that has accrued on a tax-exempt obligation increases the holder’s tax basis for purposes of determining taxable gain or loss upon sale or other disposition of such obligation prior to maturity. The Code provides specific rules for the accrual of original issue discount on tax-exempt obligations for Federal income tax purposes. Prospective purchasers of Bonds being sold with original issue discount should consult their tax advisors for further information.

Certain maturities of the Bonds may be sold to the public in the initial offering at a price greater than the stated redemption price of such Bonds at maturity (that is, at greater than par or the stated principal amount), the difference being “original issue premium.” Generally, original issue premium is amortizable ratably over the term of the obligation through reductions in the holder’s tax basis for purposes of determining taxable gain or loss upon the sale or other disposition of such obligation prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the obligation rather than creating a deductible expense or loss. The Code provides specific rules for the amortization of original issue premium on tax-exempt obligations for Federal income tax purposes. Prospective purchasers of Bonds being sold with original issue premium should consult their tax advisors for further information.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain subchapter S corporations with substantial passive income and 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 will express no opinion as to such collateral tax consequences, and prospective purchasers of the Bonds should consult their tax advisors as to such matters.

No representation is made or can be made by SPSBA or any other party associated with the issuance of the Bonds as to whether any legislation now or hereafter introduced or enacted will be applied retroactively so as to subject interest on the Bonds to inclusion in gross income from federal income tax purposes or so as to otherwise affect the marketability or market value of the Bonds. Enactment of any legislation that subjects the interest on the Bonds to inclusion in gross income from federal income tax purposes or otherwise imposes taxation on the Bonds or the Interest paid thereon may have an adverse effect on the market value or marketability of the Bonds.

Certain Pennsylvania Tax Matters

On the date of delivery of the Bonds, Bond Counsel will issue an opinion to the effect that, under the laws of the Commonwealth of Pennsylvania as enacted and construed as of the date of initial delivery of the Bonds, the Bonds are exempt from personal property taxes in Pennsylvania and interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

Federal Income Tax Interest Expense Deductions for Financial Institutions

Under the Code, financial institutions are disallowed 100 percent of their interest expenses deductions that are allocable by a formula, to tax-exempt obligations acquired after August 7, 1986. An exception, which reduces the amount of the disallowance, is provided for certain tax-exempt obligations that are designated or “deemed designated” by the issuer as “qualified tax-exempt obligations” under Section 265 of the Code

The Bonds are “deemed designated”, as “qualified tax-exempt obligations” under Section 265 of the Code (relating to expenses and interest relating to tax-exempt income of certain financial institutions).

Financial institutions intending to purchase Bonds should consult with their professional tax advisors to determine the effect of the interest expense disallowance on their federal income tax liability.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c-12 (the “Rule”) promulgated by the Securities and Exchange Commission (“SEC”), and the Resolution, the School and each of the Participating School Districts (except PVSD), will execute and deliver a written continuing disclosure obligation with respect to the Bonds. See the form of the Continuing Disclosure Certificate (the “Certificate”) in Appendix G to this Official Statement.

Under the terms of the Certificate, the School and Participating School Districts (except PVSD) will undertake to file with the Municipal Securities Rulemaking Board (the “MSRB”) financial and other information concerning the School and Participating School Districts (except PVSD) (annual audited financial statements and notice of certain events affecting the School and Participating School Districts other than PVSD). The Participating School Districts (except PVSD) will provide financial information to the School for filing with the MSRB. The obligations of the School and the Participating School Districts (except PVSD) with respect to continuing disclosure shall terminate upon the prior redemption or payment in full of all of the Bonds.

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 “Participating 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>.

Continuing Disclosure Filing History

The School and the Participating Districts (except PVSD) previously entered into a Continuing Disclosure Agreement with respect to the 2010 Bonds currently outstanding. The School’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	
		Filing Date	EMMA ID ^[2]
6/30/2010	12/27/2010	1/27/2015	EA568809
6/30/2011	12/27/2011	1/27/2015	EA568816
6/30/2012	12/27/2012	12/19/2012	EP338034
6/30/2013	12/27/2013	12/6/2013	EA484111
6/30/2014	12/27/2014	12/8/2014	EA559116

Notes

^[1] For these purposes, assumes the shortest filing deadline of the School’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=>

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

For fiscal year ending June 30, 2010, the School filed its financial statements on January 27, 2015.

For fiscal year ending June 30, 2011, the School filed its financial statements on January 27, 2015.

For fiscal year ending June 30, 2012, the School filed its financial statements in timely manner.

For fiscal year ending June 30, 2013, the School filed its financial statements in timely manner.

For fiscal year ending June 30, 2014, the School filed its financial statements in timely manner.

For the continuing disclosure undertakings with respect to the outstanding indebtedness of the Participating School Districts (except PVSD) during the past 5 years please refer to the appropriate Appendix.

The SPSBA has no responsibility for the School or the Participating Districts' compliance with the Continuing Disclosure Agreement or for the contents of, or any omissions from, the financial information, operating data or notices provided thereunder.

RATING

Moody's Investors Service, Inc. has assigned an underlying rating of "Aa2" to the Bonds. Moody's Investors Service, Inc., is located at: 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.

UNDERWRITING

The Underwriter has agreed to purchase the Bonds from SPSBA, 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 \$8,746,783.50, equal to the par value of the Bonds less an underwriter's discount of \$75,368.25 and plus a net original issue premium of \$7,151.75.

LEGAL OPINION

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Fox Rothschild LLP, of Blue Bell, Pennsylvania, Bond Counsel, to be furnished upon delivery of the Bonds. Certain other matters will be passed upon for the Authority by its Counsel, Buchanan Ingersoll & Rooney PC, Pittsburgh, Pennsylvania, and Fox Rothschild LLP, of Blue Bell, Pennsylvania, Solicitor to the School.

FINANCIAL ADVISOR

The School has retained Public Financial Management, Inc., Harrisburg, Pennsylvania, as its financial advisor (the "Financial Advisor") in connection with the preparation, authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

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MISCELLANEOUS

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

The SPSBA has not assisted in the preparation of the Official Statement, except for the statements under the section captioned "SPSBA" herein and except for that section, the SPSBA is not responsible for any statements made in this Official Statement. Except for the authorization, execution and delivery of documents required to effect the issuance of Bonds, the SPSBA has not otherwise assisted in the public offer, sale or distribution of the Bonds. Accordingly, except as aforesaid, the SPSBA assumes no responsibility for the disclosures set forth in this Official Statement.

SPSBA and the Technical School Board have authorized the distribution of this Official Statement.

STATE PUBLIC SCHOOL BUILDING AUTHORITY

By: /s/ Robert Baccon
Executive Director

NORTH MONTCO VOCATIONAL-TECHNICAL

DBA/NORTH MONTCO TECHNICAL CAREER CENTER

By: /s/ William Brong
Chairperson

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APPENDIX A

METHACTON SCHOOL DISTRICT
Montgomery County, Pennsylvania

Descriptive, Financial, and Economic Information

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THE SCHOOL DISTRICT

Introduction

The School District is located in Montgomery County, Pennsylvania, and consists of the Township of Lower Providence and the Township of Worcester. The School District was formed July 1, 1969, as a result of Act 150 of the 1968 Pennsylvania Legislature which required the consolidation of school districts. Two school districts formerly served the area: the Lower Providence School District and the Worcester School District. These two school districts formed a jointure, Lower Providence-Worcester Joint System, before the consolidation.

The School District occupies approximately 32 square miles in the south central portion of Montgomery County. The School District is bounded on the south by Valley Forge National Park and Chester County; on the west by Upper Providence Township, the Borough of Collegeville, Skippack Township and Towamencin Township; on the north by Towamencin Township and Upper Gwynedd Township; and on the east by Whitpain Township, East Norriton Township, and West Norriton Township.

Administration

The School District is governed by a nine member Board of School Directors (the "School Board"), elected for four-year terms. The superintendent is the chief administrative officer of the School District, with overall responsibility for all aspects of operations, including education and finance. The business administrator is responsible for budget and financial operations. Both of these officials are selected by the School Board.

School Facilities

The School District presently owns five elementary schools, one junior-senior high school complex, and an intermediate school, all as described in the following table. Students in grades 10-12 also attend the North Montco Area Vocational Technical School.

**TABLE A-1
METHACTON SCHOOL DISTRICT
SCHOOL FACILITIES**

Buildings	Original Construction Date	Addition Renovation Date	Modular Classrooms	Grades	Number of Classrooms	Rated Pupil Capacity	2014-15 Enrollment
<i>Elementary:</i>							
Audubon.....	1928	1980/1995	5	K-4	20	550	432
Eagleville.....	2002	---	---	K-5	20	550	356
Woodland.....	1968	2009	3	K-6	20	550	294
Arrowhead.....	1975	---	6	K-7	19	525	293
Worcester.....	1999	---	---	K-8	20	550	368
Skyview Upper.....	2010	---	---	5-6	64	950	801
<i>Secondary:</i>							
Methacton Senior High	1961	2000/2004	1	9-12	93	2,230	1,665
Arcola Intermediate.....	1973	1994/1995/2002/2010	---	7-8	79	1,878	780

Source: School District officials – October 1, 2014 Enrollment Report.

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Enrollment Trends

The following table presents recent trends in school enrollment and projections of enrollment for the next 5 years, as prepared by School District officials.

TABLE A-2
METHACTON SCHOOL DISTRICT
ENROLLMENT TRENDS

Actual Enrollments				Projected Enrollments			
School Year	Elementary	Secondary	Total	School Year	Elementary	Secondary	Total
2010-11	2,647	2,634	5,281	2015-16	2,433	2,574	5,007
2011-12	2,568	2,591	5,159	2016-17	2,355	2,587	4,942
2012-13	2,564	2,528	5,092	2017-18	2,330	2,548	4,878
2013-14	2,534	2,514	5,048	2018-19	2,427	2,340	4,767
2014-15	2,544	2,445	4,989	2019-20	2,414	2,296	4,710

Source: Actual enrollments as provided by School District officials. Projected enrollments are in accordance with the PA Department of Education Enrollment Projections.

SCHOOL DISTRICT FINANCES

Financial Reporting

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States of America. The School District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide and proprietary fund financial statements apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The government wide statements report using the economic resources measurement focus and the accrual basis of accounting generally, including the reclassification or elimination of internal activity (between or within funds). The School District's financial statements are audited annually by an independent certified public accountant, as required by Commonwealth law. The firm of Major & Mastro, LLC of Montgomeryville, Pennsylvania, serves as School District auditor.

The School District's auditor has not been engaged to perform, and has not performed, since the date of its report included in an Appendix to this Official Statement, any procedure on the financial statements addressed in that report. Such auditor also has not performed any procedures relating to this Official Statement.

Budgeting Process in School Districts under The Taxpayer Relief Act (Act 1)

In General. School districts budget and expend funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by school district administrative officials on a uniform form furnished by such Department and submitted to the board of school directors for approval prior to the beginning of the fiscal year on July 1.

Procedures for Adoption of the Annual Budget. Under The Taxpayer Relief Act (Act 1), all school districts of the first class A, second class, third class and fourth class (except as described below) must adopt a preliminary budget proposal (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election immediately preceding the fiscal year. The preliminary budget proposal must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days' public notice of its intent to adopt the final budget.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the Pennsylvania Department of Education (PDE) no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district's Index (*see "The Taxpayer Relief Act (Act 1)"* herein) and within 10 days, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one of the referendum exceptions authorized under The Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required (*see* “**The Taxpayer Relief Act (Act 1)**” herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district’s request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district’s request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under The Taxpayer Relief Act (Act 1), and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, The Taxpayer Relief Act (Act 1) requires only that the proposed annual budget be prepared at least 30 days, and made available for public inspection at least 20 days, prior to its adoption, and that at least ten (10) days’ public notice be given of the board’s intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

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Summary and Discussion of Financial Results

The School District staff prepares annual fund balance analyses for discussion and approval by the Board. The Board's objective is to provide sufficient funds to pay current expenditures and to maintain a fund balance that will provide financial stability.

A summary of general fund balance sheet and changes in fund balances is presented in Tables A-3 and A-4. Table A-5 shows revenues and expenditures for the past 5 years and the 2014-15 Budget, as adopted June 17, 2014.

TABLE A-3
METHACTON SCHOOL DISTRICT
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET
(Years ending June 30)

ASSETS	2010	2011	2012	2013	2014
Cash and Cash Equivalents.....	\$6,180,334	\$6,331,895	\$6,460,933	\$11,658,546	\$10,721,801
Taxes Receivable.....	3,041,389	3,094,333	3,460,999	3,144,643	2,807,787
Interfund Receivables.....	993,300	1,197,639	485,365	490,327	481,595
Intergovernmental Receivables.....	1,548,085	2,097,223	2,272,241	1,587,850	1,699,967
Other Receivables.....	31,003	63,689	102,441	66,876	339,611
Prepaid Expenses.....	101,995	58,276	861,386	72,702	155,945
TOTAL ASSETS.....	\$11,896,106	\$12,843,055	\$13,643,365	\$17,020,944	\$16,206,706
LIABILITIES					
Due to Other Funds.....	\$328,718	\$2,900	\$4,860	\$12,445	\$0
Due to Other Governments.....	0	8,876	0	0	0
Accounts Payable.....	1,387,430	1,408,982	1,711,527	1,248,908	424,218
Accrued Salaries and Benefits.....	2,778,316	2,068,036	3,538,246	2,848,521	4,236,105
Payroll Deducts & Withholdings.....	1,483,876	3,133,196	1,706,321	4,955,118	2,604,053
Short-Term Payables.....	0	0	568,193	0	0
Deferred Revenues.....	1,530,082	1,628,034	1,915,607	1,754,424	0
Crr. Portion of LT Debt.....	0	0	0	0	129,071
Compensated Absences.....	114,459	124,216	127,466	126,126	0
Other Liabilities.....	8,876	0	8,876	1,152,982	1,756,138
TOTAL LIABILITIES.....	\$7,631,757	\$8,374,240	\$9,581,096	\$12,098,524	\$9,149,585
Deferred Inflows of Resources.....	\$0	\$0	\$0	\$0	\$1,819,558
FUND EQUITIES					
Nonspendable Fund Balance.....	\$0	\$58,276	\$861,386	\$554,297	\$637,540
Assigned Fund Balance.....	0	0	100,000	0	0
Unassigned Fund Balance.....	4,264,349	4,410,539	3,100,883	4,368,123	4,600,023
TOTAL FUND EQUITIES.....	\$4,264,349	\$4,468,815	\$4,062,269	\$4,922,420	\$5,237,563
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITIES	\$11,896,106	\$12,843,055	\$13,643,365	\$17,020,944	\$14,387,148

Source: School District Annual Financial Reports.

TABLE A-4
METHACTON SCHOOL DISTRICT GENERAL FUND
SUMMARY OF CHANGES IN FUND BALANCE*

	Actual					Budget
	2010	2011	2012	2013	2014	2015⁽¹⁾
Beginning Fund Balance	\$4,422,816	\$4,264,350	\$4,468,814	\$4,062,268	\$4,922,416	\$5,237,562
Surplus (Deficit) of Revenue over						
Expenditures.....	(158,466)	203,905	(406,546)	860,150	315,140	0
Prior Period Adjustments	0	559	0	(1)	5	0
Ending General Fund Balance	<u>\$4,264,350</u>	<u>\$4,468,814</u>	<u>\$4,062,268</u>	<u>\$4,922,416</u>	<u>\$5,237,562</u>	<u>\$5,237,562</u>

⁽¹⁾Budget, as adopted June 17, 2014.

Revenue

The School District received \$94,964,316 in revenue in 2013-14 and has budgeted revenue of \$99,557,372 in 2014-15. Local sources stayed constant as a share of total revenue in the past five years at 79.7 percent. Revenue from Commonwealth sources increased as a share of total revenue from 18.0 percent to 18.9 percent over this period. Revenue from federal and other sources decreased slightly as a share of total revenue from 2.4 percent to 2.3 percent during the period.

TABLE A-5
METHACTON SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES*
(For years ending June 30)

REVENUE:	Actual					Budget
	2010	2011	2012	2013	2014	2015⁽¹⁾
Local Sources:						
Real Estate Taxes (Current)	\$56,291,451	\$59,354,573	\$61,100,485	\$62,661,592	\$64,023,533	\$65,700,557
Interim Real Estate Taxes.....	472,543	594,474	327,749	222,030	155,157	200,000
Payment in Lieu of Taxes.....	83,699	88,254	92,077	85,324	81,295	80,000
Total Act 511 Taxes.....	6,341,577	6,083,534	6,749,322	6,995,347	7,442,588	7,425,000
Per Capita (Sec. 679) Tax.....	134,830	106,020	107,764	68,354	93,145	92,000
Public Utility Tax.....	85,000	97,145	86,000	8,119	88,680	90,000
Delinquencies Taxes	1,539,365	1,703,699	1,425,180	2,033,605	1,904,073	2,083,000
Earnings on Investments	61,382	21,696	15,042	13,344	39,814	50,000
Federal/Other Local Government Units	225,290	1,007,697	941,175	967,817	813,095	860,000
Fed. IDEA - Stimulus Funds	1,433,215	0	0	0	0	0
Rentals	65,644	76,707	94,218	98,089	107,593	100,000
Contributions & Donations	6,756	11,297	11,486	5,005	20,143	8,000
E-Rate Reimbursement - Refund-Prior Years' Expenditures ..	58,059	0	42,636	248,221	72,362	0
Receipts from Other LEAS in PA-Education	0	333,584	317,973	290,239	282,500	0
Revenue from Community Service Activities	0	0	0	0	0	80,000
Tuition	104,871	342,468	243,325	240,637	236,380	521,000
Miscellaneous Income.....	0	92,935	80,245	80,407	95,099	1,118,002
Other Sources.....	64,528	212,814	183,760	194,456	186,457	0
Total Local Sources	<u>\$66,968,210</u>	<u>\$70,126,897</u>	<u>\$71,818,437</u>	<u>\$74,212,587</u>	<u>\$75,641,915</u>	<u>\$78,407,559</u>
State Sources:						
Instructional Subsidy.....	\$5,653,689	\$5,407,811	\$6,291,753	\$6,285,901	\$6,401,350	\$6,393,797
Charter Schools.....	117,133	134,698	0	0	0	0
Tuition for Orphans and Children	22,269	0	37,037	38,283	46,014	38,000
Special Education.....	2,452,078	2,381,297	2,390,493	2,389,738	2,368,711	2,334,181
Transportation.....	1,627,085	1,393,226	1,326,203	1,336,072	1,406,351	1,631,537
Rentals and Sinking Fund Payments	412,367	622,038	560,123	380,619	406,640	400,000
Health Services	97,675	97,378	95,070	91,363	92,447	92,000
State Property Tax Reduction Allocation.....	1,981,534	1,950,410	1,884,518	1,930,415	1,822,299	1,922,482
Revenue for Social Security Payments.....	1,475,779	1,536,685	1,598,872	1,629,575	1,596,775	1,769,159
Revenue for Retirement Contributions	1,004,864	1,184,650	1,877,662	2,612,900	3,757,890	4,949,019
Other Program Subsidies.....	0	0	18,342	0	0	0
PA Accountability Grant.....	259,425	243,273	95,579	95,579	95,579	95,579
Extra Grants/Technology Grants.....	0	75,900	0	5,796	0	0
Total State Sources	<u>\$15,103,898</u>	<u>\$15,027,366</u>	<u>\$16,175,652</u>	<u>\$16,796,242</u>	<u>\$17,994,055</u>	<u>\$19,625,754</u>
Total Federal Sources	<u>\$1,660,467</u>	<u>\$2,844,634</u>	<u>\$790,050</u>	<u>\$456,333</u>	<u>\$567,897</u>	<u>\$509,059</u>
Total Other Sources	<u>\$222,595</u>	<u>\$1,160,058</u>	<u>\$300</u>	<u>\$1,250,122</u>	<u>\$760,450</u>	<u>\$1,015,000</u>
TOTAL REVENUE	<u>\$83,955,170</u>	<u>\$89,158,955</u>	<u>\$88,784,439</u>	<u>\$92,715,284</u>	<u>\$94,964,316</u>	<u>\$99,557,372</u>

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 17, 2014.

Source: School District Annual Financial Reports and Budget.

**TABLE A-5
(CONTINUED)
METHACTON SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
EXPENDITURES*
(For years ending June 30)**

EXPENDITURES:	Actual					Budget
	2010	2011	2012	2013	2014	2015⁽¹⁾
Total Instruction	\$47,697,354	\$49,744,391	\$50,855,290	\$53,309,532	\$53,342,005	\$55,920,158
Pupil Personnel	2,781,880	2,901,900	3,004,685	3,254,312	3,276,384	3,604,861
Instructional Staff	1,756,611	1,860,644	1,891,199	1,907,353	1,795,677	2,174,743
Administration	4,059,757	3,836,303	4,356,479	4,796,831	5,220,746	5,807,048
Pupil Health	739,317	873,678	892,430	954,479	962,055	1,010,908
Business	917,965	1,014,378	1,062,865	1,053,264	1,218,144	1,138,524
Operation and Maintenance	6,667,879	7,038,794	6,856,954	7,382,296	7,965,868	8,387,212
Student Transportation	5,812,066	7,182,811	6,486,500	7,266,080	7,627,234	7,074,322
Central & Other Support Services	1,474,914	1,618,901	1,453,998	1,367,327	1,709,897	1,609,873
Other Support	0	0	74,613	74,848	76,195	79,000
Non-instructional Services	1,095,771	1,263,855	1,314,261	1,282,953	1,398,870	1,492,010
Debt Service	10,244,766	10,936,937	10,518,367	9,199,572	9,969,645	10,958,713
Fund Transfers	865,356	0	325,000	0	0	100,000
Facilities, Acq. Consr. And Improvement Services	0	0	0	34	0	0
Refund of Prior Year Receipts	0	0	98,344	6,253	86,456	0
Budgetary Reserve	0	682,458	0	0	0	200,000
TOTAL EXPENDITURES	\$84,113,636	\$88,955,050	\$89,190,985	\$91,855,134	\$94,649,176	\$99,557,372
SURPLUS (DEFICIT) OF						
REVENUES OVER EXPENDITURES	(\$158,466)	\$203,905	(\$406,546)	\$860,150	\$315,140	\$0

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 17, 2014.

Source: School District Annual Financial Reports and Budget.

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TAXING POWERS OF THE SCHOOL DISTRICT

In General

Subject to certain limitations imposed by the Taxpayer Relief Act, Act No. 1 of the Special Session of 2006, as amended (see “The Taxpayer Relief Act (Act 1)” herein), the School District is empowered by the School Code and other statutes to levy the following taxes:

1. A basic annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An unlimited ad valorem tax on the property taxable for school purposes to provide funds:
 - a. for minimum salaries and increments of the teaching and supervisory staff;
 - b. to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
 - c. to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the school district; and
 - d. to pay for the amortization of a Bond issue which provided a school building prior to the first Monday of July, 1959.
3. An annual per capita tax on each resident or inhabitant over 18 years of age of not more than \$5.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended (“The Local Tax Enabling Act”). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer taxes, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – “STEB”) multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

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The Taxpayer Relief Act (Act 1)

Under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (“The Taxpayer Tax Relief Act” or “Act 1”), a school district may not, in fiscal year 2007-2008 or in any subsequent fiscal year, levy any tax for the support of the public schools which was not levied in the 2006-2007 fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by the Pennsylvania Department of Education (PDE):

1. to pay interest and principal on indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004, or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 of 2004; to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances; and
3. to make payments into the State Public School Employees’ Retirement System when the increase in the estimated payments between the current year and the upcoming year is greater than the Index, as determined by PDE in accordance with the provisions of Act 1.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 1 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by PDE. If a school district’s petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.

The Index applicable to the School District for the current and previous fiscal years (not including exceptions) is as follows:

2015-16	1.9%
2014-15	2.1%
2013-14	1.7%
2012-13	1.7%
2011-12	1.4%

In accordance with the Act, the School District put a referendum question on the ballot at the May 15, 2007 primary election seeking voter approval allowing the school district to levy (or increase the rate of) earned income and net profits tax (“EIT”) or a personal income tax (“PIT”) and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion.

The electors in the School District did not approve the referendum question on the May 15, 2007 primary election.

A board of school directors may submit, but is not required to submit, a further referendum question to the voters at a municipal election in any later year seeking approval to levy or increase the rate of an EIT or a PIT for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate which is required to provide the maximum homestead and farmstead exclusions allowable under law.

This summary is not intended to be an exhaustive discussion of the provisions of Act 1 nor a legal interpretation of any provisions of Act 1, and a prospective purchaser of the Bonds should review the full text of Act 1 as a part of any decision to purchase the Bonds.

Status of the Bonds Under Act 1

The Bonds described in this Official Statement do not represent debt that was approved (“incurred”) by the board of school directors prior to the effective date of Act 1, therefore the board of school directors may not apply to the Pennsylvania Department of Education (PDE) to use the Act 1 referendum exception for previously incurred debt if a tax increase greater than the Index is needed to provide for payment of principal or interest on the Bonds. The School District believes that it will not exceed the Act 1 Index established for the 2014-15 fiscal year as the full amount of the millage required to pay the debt service on such Bonds is currently in place.

Act 130 of 2008

Act 130 of 2008 of the Commonwealth amended the Local Tax Enabling Act so as to authorize school districts levying an occupation tax to replace that occupation tax with an increased earned income tax or, if the school district has implemented a personal income tax in accordance with the Taxpayer Relief Act, an increased personal income tax, in a revenue neutral manner. To so replace an occupation tax, the board of school directors must first hold at least one public hearing on the matter and then place a binding referendum question on the ballot at a general or municipal election for approval by the voters.

The School District has not scheduled a public hearing or taken other action to conduct a referendum under Act 130 of 2008.

SET FORTH ABOVE IS A SUMMARY OF PORTIONS OF ACT 130. THIS SUMMARY IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF THE PROVISIONS OF ACT 130 NOR A LEGAL INTERPRETATION OF ANY PROVISION OF ACT 130. A PROSPECTIVE PURCHASER OF THE BONDS SHOULD REVIEW THE FULL TEXT OF ACT 130 AS A PART OF ANY DECISION TO PURCHASE THE BONDS.

Act 48 of 2003 – Limitation on Fund Balances

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes for the school year 2005-2006 or any subsequent school year, unless the school district has adopted a budget for such school year that includes an estimated ending unreserved undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

<u>Total Budgeted Expenditures</u>	<u>Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total Budgeted Expenditures</u>
Less than or equal to \$11,999,999	12.0%
Between \$12,000,000 and \$12,999,999	11.5%
Between \$13,000,000 and \$13,999,999	11.0%
Between \$14,000,000 and \$14,999,999	10.5%
Between \$15,000,000 and \$15,999,999	10.0%
Between \$16,000,000 and \$16,999,999	9.5%
Between \$17,000,000 and \$17,999,999	9.0%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000	8.0%

“Estimated ending unreserved fund balance” is defined in Act 2003-48 as that portion of the fund balance which is appropriate for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district’s budget was adopted and held in the general fund accounts of the school district.

SET FORTH ABOVE IS A SUMMARY OF PORTIONS OF ACT 48. THIS SUMMARY IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF THE PROVISIONS OF ACT 48 NOR A LEGAL INTERPRETATION OF ANY PROVISIONS OF ACT 48. A PROSPECTIVE PURCHASER OF THE BONDS SHOULD REVIEW THE FULL TEXT OF ACT 48 AS A PART OF ANY DECISION TO PURCHASE THE BONDS.

Tax Levy Trends

Table A-6 shows the recent trend of tax rates levied by the School District. Table A-7 shows the comparative trend of real property tax rates for the School District, Montgomery County and the municipalities within the School District.

**TABLE A-6
METHACTON SCHOOL DISTRICT TAX RATES**

Fiscal Year	Real Estate (mills)	Real Estate Transfer⁽¹⁾ (%)	Wage and Income⁽¹⁾ (%)	Local Services⁽²⁾ (\$)	Amusement (%)	Per Capita⁽³⁾ (%)
2010-11.....	25.58	1.00	1.00	10.00	5.00	15.00
2011-12.....	26.32	1.00	1.00	10.00	5.00	15.00
2012-13.....	26.83	1.00	1.00	10.00	5.00	15.00
2013-14.....	27.33	1.00	1.00	10.00	5.00	15.00
2014-15.....	27.90	1.00	1.00	10.00	5.00	15.00

⁽¹⁾Subject to sharing with the municipalities within the School District.

⁽²⁾Formerly known as the Occupational Privilege Tax and the Emergency and Municipal Services Tax.

⁽³⁾Includes School Code and Act 511 taxes.

Source: School District Financial Reports.

**TABLE A-7
METHACTON SCHOOL DISTRICT
COMPARATIVE REAL PROPERTY TAX RATES
(Mills on Assessed Value)**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<i>Methacton School District</i>	25.580	26.320	26.830	27.330	27.900
Lower Providence Township.....	1.512	1.512	0.905	1.592	1.592
Worcester Township.....	0.050	0.050	0.050	0.050	0.050
Montgomery County.....	2.695	2.695	2.695	3.152	3.152

Source: Local Government website.

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Real Property Tax

The real property tax (excluding delinquent collections) produced \$64,178,690 in 2013-14, approximately 67.6% of overall revenue. The tax is levied on July 1 of each year. Taxpayers who remit within 60 days receive a 2% discount, and those who remit subsequent to 120 days after July 1 are assessed a 10% penalty.

The following table summarizes recent trends of assessed and market valuations of real property and real property tax collection data. The last County-wide reassessment became effective January 1, 1998.

TABLE A-8
METHACTON SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA

Fiscal Year	Market Value	Assessed Value	Common Level Ratio
2009-10.....	\$3,414,406,900	\$2,491,126,695	72.96%
2010-11.....	3,756,525,117	2,493,270,716	66.37%
2011-12.....	3,773,238,699	2,504,073,660	66.36%
2012-13.....	3,809,415,640	2,507,353,518	65.82%
2013-14.....	3,821,188,589	2,514,959,008	65.82%
Compound Average Annual Percentage Change	2.28%	0.19%	

Source: Pennsylvania State Tax Equalization Board.

TABLE A-9
METHACTON SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY

	2012-13 Market Value	2012-13 Assessed Value	2013-14 Market Value	2013-14 Assessed Value
<i>Methacton School District</i>	\$ 3,809,415,640	\$ 2,507,353,518	\$ 3,821,188,589	\$ 2,514,959,008
Lower Providence Township	2,424,413,216	1,594,060,532	2,428,778,769	1,597,185,292
Worcester Township.....	1,385,002,424	913,292,986	1,392,409,821	917,773,716
Montgomery County.....	87,628,015,471	58,292,903,853	88,052,938,140	58,538,764,710

Source: Pennsylvania State Tax Equalization Board.

TABLE A-10
METHACTON SCHOOL DISTRICT
ASSESSMENT BY LAND USE

	2009-10	2010-11	2011-12	2012-13	2013-14
Residential	\$1,938,170,269	\$1,946,503,661	\$1,949,604,225	\$1,958,910,743	\$1,964,916,353
Lots	18,691,224	16,920,115	15,946,415	14,058,015	13,623,995
Industrial.....	77,310,740	78,161,930	77,362,080	73,921,080	73,080,580
Commercial	422,783,742	416,131,440	420,782,016	419,293,366	420,132,856
Agriculture.....	29,867,660	31,250,510	31,242,260	32,090,960	34,128,240
Land.....	4,303,060	4,303,060	2,596,860	2,596,860	2,596,860
Trailers.....	0	0	6,539,804	6,482,494	6,480,124
Total	\$2,491,126,695	\$2,493,270,716	\$2,504,073,660	\$2,507,353,518	\$2,514,959,008

Source: Pennsylvania State Tax Equalization Board.

TABLE A-11
METHACTON SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA

Fiscal Year	Total Flat Billing	Total Adjusted Flat Billing⁽¹⁾	Current Year Collections (July-June)	Year Collections as Percent of Total Adjusted Flat Billing	Current Plus Delinquent Collections⁽²⁾	Total Collections as Percent of Total Adjusted Flat Billing
2009-10 ⁽³⁾	\$60,529,825	\$58,562,606	\$58,272,984	99.51%	\$59,772,952	102.07%
2010-11 ⁽⁴⁾	62,010,929	59,840,546	59,558,247	99.53%	61,158,247	102.20%
2011-12 ⁽⁵⁾	65,520,816	63,025,520	63,021,116	99.99%	64,404,901	102.19%
2012-13 ⁽⁶⁾	66,812,583	65,792,564	64,592,007	98.18%	66,592,323	101.22%
2013-14 (est.) ⁽⁷⁾	66,211,970	63,889,671	64,023,533	100.21%	65,885,971	103.12%

⁽¹⁾Flat billing plus penalties, less discounts, rebates and exonerations

⁽²⁾Includes delinquent realty taxes collected only.

⁽³⁾2009-10 current collections include \$1,981,534 credit from State gaming revenues, ⁽⁴⁾2010-11 current collections include \$1,950,411 credit from State gaming revenues, ⁽⁵⁾2011-12 current collections include \$1,884,518 credit from State gaming revenues, ⁽⁶⁾2012-13 current collections include \$1,884,518 credit from State gaming revenues; and ⁽⁷⁾2013-14 current year collections minus \$500,000 for pending assessment appeals and \$1,822,299 state gaming revenues.

Source: School District officials.

The ten largest real property taxpayers, together with 2014-15 assessed values, are shown in Table A-12. The aggregate assessed value of these ten taxpayers totals approximately 8.6 percent of total assessed value.

TABLE A-12
METHACTON SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS

Owner	Property	2014-15 Assessed Value
SWD 89/101 LLC ⁽¹⁾	Retirement Complex	\$ 85,762,270
Montgomery CIDA & Meadowood Corp.	Retirement Village	35,014,900
Morris Road Investors LP	Industrial	15,400,260
MG Assocs.	Apartment Complex	15,500,760
Eagleville Sanatorium	Medical Facility	11,837,140
2622 Van Buren LP	Office Complex	9,920,000
Eagle Stream Trust	Apartment Complex	10,130,680
1001 Trooper Road Assoc. LP	Industrial	9,871,600
Schracks LLC	Office Complex	9,580,770
Monroe Delval Associates LP	Office Complex	16,686,880
Total		\$219,705,260

⁽¹⁾ The above taxpayer has appealed its tax assessment effective January 1, 2011. Appraisals have been completed and are currently under review. The School District filed a reverse appeal on August 1, 2012, which is anticipated to go to Court in the next few months. The School District has escrowed \$527,000 to offset a potential loss, if any.

Source: School District officials.

Other Taxes

Under Act 511, the School District collected \$7,442,588 in other taxes in 2013-14. Among the taxes authorized by Act 511, the Real Estate Transfer Tax, Wage and Income Tax, Per Capita Tax, Amusement Tax, and Local Services Tax are levied by the School District. The Act 511 limit, equal to 12 mills on the market value of real property, was \$45,854,263.

Real Estate Transfer. The School District levies a tax of 1.0% of the value of real estate transfers. In 2013-14, the School District collected \$861,647 or less than one percent of total revenue.

Wage and Income Tax. A tax of .5% of the earned income of residents is levied by the School District. In 2013-14, the School District's collected \$6,343,221 or 6.7% of total revenue from this tax.

Per Capita Tax. A tax of \$15.00 (\$10.00 under Act 511 and \$5.00 under the Public School Code) on each resident over 18 years old yielded \$93.144 in 2013-14 or less than one percent of total revenue.

Amusement Tax. The School District levies a 10% Gross Receipts tax annually on all amusements. The 2013-14 levy yielded \$52,157 or less than one half percent of total revenue. This tax is shared on a 50% basis with Lower Providence Township.

Local Services Tax. A tax of \$10.00 is levied. In 2013-14, the collected portion of this tax yielded \$92,419 or less than one percent of total revenue.

Commonwealth Aid to School Districts

Pennsylvania school districts receive financial assistance from the Commonwealth in a number of forms, all subject to statutory provisions and annual appropriation by the Pennsylvania General Assembly. The largest subsidy, basic instructional subsidy, is allocated to all school districts based on factors such as: (1) the per pupil market value of assessable real property in the school district; (2) the per pupil earned income in the school district; (3) the school district's tax effort, as compared with the tax effort of other school districts in the Commonwealth; and (4) student count. School districts also receive subsidies for special education, pupil transportation, health service and debt service.

Commonwealth law presently provides that the School District will receive reimbursement from the Commonwealth for a portion of debt service on the Bonds upon final approval of the Department of Education. Commonwealth reimbursement is based on the "Reimbursable Percentage" assigned to the Bonds and the School District's Capital Account Reimbursement Fraction (CARF). Commonwealth reimbursement is based on the "Reimbursable Percentage" assigned to the Bonds.

Debt Statement

Table A-13 shows the debt of the Methacton School District as of February 18, 2015, including the issuance of the Bonds.

TABLE A-13
METHACTON SCHOOL DISTRICT
DEBT STATEMENT
(As of February 18, 2015)*

NONELECTORAL DEBT	Gross Outstanding
General Obligation Note, Series of 2015 (last maturity 2027).....	\$5,495,000
General Obligation Bonds, Series A of 2013 (last maturity 2025).....	2,530,000
General Obligation Notes, Series of 2013 (last maturity 2025)	5,475,000
General Obligation Bonds, Series of 2013 (last maturity 2025)	4,220,000
General Obligation Bonds, Series AA of 2012 (last maturity 2018).....	6,515,000
General Obligation Bonds, Series A of 2012 (last maturity 2023).....	7,125,000
General Obligation Bonds, Series of 2012 (last maturity 2018)	8,950,000
General Obligation Bonds, Series of 2011 (last maturity 2023)	9,075,000
General Obligation Note, Series B of 2011 (last maturity 2023)	1,539,794
General Obligation Note, Series A of 2011 (last maturity 2023)	1,500,000
General Obligation Bonds, Series of 2010 (last maturity 2021)	2,315,000
General Obligation Bonds, Series A of 2009 (last maturity 2020).....	3,395,000
General Obligation Bonds, Series of 2009 (last maturity 2025)	28,995,000
General Obligation Note, Series A of 2008 (last maturity 2015)	3,228,359
General Obligation Note, Series A of 2003 (last maturity 2016)	2,500,000
Subtotal.....	\$92,858,153
Less: Debt Deemed Subsidized	(4,000,000)
TOTAL NONELECTORAL DEBT.....	\$88,858,153
LEASE RENTAL DEBT	
School Lease Revenue Bonds, Series of 2015 ⁽¹⁾	\$1,383,074
TOTAL LEASE RENTAL DEBT.....	\$1,383,074
TOTAL PRINCIPAL OF DIRECT DEBT	\$90,241,227

*Includes the Bonds offered through this Official Statement. Does not include the 2010 Bonds being refunded herein.

⁽¹⁾The School District's pro rata share in relation to the Bonds offered through this Official Statement.

Debt Limit and Remaining Borrowing Capacity

Electoral debt, i.e., debt approved by the voters at a general or special election, may be incurred without limit. Non-electoral debt and lease rental debt are subject to a statutory borrowing limit.

The statutory borrowing limit of the School District under the Debt Act is computed as a percentage of the School District's "Borrowing Base". The "Borrowing Base" is defined as the annual arithmetic average of "Total Revenues" (as defined by the Debt Act), for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Total Revenue for 2011-12	\$ 88,223,716
Total Revenue for 2012-13	92,334,365
Total Revenue for 2013-14	92,381,568
Total Revenues, Past Three Years	\$272,939,649
 Annual Arithmetic Average (Borrowing Base).....	 \$ 90,979,883

Under the Debt Act as presently in effect, no school district shall incur any nonelectoral debt or lease rental debt, if the aggregate net principal amount of such new debt together with any other net nonelectoral debt and lease rental debt then outstanding, would cause the net nonelectoral debt plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District's Borrowing Base produces the following product:

	<u>Legal Limit</u>	<u>Net Debt Outstanding*</u>	<u>Remaining Borrowing Capacity</u>
Net Nonelectoral Debt and Lease Rental Debt Limit:			
225% of Borrowing Base	\$204,704,736	\$90,241,227	\$114,463,509

* Includes the Bonds offered through this Official Statement. Does not include the 2010 Bonds being refunded herein and does not reflect credits against gross indebtedness that may be claimed for a portion of principal of debt estimated to be reimbursed by Commonwealth Aid.

Future Financing

The School District does not plan to issue additional long term (non-refunding) debt in the next 2-3 years.

LABOR RELATIONS

School District Employees

There are approximately 654 employees of the School District, including 453 teachers and administrators, and 201 support personnel including secretaries, custodian/maintenance staff, teacher's assistants, and transportation aides.

The School District's teachers are represented by the Methacton Education Association, an affiliate of the Pennsylvania State Education Association (PSEA), under a contract with the School District which will expire on June 30, 2017. The custodial and maintenance personnel are represented by the Teamsters Local Union 384, under a contract with the School District which expires June 30, 2017. The secretarial and clerical support staff is represented by the Methacton Education Support Personnel Association, an affiliate of PSEA, under a contract with the School District which expires June 30, 2017.

Pension Program

School districts in Pennsylvania are required to participate in a statewide pension program administered by the State Public School Employees Retirement Board. All of the School District's full-time employees, part-time employees who work more than 80 days in a school year, and hourly employees who work over 500 hours a year participate in the program.

The PSERS Board of Trustees has set the fiscal year 2014-15 employer retirement contribution rate at 21.4 percent of payroll. Both, the School District and the Commonwealth are responsible for paying a portion of the employer's share. Employers are divided into two groups: school entities and non-school entities. School entities are responsible for paying 100 percent of the employer share of contributions to PSERS. The Commonwealth reimburses the employer for one-half the payment for employees. Recent School District payments have been as follows:

2010-11	\$2,467,471
2011-12	3,806,076
2012-13	5,590,751
2013-14	7,515,779
2014-15 (Budgeted)	9,109,386

The School District is current in all payments. The PSERS complete report is available on the PSERS website on the Internet: www.psers.state.pa.us.

Source: PSERS – Financial Highlights.

Other Post-Employment Benefits

Plan Description:

The District provides post employment healthcare benefits as set forth in the collective bargaining agreement with the Methacton Education Association (MEA) and the Methacton Administrative Organization (MAO). For retired teachers: prior to July 2001, there are four retirees receiving 90% district contribution of the premium for healthcare programs for 14 years or age 65; retirees prior to July 1, 2005 with at least 10 years of district service, the District will continue to contribute 88% (reduced to 89% in 2011-2012 and 88% thereafter) of the premium for healthcare programs for up to 12 years, after 12 years the retiree can continue coverage by paying the full premium; retirees between July 1, 2005 and October 31, 2010 with at least 10 years of service will receive cash payments of \$10,000 for 5 years into a 403(b) or health premium account, and the retiree must pay full premium for healthcare programs; retirees between April 1, 2011 and June 30, 2012, or after July 1, 2013 with at least 10 years of service will receive cash payments of \$20,000 for 2 years into a 403(b) or health premium account, and the retiree must pay full premium for healthcare programs. For retired Administrators: retirees prior to July 1, 2005 with at least 10 years of district service, the District will continue to contribute 88% of the premium for healthcare programs for up to 12 years, after 12 years the retiree can continue coverage by paying the full premium; retirees between July 1, 2005 and June 30, 2013 with at least 10 years of service will receive cash payments of \$10,000 for 5 years into a 403(b) or health premium account, and the retiree must pay full premium for healthcare programs; retirees between July 1, 2012 and June 30, 2013 will receive cash payments of \$15,000 for 2 years into a 403(b) or health premium account, and the retiree must pay full premium for healthcare programs; retirees after July 1, 2013 must pay the full premium for healthcare programs. Support staff retirees must pay full premium for healthcare programs. After June 30, 2017 all retirees must pay full premiums for healthcare programs.

Funding Policy:

The District has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2013-14 fiscal year, there were 177 retired participants. Retiree contributions are based on weighted averages for the medical premiums, increasing at the same rate as the health care cost trend rate. The District's pay-as-you-go cost, including implicit rate subsidy of \$1,109,140 has been applied toward the annual OPEB cost.

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Annual OPEB Cost and Net OPEB Obligation:

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three years was as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 1,702,018	77%	\$ 2,857,476
6/30/2013	1,696,233	67%	3,417,262
6/30/2014	1,671,595	66%	3,979,717

Funded Status and Funding Progress:

As of July 1, 2012, the latest actuarial valuation, the actuarial accrued liability for benefits was \$13,428,211, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$13,428,211. The covered payroll (annual payroll of active participating employees) was \$42,566,725, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 31.55 percent.

The following table shows the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

<u>Description</u>	
Normal cost (service cost for one year)	\$ 599,701
Interest on Normal Cost	26,987
Amortization of Unfunded Actuarial Accrued Liability	<u>1,195,319</u>
Annual Required Contribution (ARC)	1,822,007
Interest on net OPEB Obligation	153,777
Adjustment to Annual Required Contribution	<u>(304,189)</u>
Annual OPEB Cost (expense)	1,671,595
Contributions toward the OPEB Cost	<u>(1,109,140)</u>
Increase in Net OPEB Obligation	562,455
Net OPEB Obligation, Beginning of Year	<u>3,417,262</u>
Net OPEB Obligation, End of Year	<u>\$ 3,979,717</u>

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CONTINUING DISCLOSURE UNDERTAKING

Existing Continuing Disclosure Filing History

The School District has previously entered into Continuing Disclosure Agreements with respect to each one of its previously issued bond issues that are currently outstanding. The School District'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		Budget		Operating Data	
		Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]
6/30/2010	12/27/2010	1/28/2011	EP425675	7/29/2011	EA411226	Various ^[3]	Various ^[3]
6/30/2011	12/27/2011	12/27/2011 ^[4]	ER469605	7/29/2011	EA411226	8/16/2011	EP463136
6/30/2012	12/27/2012	11/27/2012	ER527359	2/11/2015	ER674560	5/15/2013	EA454157
6/30/2013	12/27/2013	11/11/2013	ER586291	11/11/2013	ER586291	12/20/2013	ER595902
6/30/2014	12/27/2014	10/30/2014	ER649147	6/18/2014	ER629810	12/3/2014	EA556924

Notes

^[1] For these purposes, assumes the shortest filing deadline of the School District'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] Included in various EMMA filings. The operating data with the exception of the top ten taxpayers was filed on August 16, 2011 under EMMA ID EP463136, the top taxpayers were filed on February 11, 2015 under EMMA ID ER674556.

^[4] Filing of School District's PDE-2057 Annual Financial Report. Audited financial statements filed on March 23, 2012 under EMMA ID ER469605.

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

For fiscal year ending June 30, 2010, the School District filed its audited financial statements on January 28, 2011, its budget on July 29, 2011 and a portion of the operating data was filed on August 16, 2011 with the remaining operating data filed on February 11, 2015.

For fiscal year ending June 30, 2011, the School District filed its PDE-2057 Annual Financial Report on December 27, 2011 and its audited financial statements were filed on March 23, 2012. The budget report and operating data were filed in a timely fashion.

For fiscal year ending June 30, 2012, the School District filed its audited financial statements in a timely fashion. The budget was filed on February 11, 2015 and the operating data was filed on May 15, 2013.

For fiscal year ending June 30, 2013, the School District filed its annual financial statements, budget and operating data were filed in a timely fashion.

For fiscal year ending June 30, 2014, the School District filed its annual financial statements, budget and operating data were filed in a timely fashion.

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

Some of the School District'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. For informational purposes, the School District has recently filed a summary of rating upgrades and downgrades relating to certain bond insurance companies.

Moody's Global Rating Scale Recalibration

Certain bond issues of the School District received rating changes from Moody's Investors Service on April 23, 2010 as a result of the Global Rating Scale Recalibration by Moody's Investors Service. For informational purposes, the School District has recently filed a notice of these rating changes relating to the Global Ratings Scale Recalibration. This information was widely disseminated at the time of the rating change and was publicly available from other public information sources.

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APPENDIX B

NORTH PENN SCHOOL DISTRICT
Montgomery County, Pennsylvania

Descriptive, Financial and Economic Information

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THE SCHOOL DISTRICT

Introduction

The School District is located in the north-central section of Montgomery County, Pennsylvania, and a small portion of the southern central Bucks County, Pennsylvania and is comprised of the municipal subdivisions of the Boroughs of Hatfield, Lansdale and North Wales and the Townships of Hatfield, Montgomery, Towamencin and Upper Gwynedd, all located in Montgomery County and a small portion of the Townships of Hilltown and New Britain located in adjacent Bucks County, Pennsylvania.

Administration

The School District is governed by a nine member Board of School Directors (the "School Board"), elected for four-year terms. The superintendent is the chief administrative officer of the School District, with overall responsibility for all aspects of operations, including education and finance. The business administrator is responsible for budget and financial operations. Both of these officials are selected by the School Board.

School Facilities

The School District presently owns thirteen elementary schools, 3 middle schools, one high school, an alternative education school, a Support Services Center and the Educational Service Center, all as described in the following table. Students in grades 10-12 also attend the North Montgomery County Area Vocational Technical School.

**TABLE B-1
NORTH PENN SCHOOL DISTRICT
SCHOOL FACILITIES**

Building	Original Construction Date	Addition/ Renovation Date	Grades	Rated Pupil Capacity*	2014-15 Enrollment
<i>Elementary:</i>					
Bridle Path	1994	---	K-6	889	559
Gwyn-Nor	1966	2004	K-6	920	579
Gwynedd Square	1991	---	K-6	980	567
Hatfield	1970	---	K-6	920	469
Inglewood	1963	1972	K-6	732	502
Knapp	1955	1999	K-6	665	664
Kulp	1957	1963/2009	K-6	1,020	524
Montgomery	1965	1990	K-6	1,098	574
Nash	1976	1997	K-6	584	391
North Wales	1927	1974/2010	K-6	629	442
Oak Park	1959	2002	K-6	856	479
Walton Farm	1994	---	K-6	889	554
York Avenue	1927	2008	K-6	570	349
<i>Secondary:</i>					
Pennbrook Middle	1959	2006	7-9	1,264	863
Pennsdale Middle	1931	1997	7-9	1,749	1,370
Pennfield Middle	1964	2007	7-9	1,362	780
North Penn High	1971	1999	10-12	3,782	3,091
Northbridge Alternate School ...	1989	2008	7-12		Included above
Education Service Center	1963	1990	N/A		
Support Service Center	1982	2008	N/A		

*In accordance with PDE/Plancon methodology (does not include modular's and special education classrooms).

Source: School District officials.

Enrollment Trends

The following table presents recent trends in school enrollment and projections of enrollment for the next 5 years, as prepared by School District officials.

TABLE B-2
NORTH PENN SCHOOL DISTRICT
ENROLLMENT TRENDS

Actual Enrollments				Projected Enrollments			
School Year	K-6	7-12	Total	School Year	K-6	7-12	Total
2010-11	6,635	6,030	12,665	2015-16	6,314	6,167	12,481 *
2011-12	6,546	6,087	12,633	2016-17	6,236	6,220	12,456 *
2012-13	6,627	6,035	12,662	2017-18	6,166	6,177	12,343 *
2013-14	6,586	6,036	12,622	2018-19	6,184	6,129	12,313 *
2014-15	6,653	6,104	12,757	2019-20	6,184	6,028	12,212 *

*PDE projections as of July 2012.

Source: PDE Projections and School District Sources.

SCHOOL DISTRICT FINANCES

Introduction

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the superintendent and business administrator and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1.

Financial Reporting

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States of America. The School District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide and proprietary fund financial statements apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The government wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). The School District's financial statements are audited annually by an independent certified public accountant, as required by Commonwealth law.

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Budgeting Process in School Districts under the Taxpayer Relief Act

In General. School districts budget and expend funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by school district administrative officials on a uniform form furnished by such Department and submitted to the board of school directors for approval prior to the beginning of the fiscal year on July 1.

Procedures for Adoption of the Annual Budget. Under the Taxpayer Relief Act, all school districts of the first class A, second class, third class and fourth class (except as described below) must adopt a preliminary budget proposal (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election immediately preceding the fiscal year. The preliminary budget proposal must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days' public notice of its intent to adopt the final budget.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the Pennsylvania Department of Education (PDE) no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district's Index (see "Act 1 of 2006 ("The Taxpayer Relief Act")" herein) and within 10 days, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one of the referendum exceptions authorized under the Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required (see "Act 1 of 2006 ("The Taxpayer Relief Act")" herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district's request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district's request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

To use any of the referendum exceptions for which court approval is required under the Taxpayer Relief Act, the school district must petition the court of common pleas no later than 75 days prior to the upcoming election, after giving one week's public notice of the intent to file such petition. The court may schedule a hearing on the petition, and the school district must prove by clear and convincing evidence that it qualifies for the exception sought. The Taxpayer Relief Act requires that the court rule on the petition and inform the school district of its decision no later than 55 days prior to the upcoming election. Such Act provides that the court in approving the petition shall determine the dollar amount for which the exception is granted, the tax rate increase required to fund the exception and the appropriate duration of the tax increase. If the court denies the school district's petition, such Act permits the school district to submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared at least 30 days, and made available for public inspection at least 20 days, prior to its adoption, and that at least ten (10) days' public notice be given of the board's intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

Summary and Discussion of Financial Results

The School District staff prepares annual fund balance analyses for discussion and approval by the Board. The Board's objective is to provide sufficient funds to pay current expenditures and to maintain a fund balance that will provide financial stability.

A summary of general fund balance sheet and changes in fund balances is presented in Tables B-3 and B-4. Table B-5 shows revenues and expenditures for the past five years and the 2014-15 Budget, as adopted June 19, 2014.

TABLE B-3
NORTH PENN SCHOOL DISTRICT
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET
(Years ending June 30)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
ASSETS					
Cash and Cash Equivalents	\$29,618,695	\$36,089,729	\$48,418,223	\$56,632,406	\$60,316,792
Investments	314	353	828	588,519	1,478
Accounts Receivable	3,181,746	3,292,901	3,648,834	2,927,410	2,780,572
Due to other funds	21,584	37,006	19,124	390,117	396,353
Due from other governments	2,423,565	0	96,524	0	0
State Revenue Receivable	0	1,529,323	2,101,411	2,972,591	4,385,636
Federal Revenue Receivable	0	1,511,625	1,361,603	792,832	871,507
Prepaid Expenses	2,283,774	179,292	3,752,906	0	0
Other Receivables	441,714	305,007	142,889	237,243	271,419
Other Current Assets	180,102	0	158,106	192,286	204,370
TOTAL ASSETS	<u>\$38,151,494</u>	<u>\$42,945,236</u>	<u>\$59,700,448</u>	<u>\$64,733,404</u>	<u>\$69,228,127</u>
LIABILITIES					
Due to Other Funds	\$14,013	\$6,841	\$5,830,778	\$9,941,660	\$4,000,000
Accounts Payable	4,717,969	6,556,783	7,228,657	7,631,252	6,214,206
Accrued Salaries & Benefits	10,936,976	11,309,221	5,204,477	785,323	5,676,466
Payroll Deductions and Withholdings	0	0	9,736,884	9,963,898	12,665,211
Deferred Revenues	3,296,501	2,467,535	3,051,702	2,462,353	2,605,926
TOTAL LIABILITIES	<u>\$18,965,459</u>	<u>\$20,340,380</u>	<u>\$31,052,498</u>	<u>\$30,784,486</u>	<u>\$31,161,809</u>
FUND EQUITIES					
Non-spendable Fund Balance	\$0	\$179,292	\$3,911,012	\$3,911,012	\$204,370
Committed Fund Balance	4,873,236	5,873,236	10,873,236	10,206,187	14,406,187
Assigned Fund Balance	0	0	500,000	500,000	5,700,000
Unassigned Fund Balance	14,312,799	16,552,328	13,363,702	19,331,719	17,755,761
TOTAL FUND EQUITY	<u>\$19,186,035</u>	<u>\$22,604,856</u>	<u>\$28,647,950</u>	<u>\$33,948,918</u>	<u>\$38,066,318</u>
TOTAL LIABILITIES AND FUND EQUITIES	<u>\$38,151,494</u>	<u>\$42,945,236</u>	<u>\$59,700,448</u>	<u>\$64,733,404</u>	<u>\$69,228,127</u>

Source: School District Annual Financial Reports.

TABLE B-4
NORTH PENN SCHOOL DISTRICT GENERAL FUND
SUMMARY OF CHANGES IN FUND BALANCE*

	Actual					Budget
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015⁽¹⁾</u>
Beginning Fund Balance ..	\$13,399,971	\$19,186,034	\$22,604,855	\$28,647,949	\$33,948,103	\$38,066,319
Excess of Revenues over (under) Expenditures.....	5,786,063	3,418,821	6,043,094	5,300,154	4,117,405	(3,958,057)
Chg. Inv/RS equity Trans/ Prior Year Adj.....	0	0	0	0	811	0
Ending Fund Balance.....	<u>\$19,186,034</u>	<u>\$22,604,855</u>	<u>\$28,647,949</u>	<u>\$33,948,103</u>	<u>\$38,066,319</u>	<u>\$34,108,262</u>

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 19, 2014.

Source: School District Annual Financial Reports and Budget.

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Revenue

The School District received \$218,821,810 in revenue in 2013-14 and has budgeted revenue of \$223,077,924 in 2014-15. Local sources contributed a decreasing share of total revenue in the past five years, from 82.3 percent in 2009-10 to 80.9 percent in 2013-14. Revenue from Commonwealth sources contributed an increasing share of total revenue from 15.8 percent to 17.8 percent over this period. Federal and other revenue decreased slightly as a share of total revenue from 1.9 percent to 1.4 percent during the period.

TABLE B-5
NORTH PENN SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES*
(For years ending June 30)

REVENUE	Actual					Budget 2015 ⁽¹⁾
	2010	2011	2012	2013	2014	
Local Sources						
Real Estate Taxes (Current)	\$138,305,880	\$141,174,089	\$142,101,980	\$144,319,800	\$149,432,913	\$154,472,434
Interim Real Estate Taxes	737,316	604,390	580,061	1,022,090	2,400,972	1,485,434
Public Utility Tax	209,998	216,264	219,112	219,282	203,424	205,000
Payments in Lieu of Current Taxes	210	210	210	210	210	210
Total Act 511 Taxes	14,691,010	14,718,237	14,704,019	16,526,415	18,217,858	16,100,000
Delinquent Taxes	2,699,666	2,460,927	2,950,273	3,954,259	3,290,588	2,850,000
Earnings on Investments	626,221	536,795	352,392	211,179	177,082	225,000
Other Rev. from Intermediary Sources	0	0	105,875	297,229	310,906	262,379
Fed. IDEA Pass Through Revenue	2,464,295	2,412,799	2,457,897	2,470,194	2,275,550	0
Fed. ARRA IDEA Pass Through Revenue	563,739	2,386,263	0	0	0	0
Rentals	8,550	4,954	71,138	70,052	105,480	70,000
Tuition	46,706	47,470	61,830	66,693	70,442	157,850
Receipts from Other LEAS in PA – Education	0	128,770	119,859	158,497	109,303	0
All Other Services Provided				31,794	15,640	20,000
Other Govt.'s and LEAs	0	28,493	0			
Energy Incentives & Rebates	0	32,027	0	0	0	0
Refunds of Prior Years' Expenditures	24,759	963	0	0	2,052	0
All Other Local Revenue Not Specified	0	74,820	287,499	361,015	393,548	297,500
Total Local Revenue	\$160,378,351	\$164,827,470	\$164,012,145	\$169,708,708	\$177,005,966	\$176,145,807
State Sources						
Instructional Subsidy	\$7,845,300	\$7,467,160	\$8,720,101	\$8,720,101	\$8,949,801	\$8,949,800
Charter Schools	279,956	313,683	0	0	0	0
Tuition Orphans & Children placed in Private Homes	465,946	272,785	463,993	379,509	419,183	350,000
Homebound Instruction	298	0	0	0	0	0
Alternative Education	84,008	0	0	0	0	0
Special Education	6,590,944	6,491,209	6,493,339	6,409,568	6,448,961	6,276,525
Transportation	3,040,660	2,985,722	2,939,338	2,796,078	3,035,973	2,929,000
Rentals and Sinking Fund Reimbursements	237,646	79,636	177,392	736,321	1,571,981	529,800
Health Services	289,472	294,295	293,432	291,636	270,124	270,000
State Property Tax Reduction Allocation	4,620,587	4,766,455	4,627,512	4,725,094	4,481,606	4,886,160
PA Accountability Grant	624,001	585,150	229,898	229,898	229,898	229,898
Additional grants not listed elsewhere	30,589	75,908	189	0	0	0
Dual Enrollment Grants	9,402	7,633	0	0	0	0
Project 720/High School Reform	17,250	0	15,873	15,876	0	0
Revenue for Social Security	3,858,354	4,021,013	3,906,185	3,967,531	4,122,777	4,409,083
Revenue for Retirement	2,704,026	3,431,321	4,557,597	6,599,475	9,388,791	12,075,150
All Other State Revenue Not Specified	25,000	0	0	0	0	540,984
Total State Sources	\$30,723,439	\$30,791,970	\$32,424,849	\$34,871,087	\$38,919,095	\$41,446,400
Federal Sources						
Total Federal Sources	\$2,740,759	\$3,878,576	\$3,561,300	\$2,944,965	\$2,754,915	\$5,485,717
Other Sources						
Total Other Sources	\$920,683	\$682,769	\$662,201	\$627,200	\$141,834	\$0
TOTAL REVENUE	\$194,763,232	\$200,180,785	\$200,660,495	\$208,151,960	\$218,821,810	\$223,077,924

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 19, 2014.

Source: School District Annual Financial Reports and Budget.

Expenditures

TABLE B-5
(continued)
NORTH PENN SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
EXPENDITURES*
(For years ending June 30)

EXPENDITURES	Actual					Budget
	2010	2011	2012	2013	2014	2015 ⁽¹⁾
Instruction	\$114,075,134	\$119,732,671	\$120,498,867	\$127,486,973	\$132,659,879	\$144,069,682
Pupil Personnel.....	6,995,005	7,253,218	7,146,110	7,089,213	7,802,674	8,235,292
Instructional Staff.....	3,998,815	5,118,992	4,553,513	4,826,271	5,795,256	6,178,828
Administration.....	12,050,748	10,820,895	10,885,785	11,005,601	12,229,949	12,815,160
Pupil Health.....	2,163,716	2,304,914	2,322,147	2,486,355	2,605,078	2,629,874
Business	2,925,076	2,973,085	2,252,592	2,286,298	2,428,303	3,112,399
Operation and Maintenance	15,269,082	15,248,884	13,808,064	13,585,066	14,798,138	15,154,134
Student Transportation	13,446,952	13,317,597	12,949,236	13,316,975	13,594,987	14,760,259
Central.....	1,411,086	1,482,190	1,580,273	1,440,333	1,538,212	1,798,027
Other Support.....	584,405	591,655	197,920	199,372	362,801	388,768
Operation of Non-instructional Services.....	2,225,398	2,321,021	2,451,856	2,430,695	2,599,346	2,545,058
Fac. Acq., Const. & Improv. Svcs.	294,618	155,615	124,980	365,410	478,478	213,500
Debt Service.....	13,514,215	12,439,295	12,553,056	13,514,413	13,669,311	13,985,000
Fund Transfers.....	22,919	2,453,776	2,800,000	2,800,000	4,000,000	0
Refund of Prior Year Receipts.....	0	548,156	493,002	18,831	141,993	0
Budgetary Reserve.....	0	0	0	0	0	1,150,000
TOTAL EXPENDITURES	\$188,977,169	\$196,761,964	\$194,617,401	\$202,851,806	\$214,704,405	\$227,035,981
REVENUES UNDER (OVER) EXPENDITURES.....	\$5,786,063	\$3,418,821	\$6,043,094	\$5,300,154	\$4,117,405	(\$3,958,057)

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 19, 2014.

Source: School District Annual Financial Reports and Budget.

TAXING POWERS OF THE SCHOOL DISTRICT

In General

Subject to certain limitations imposed by the Taxpayer Relief Act, Act No. 1 of the Special Session of 2006, as amended (see "The Taxpayer Relief Act (Act 1)" herein), the School District is empowered by the School Code and other statutes to levy the following taxes:

3. A basic annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
4. An unlimited ad valorem tax on the property taxable for school purposes to provide funds:
 - b. for minimum salaries and increments of the teaching and supervisory staff;
 - c. to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
 - c. to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the school district; and
 - d. to pay for the amortization of a bond or note issue which provided a school building prior to the first Monday of July, 1959.
5. An annual per capita tax on each resident or inhabitant over 18 years of age of not more than \$5.00.

6. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended ("The Local Tax Enabling Act"). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – "STEB") multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

The Taxpayer Relief Act (Act 1)

Under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 ("The Taxpayer Tax Relief Act" or "Act 1"), a school district may not, in fiscal year 2007-2008 or in any subsequent fiscal year, levy any tax for the support of the public schools which was not levied in the 2006-2007 fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by the Pennsylvania Department of Education (PDE):

1. to pay interest and principal on indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004, or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 of 2004; to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances; and
3. to make payments into the State Public School Employees' Retirement System when the increase in the estimated payments between the current year and the upcoming year is greater than the Index, as determined by PDE in accordance with the provisions of Act 1.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 1 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by PDE. If a school district's petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.

In accordance with Act 1, the School District put a referendum question on the ballot at the May, 15, 2007, primary election seeking voter approval to levy (or increase the rate of) an earned income and net profits tax ("EIT") or a personal income tax ("PIT") and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. The referendum was **NOT** approved by the voters.

A board of school directors may submit, but is not required to submit, a referendum question to the voters at the municipal election in 2009 or any later year seeking approval to levy or increase the rate of an EIT or a PIT for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law.

The Bonds are Not Eligible for Act 1 Exception

The Bonds were not authorized before the June 27, 2006, the effective date of Act 1. Therefore, the Bonds do not qualify for the exception to the referendum requirement for debt incurred prior to the effective date of Act 1 (or its predecessor statute Act 72). The School District believes that it will not exceed the Act 1 Index established for the 2014-15 fiscal year as the full amount of the millage required to pay the debt service on such Bonds is currently in place.

Act 24 of 2001

Act 24 of 2001 of the Commonwealth of Pennsylvania, which became law on June 22, 2001, authorizes a board of school directors to schedule a public hearing and conduct a ballot referendum on replacing the school district's occupation tax with an increase in the local earned income tax. Currently, school districts in Pennsylvania share a 1.0% (each receives 0.5%) tax on the annual amount of residents' wages and other earned income (which excludes unearned or investment income), with the resident municipality. Under the new law, this tax could be increased by the percentage necessary to generate revenue equal to what was collected during the preceding year on the occupation tax. The occupation tax is a flat amount for all employed individuals, or assessed by various trade, occupation and professional titles, regardless of income. The restructured tax is designed to be revenue neutral to the school district. The School District has no current plans to implement Act 24.

Act 48 of 2003

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes for the school year 2005-2006 or any subsequent school year, unless the school district has adopted a budget for such school year that includes an estimated ending unreserved undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

Total Budgeted Expenditures	Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total Budgeted Expenditures
Less than or equal to \$11,999,999	12.0%
Between \$12,000,000 and \$12,999,999	11.5%
Between \$13,000,000 and \$13,999,999	11.0%
Between \$14,000,000 and \$14,999,999	10.5%
Between \$15,000,000 and \$15,999,999	10.0%
Between \$16,000,000 and \$16,999,999	9.5%
Between \$17,000,000 and \$17,999,999	9.0%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000	8.0%

"Estimated ending unreserved fund balance" is defined in Act 2003-48 as that portion of the fund balance which is appropriable for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district's budget was adopted and held in the general fund accounts of the school district.

Tax Levy Trends

Table B-6 shows the recent trend of tax rates levied by the School District. Table B-7 shows the comparative trend of real property tax rates for the School District, Montgomery and Bucks Counties and the municipalities within the School District.

**TABLE B-6
NORTH PENN SCHOOL DISTRICT TAX RATES**

Year	Montgomery County	Bucks County	Wage Income (%)	Real Estate
	Real Estate (mills)	Real Estate (mills)		Transfer (%)⁽¹⁾
2010-11	21.9564	121.4258	0.50	1.00
2011-12	21.9563	122.1304	0.50	1.00
2012-13	22.3256	119.4988	0.50	1.00
2013-14	22.7049	122.7997	0.50	1.00
2014-15	23.1819	125.3784	0.50	1.00

⁽¹⁾Subject to sharing with the municipalities.

Source: School District Financial Reports.

TABLE B-7
NORTH PENN SCHOOL DISTRICT COMPARATIVE REAL PROPERTY TAX RATES
(Mills on Assessed Value)

<u>School District:</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
<i>Montgomery County</i>	21.9564	21.9563	22.3256	22.7049	23.1819
<i>Bucks County</i>	121.4258	122.1304	119.4988	122.7997	125.3784
<u>Municipalities within or a portion within the School</u>					
<u>District:</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Hatfield Borough	0.7976	0.7976	0.7976	0.7976	0.7500
Hatfield Township	2.1000	2.9500	2.9500	2.9500	3.6880
Lansdale Borough	1.1970	2.2200	2.2200	2.2200	2.2200
Montgomery Township	0.8900	0.8900	0.8900	0.8900	0.8900
North Wales Borough	1.8600	3.0560	3.0560	3.0560	3.0560
Towamencin Township	2.5110	2.5110	2.5110	2.5110	2.5110
Upper Gwynedd Township	0.8740	0.8740	0.8740	0.8740	1.8740
Hilltown Township ⁽¹⁾	5.7500	5.7500	5.7500	5.7500	6.0500
New Britain Township ⁽¹⁾	6.3125	6.8120	6.8125	6.8125	6.8120
Montgomery County	2.6950	2.6950	2.6950	2.6950	3.1520
Bucks	21.9422	21.9422	21.9422	21.9422	23.2000

⁽¹⁾ A portion lies in Bucks County.
Source: Local Government website.

Real Property Tax

The real property tax (excluding delinquent collections) produced \$149,432,913 in 2013-14, approximately 68.3% of overall revenue. The tax is levied on July 1 of each year. Taxpayers who remit within 60 days receive a 2% discount, and those who remit subsequent to 120 days after July 1 are assessed a 10% penalty.

The following table summarizes recent trends of assessed and market valuations of real property and real property tax collection data. The last countywide re-assessment in Bucks County was in 2005. The last County-wide reassessment in Montgomery County was in 1998.

TABLE B-8
NORTH PENN SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA

Year	Market Value	Assessed Value	Ratio
2009-10	\$ 9,206,041,500	\$ 6,888,791,505	74.83%
2010-11	9,984,324,305	6,893,814,060	69.05%
2011-12	10,003,288,153	6,906,760,590	69.04%
2012-13	10,258,908,150	6,939,557,089	67.64%
2013-14	10,304,900,860	6,962,927,810	67.57%
2014-15 ⁽¹⁾	10,258,908,150	7,105,903,677	69.27%
Compound Average Annual Percentage Change	2.28%	0.21%	

⁽¹⁾Budgeted, per the PDE-2028 Budget Report.
Source: Pennsylvania State Tax Equalization Board.

TABLE B-9
NORTH PENN SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY

	2013 Market Value	2013 Assessed Value	2014 Market Value	2014 Assessed Value
<i>School District.....</i>	\$10,258,908,150	\$6,939,557,089	\$10,304,900,860	\$6,962,927,810
Hatfield Borough	195,519,547	134,049,000	195,519,443	134,048,930
Hatfield Township	1,637,939,341	1,126,872,280	1,644,944,784	1,131,432,280
Lansdale Borough.....	1,015,947,413	733,544,123	1,024,295,845	739,416,533
Montgomery Township.....	3,354,403,099	2,121,389,328	3,355,585,352	2,125,785,154
North Wales Borough	215,054,899	152,783,710	229,331,543	152,708,960
Towamencin Township.....	1,553,057,001	1,002,090,698	1,561,500,861	1,006,468,343
Upper Gwynedd Township	2,269,219,742	1,666,610,630	2,275,556,169	1,670,800,300
Hilltown Township ⁽¹⁾	6,186,267	759,720	6,186,267	759,720
New Britain Township ⁽¹⁾	11,580,841	1,457,600	11,980,595	1,507,590
Bucks County.....	65,969,602,141	7,986,716,335	68,030,720,920	8,053,282,900
Montgomery County.....	86,170,182,377	57,151,038,079	88,052,938,140	58,538,764,710

⁽¹⁾A portion lies in Bucks County

Source: Pennsylvania State Tax Equalization Board.

TABLE B-10
NORTH PENN SCHOOL DISTRICT
ASSESSMENT BY LAND USE

	2010	2011	2012	2013	2014
Residential	\$4,542,894,016	\$4,570,782,256	\$4,580,281,586	\$4,453,272,105	\$4,599,256,250
Lots	16,654,480	15,865,190	15,478,630	16,228,470	14,514,860
Trailers.....	0	0	0	36,103,731	48,298,521
Industrial.....	468,732,789	468,542,914	464,396,874	466,357,213	467,103,353
Commercial	1,848,523,200	1,826,808,390	1,834,511,090	1,957,343,930	1,823,595,066
Agriculture.....	8,905,740	8,424,490	8,740,320	8,795,240	9,130,400
Land.....	3,081,280	3,390,820	3,352,090	1,456,400	946,100
Totals.....	\$6,888,791,505	\$6,893,814,060	\$6,906,760,590	\$6,939,557,089	\$6,962,844,550

Source: Pennsylvania State Tax Equalization Board.

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**TABLE B-11
NORTH PENN SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA**

Year	County	Assessed Valuation	Millage Rate	Total Flat Billing	Current Collections Amount	Current Year Collections as Percent of Flat Billing	Total Collections Plus Delinquent Collections	Total Collections as Percent
2009-10	Montgomery	\$6,896,642,030	21.9564	\$151,425,431				
2009-10	Bucks	\$2,214,100	121.4258	\$268,849				
	Homestead	0		(\$4,766,455)				
Total		\$6,898,856,130		\$146,927,825	\$141,177,770	96.09%	\$143,638,697	97.76%
2010-11	Montgomery	\$6,896,642,030	21.9564	\$151,425,431				
2010-11	Bucks	\$2,214,100	121.4258	\$268,849				
	Homestead	0		(\$4,766,455)				
Total		\$6,898,856,130		\$146,927,825	\$141,177,770	96.09%	\$143,638,697	97.76%
2011-12	Montgomery	\$6,919,908,770	21.9563	\$151,935,593				
2011-12	Bucks	\$2,214,100	122.1304	\$270,409				
	Homestead	0		(\$4,627,512)				
Total		\$6,922,122,870		\$147,578,490	\$142,109,824	96.29%	\$145,060,097	98.29%
2012-13	Montgomery	\$6,938,960,590	22.3256	\$154,916,459				
2012-13	Bucks	\$2,267,310	119.4988	\$270,941				
	Homestead	0		(\$4,697,798)				
		\$6,941,227,900		\$150,489,601	\$144,319,800	95.90%	\$148,360,102	98.58%
2013-14	Montgomery	\$6,986,634,330	22.7049	\$158,630,834.00				
2013-14	Bucks	\$2,267,310	122.7997	\$278,425				
	Homestead	0		(\$4,481,606)				
Total		\$6,988,901,640		\$154,427,653	\$149,432,913	96.77%	\$152,723,501	98.90%

Source: School District Financial Reports.

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The ten largest real property taxpayers, together with their assessed values are shown on Table B-12 which follows. The aggregate assessed value of these ten taxpayers totals approximately 13.04 percent of total assessed value.

**TABLE B-12
NORTH PENN SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS**

Owner	2014-2015 Assessed Value
Merck Sharp & Dohme Corp.	\$556,570,050
Montgomeryville Associates	81,841,136
Nappen & Associates	77,125,890
KIR Montgomery 049 LLC	35,960,000
DCI Station Square LP	35,504,000
Hatfield Village Associates	29,250,000
1100 Avenel Boulevard LP	28,213,000
Towamencen Apt. Joint Venture	26,381,000
Gateway D C Properties Inc.	20,350,290
KBF Associates LP ⁽¹⁾	20,060,070
Total	\$911,255,436

Note 1: Multiple assessment appeals are pending in the Court of Common Pleas of Montgomery County. While not required under the law, the School District has historically reserved 25% of the tax at issue on an annual basis in each of these taxpayer appeals regardless of whether they are paid under protest. This practice is designed to avoid unfunded liability exposure when these appeals are either resolved by stipulation or disposed of by the court. The School District has also instituted its own tax assessment appeals initiative since 2009. To date, the School District has successfully negotiated several settlement agreements with several property owners which have produced an increased level of tax revenue.

Note 2: For fiscal year 2013-2014, the School District reduced the 25% tax reserve to 20% for taxpayer appeals not paid under protest, with the limited exceptions of (1) taxpayer appeals paid under protest, whereby the law requires a 25% tax reserve annually; and (2) other significant taxpayer appeals that while not paid under protest, the 25% tax reserve is still deemed warranted.

Other Taxes

Under Act 511, the School District collected \$18,217,858 in other taxes in 2013-14. Among the taxes authorized by Act 511, the Real Estate Transfer Tax and Wage and Income Tax, are levied by the School District. The Act 511 limit, equal to 12 mills on the market value of real property, was \$123,658,810.

Wage and Income Tax. The School District levies a tax of 1.0 percent on earned income of residents (of which 50% is subject to sharing with the municipality that levies the same tax). In 2013-14 the collected portion of this tax yielded \$15,327,539 or 7.0 percent of total revenue.

Real Estate Transfer. The School District levies a tax of 1.0 percent (of which 50 percent is subject to sharing with the municipality that levies the same tax) of the value of real estate transfers. In 2013-14 the collected portion of this tax yielded \$2,890,319 or 1.3 percent of total revenue.

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Commonwealth Aid to School Districts

Pennsylvania school districts receive financial assistance from the Commonwealth in a number of forms, all subject to statutory provisions and annual appropriation by the Pennsylvania General Assembly.

The largest subsidy, basic instructional subsidy, is allocated to all school districts based on factors such as: (1) the per pupil market value of assessable real property in the school district; (2) the per pupil earned income in the school district; (3) the school district's tax effort, as compared with the tax effort of other school districts in the Commonwealth; and (4) student count. School districts also receive subsidies for special education, pupil transportation, health service and debt service.

DEBT AND DEBT LIMITS

Debt Statement

Table B-13 which follows shows the debt of the School District as of February 18, 2015, including the issuance of the Bonds.

TABLE B-13
NORTH PENN SCHOOL DISTRICT
DEBT STATEMENT
(As of February 18, 2015)*

	Gross Outstanding
NONELECTORAL DEBT	
General Obligation Bonds, Series of 2015**	\$9,950,000
General Obligation Bonds, Series of 2014	9,995,000
General Obligation Bonds, Series of 2013	9,945,000
General Obligation Bonds, Series of 2011	17,915,000
General Obligation Bonds, Series A of 2010	18,155,000
General Obligation Bonds, Series of 2010	18,340,000
General Obligation Bonds, Series of 2009	4,735,000
General Obligation Note, Series of 2008	17,160,000
General Obligation Bonds, Series A of 2003	65,000
TOTAL NONELECTORAL DEBT	\$106,260,000
LEASE RENTAL DEBT	
School Lease Revenue Bonds, Series of 2015***	\$4,063,715
TOTAL LEASE RENTAL DEBT	\$4,063,715
TOTAL PRINCIPAL OF DIRECT DEBT	\$110,323,715

*Includes the Bonds offered through this Official Statement.

**The School District is concurrently issuing General Obligation Bonds, Series of 2015 expected to be issued February 17, 2015.

***The School District's pro rata share in relation to the Bonds offered through this Official Statement.

Debt Limit and Remaining Borrowing Capacity

The statutory borrowing limit of the School District under the Debt Act is computed as a percentage of the School District's "Borrowing Base". The "Borrowing Base" is defined as the annual arithmetic average of "Total Revenues" (as defined by the Debt Act), for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Under the Act as presently in effect, no school district shall incur any nonelectoral debt or lease rental debt, if the aggregate net principal amount of such new debt together with any other net nonelectoral debt and lease rental debt then outstanding, would cause the net nonelectoral debt plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District's Borrowing Base produces the following product:

Total Revenues for 2011-12.....	\$200,445,902
Total Revenues for 2012-13.....	207,414,253
Total Revenues for 2013-14.....	217,107,995
Totals.....	\$624,968,149
Annual Arithmetic Average (Borrowing Base).....	\$208,322,716

	Legal Limit	Net Debt Outstanding	Borrowing Capacity
Net Nonelectoral Debt and Lease Rental Debt Limit:			
225% of Borrowing Base.....	\$468,726,112	\$110,323,715	\$358,402,397

*Includes the Bonds offered through this Official Statement.

Does not reflect all credits against gross indebtedness that may be claimed for the portion of principal of debt estimated to be reimbursed by Commonwealth aid.

Future Financing

The School District does not anticipate issuing additional long-term debt (non-refunding) within the next year.

LABOR RELATIONS

School District Employees

There are approximately 2,108 employees of the School District, including 1,072 teachers and administrators and 1,036 support personnel including secretaries, maintenance staff, custodial staff, cafeteria staff, transportation and teacher aides.

The School District teachers are represented by the North Penn Education Association (the "Association"), an affiliate of the Pennsylvania State Education Association (PSEA), under a contract with the School District, which expires on June 30, 2015. North Penn Educational Support Professional Association (NPESPA), an affiliate of PSEA, representing classroom assistants, special education assistants, secretaries and various other support personnel are under contract with the School District, which expires on June 30, 2017.

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Pension Program

School districts in Pennsylvania are required to participate in a statewide pension program administered by the State Public School Employees Retirement Board. All of the School District's full-time employees, part-time employees who work more than 80 days in a school year, and hourly employees who work over 500 hours a year participate in the program.

Employer Contributions - Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2015, the rate of employer's contribution is 21.40% of covered payroll. The 21.40% rate is composed of a pension contribution rate of 20.50% for pension benefits and 0.90% for healthcare insurance premium assistance. The Commonwealth reimburses the School District 50% of all contributions. A history of the School District's gross contributions are as follows:

2009-10	\$ 5,025,659
2010-11	6,199,218
2011-12	9,281,049
2012-13	13,419,144
2013-14	19,071,542
2014-15 (Budgeted)	24,153,786

The School District is current in all payments.

The PSERS complete report is available on the PSERS website on the Internet: www.psers.state.pa.us.

Source: PSERS – Financial Highlights.

Other Post-Employment Benefits (OPEB)

Plan Description

The School District provides medical and prescription drug insurance benefits to eligible retired employees, spouses and dependents through a single-employer defined benefit plan. The benefits, benefits level, employee contribution and employer contribution are administered by School District Supervisors and can be amended by the School District through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a stand-alone financial report. The activity of the plan is reported in the School District's General Fund.

Funding Policy

The School District negotiates the contribution percentage between the School District and employees through union contracts and personnel policy. The required contribution rates of the employer and the members vary depending on the applicable agreement. The School District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the School District.

Annual OPEB Cost and Net OPEB Obligation

The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the School District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the School District's net OPEB obligation to the plan:

Normal cost	\$ 533,221
Amortization of unfunded actuarial accrued liability	467,970
ANNUAL REQUIRED CONTRIBUTION (ARC)	\$1,001,191
Interest on net OPEB obligation	187,330
Adjustment to ARC	(255,566)
ANNUAL OPEB EXPENSE	\$932,955
Net OPEB contributions during the year	(488,176)
INCREASE IN NET OPEB OBLIGATION	\$ 444,779
Net OPEB obligation at beginning of year	4,162,888
NET OPEB OBLIGATION AT END OF YEAR	\$4,607,667

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$1,010,547	55.1%	\$3,720,612
2013	1,003,108	55.9	4,162,888
2014	932,955	52.3	4,607,667

Funded Status and Funding Progress

According to the actuarial report dated July 1, 2013, the actuarial accrued liability for benefits was \$7,622,722, and the actuarial value of assets was \$0 as of June 30, 2014, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$121,946,089, and the ratio of the UAAL to the covered payroll was 6.25%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits which can be found on page 61 of the School District's Audit Report.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time or each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.0% initially, reduced by decrements of 0.5% to an ultimate rate of 5.5% in 2016. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, was 30 years.

Source: Audited Financial Report for FYE June 30, 2014.

CONTINUING DISCLOSURE UNDERTAKING

The School District has previously entered into Continuing Disclosure Undertakings with respect to each one of its previously issued bond issues that are currently outstanding. The School District'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		Budget		Operating Data	
		Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]
6/30/2010	12/27/2010	4/6/2011	EP452393	11/3/2010	^[3]	11/3/2010	^[4]
6/30/2011	12/27/2011	11/27/2012	ER527797	6/18/2014	ER630089	1/9/2015	^[5]
6/30/2012	12/27/2012	11/27/2012 ^[6]	ER528052	11/27/2012	ER528052	1/9/2015	^[7]
6/30/2013	12/27/2013	12/19/2013 ^[8]	ER594647	12/19/2013	ER594647	12/19/2013	ER594898
6/30/2014	12/27/2014	12/12/2014	EP671901	12/12/2014	EP671901	12/12/2014	EP671901

Notes

^[1] For these purposes, assumes the shortest filing deadline of the School District'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] As part of an Official Statement for the Series A of 2010 Bonds. The actual budget was filed to EMMA on June 18, 2014 (EMMA ID ER630086)

^[4] Portions of the operating data, as part of an Official Statement for the Series A of 2010 Bonds. A Notice of Reference to Other Submitted Documents was filed to EMMA on January 9, 2015 (EMMA ID EA561075). Other portions of the operating data can be found in the Budget (EMMA ID ER630086).

^[5] The School District inadvertently failed to file its operating data, but subsequently filed this data to EMMA on January 9, 2015 (EMMA ID EA561078)

^[6] Filing of PDE-2057 Annual Financial Report. Audited financial statements filed on April 8, 2013 (EMMA ID EP610509)

^[7] The School District inadvertently failed to file its operating data, but subsequently filed this data to EMMA on January 9, 2015 (EMMA ID EA561080)

^[8] Filing of PDE-2057 Annual Financial Report. Audited financial statements filed on March 20, 2014 (EMMA ID ER615018)

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

For fiscal year ending June 30, 2010, the School District Audit was filed late to EMMA on April 6, 2011; its summary of the budget and other operating data as part of the Series A of 2010 Official Statement filed to EMMA on November 3, 2010. A Notice of Reference to Other Submitted Documents was filed to EMMA on January 9, 2015. The adopted budget was filed late to EMMA on June 18, 2014.

For fiscal year ending June 30, 2011, the School District filed its Audit late to EMMA on November 27, 2012 and its adopted budget was filed late to EMMA on June 18, 2014. The School District did not file other operating data for this respective fiscal year, but subsequently filed this operating data to EMMA on January 9, 2015.

For fiscal year ending June 30, 2012, the School District filed its PDE-2057 Annual Financial Report and adopted budget on November 27, 2012, followed by a filing of the Audit on April 8, 2013. The School District did not file other operating data for this respective fiscal year, but subsequently filed this operating data to EMMA on January 9, 2015.

For fiscal year ending June 30, 2013, the School District filed its PDE-2057 Annual Financial Report, adopted budget and operating data on December 19, 2013. The Audit was filed to EMMA on March 20, 2014.

For fiscal year ending June 30, 2014, the School District filed its Audit, adopted budget and operating data on December 12, 2014.

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

Some of the School District'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. For informational purposes, the School District filed a summary of rating upgrades and downgrades relating to certain bond insurance companies.

APPENDIX C
SOUDERTON AREA SCHOOL DISTRICT
Montgomery County, Pennsylvania
Descriptive, Financial and Economic Information

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THE SCHOOL DISTRICT

Introduction

The Souderton Area School District is located in the northern section of Montgomery County and in Telford Borough which is located in both Montgomery and upper Bucks County, approximately 30 miles northwest of center city Philadelphia, Pennsylvania. Covering 51.5 square miles, the School District is coterminous with the Boroughs of Souderton and Telford and the Townships of Lower Salford, Salford, Upper Salford and Franconia. In addition to the Boroughs of Souderton and Telford there are several well known unincorporated communities located within the School District including Harleysville, Tylersport and Lederach.

The character of the School District is divided along the lines of the commercial development taking place in and around the Boroughs of Souderton and Telford and residential development taking place in the Townships. A considerable portion of the Townships is still used for agricultural purposes.

The local municipalities which comprise the Souderton Area School District are strictly zoned and these regulations have led to the development along the lines intended to balance residential, commercial, and industrial growth in order to protect the investment of property owners and to channel future development into desired directions.

Administration

The present School District was organized in 1966 by a consolidation of a number of smaller school districts. It is governed by a nine-member Board of School Directors (the "School Board"), elected for four-year terms. The Superintendent is the chief administrative officer of the School District, with overall responsibility for all aspects of operations, including education and finance. The Director of Business Affairs is responsible for budget and financial operations. Both of these officials are appointed by the School Board.

School Facilities

The School District presently operates six elementary schools, two middle schools and one high school, all as described on the following table. Students in grades 9-12 may attend the North Montco Technical Career Center.

TABLE C-1
SOUDERTON AREA SCHOOL DISTRICT
SCHOOL FACILITIES

Building	Original Construction Date	Addition/ Renovation Date	Grades	Number of Classrooms	Rated Pupil Capacity*	2014-15 Enrollment
<i>Elementary:</i>						
Oak Ridge	1989	---	K-5	24	650	487
E.M. Crouthamel	1962	1969/93/98	K-5	15	425	378
Franconia	1941	1957/97	K-5	23	625	480
Salford Hills	1953	1962/72/00	K-5	19	525	440
Vernfield	2003	---	K-5	22	600	474
West Broad Street	1967	2001	K-5	17	655	487
<i>Secondary:</i>						
Indian Crest Middle	1974	1996/01	8-9	45	1,000	828
Indian Valley Middle	1964	1996	6-7	44	968	762
Souderton Area High	2009	---	10-12	115	2,720	2,161

*In accordance with PDE/Plancon methodology (does not include modulars and substandard classrooms).
Source: School District Officials.

Enrollment Trends

The following Table C-2 presents recent trends in school enrollment and projections of enrollment for the next five years. The table shows a trend of increasing enrollments.

TABLE C-2
SOUDERTON AREA SCHOOL DISTRICT
ENROLLMENT TRENDS

Actual Enrollments				Projected Enrollments			
School Year	K-6	7-12	Total	School Year	K-6	7-12	Total
2010-11	3,529	3,153	6,682	2015-16	3,225	3,129	6,354
2011-12	3,395	3,193	6,588	2016-17	3,214	3,102	6,316
2012-13	3,344	3,150	6,494	2017-18	3,198	3,038	6,236
2013-14	3,272	3,225	6,497	2018-19	3,219	2,968	6,187
2014-15	3,269	3,228	6,497	2019-20	3,197	2,932	6,129

Source: School District officials.

SCHOOL DISTRICT FINANCES

Introduction

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the Superintendent and Director of Business Affairs and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1.

Financial Reporting

The School District keeps its books and prepares its financial reports according to a modified accrual basis. Major accrual items are payroll taxes and pension fund contributions payable, loans receivable from other funds, and revenues receivable from other governmental units. Its financial statements are audited annually by a firm of independent certified public accountants, as required by State law. Gorman & Associates, P.C., of Northampton, Pennsylvania, serves as the School District Auditor.

Budgeting Process in School Districts under the Taxpayer Relief Act

In General. School districts budget and expend funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by school district administrative officials on a uniform form furnished by such Department and submitted to the board of school directors for approval prior to the beginning of the fiscal year on July 1.

Procedures for Adoption of the Annual Budget. Under the Taxpayer Relief Act, all school districts of the first class A, second class, third class and fourth class (except as described below) must adopt a preliminary budget proposal (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election immediately preceding the fiscal year. The preliminary budget proposal must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days' public notice of its intent to adopt the final budget.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the Pennsylvania Department of Education (PDE) no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district's Index (*see "The Taxpayer Relief Act"* herein) and within 10 days, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one of the referendum exceptions authorized under The Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required (see “**The Taxpayer Relief Act**” herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district’s request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district’s request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared at least 30 days, and made available for public inspection at least 20 days, prior to its adoption, and that at least ten (10) days’ public notice be given of the board’s intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

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Summary and Discussion of Financial Results

A summary of the General Fund balance sheet and changes in fund balances is presented in Tables C-3 and C-4. Table C-5 shows revenues and expenditures for the past five years and budgeted 2014-15. The School District's budget for 2014-15, as adopted June 19, 2014, budgeted total revenue of \$111,965,077 and expenditures of \$112,107,934 with a budgetary reserve of \$650,000.

TABLE C-3
SOUDERTON AREA SCHOOL DISTRICT
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET
(Years ending June 30)*

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
ASSETS					
Cash and Cash Equivalents	\$5,788,139	\$6,902,992	\$6,055,554	\$11,746,091	\$14,730,070
Investments.....	3,024,748	1,769,748	3,058,929	1,095,092	1,735,000
Taxes Receivable.....	1,798,627	1,932,772	1,373,897	1,340,174	1,896,647
Interfund Receivable	45	0	0	260	258
Intergovernmental Receivable.....	2,711,208	917,984	726,259	1,188,432	1,486,193
Prepaid Expenditures.....	5,639	24,805	14,786	0	22,967
Other Receivables.....	74,975	39,914	263,690	59,760	29,168
TOTAL ASSETS.....	<u>\$13,403,381</u>	<u>\$11,588,215</u>	<u>\$11,493,115</u>	<u>\$15,429,809</u>	<u>\$19,900,303</u>
LIABILITIES					
Accounts Payable	\$2,164,335	\$2,141,395	\$2,134,056	\$2,206,013	\$2,253,013
Accrued Salaries and Benefits.....	1,054,925	1,272,910	1,713,302	2,315,087	3,272,065
Interfund Payables.....	266,588	195,888	208,730	0	0
Due to Other Governments.....	0	35,989	284	120,754	143,020
Payroll Deductions and Withholdings	141,972	301,368	252,102	175,684	0
Deferred Revenues	1,923,033	1,727,723	1,382,782	0	0
Curr Portion of LT Debt	0	257,546	257,775	246,336	287,648
Other.....	275,763	122,921	0	261,097	297,811
TOTAL LIABILITIES	<u>\$5,826,616</u>	<u>\$6,055,740</u>	<u>\$5,949,031</u>	<u>\$5,324,971</u>	<u>\$6,253,557</u>
Deferred Inflows of Resources	\$0	\$0	\$0	\$994,161	\$1,607,657
FUND EQUITIES					
Reserve for Prepaid Expenses	\$5,639	\$0	\$0	\$0	\$0
Unreserved – Designated.....	3,402,678	0	0	0	0
Unreserved – Undesignated.....	4,168,448	0	0	0	0
Nonspendable Fund Balance	0	24,805	14,786	0	22,967
Restricted Fund Balance.....	0	50,000	12,928	0	0
Assigned Fund Balance.....	0	52,712	12,627	2,051,769	5,042,857
Unassigned Fund Balance	0	5,404,958	5,503,743	7,058,908	6,973,265
TOTAL FUND EQUITIES.....	<u>\$7,576,765</u>	<u>\$5,532,475</u>	<u>\$5,544,084</u>	<u>\$9,110,677</u>	<u>\$12,039,089</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITIES					
	<u>\$13,403,381</u>	<u>\$11,588,215</u>	<u>\$11,493,115</u>	<u>\$15,429,809</u>	<u>\$19,900,303</u>

*Totals may not add due to rounding.

Source: School District Annual Financial Reports.

TABLE C-4
SOUDERTON AREA SCHOOL DISTRICT GENERAL FUND
SUMMARY OF CHANGES IN FUND BALANCE

	Actual					Budget
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015⁽¹⁾</u>
Beginning Fund Balance	\$10,992,059	\$7,576,768	\$5,532,475	\$5,544,082	\$9,110,676	\$12,039,087
Surplus (Deficit) of Revenue over						
Expenditures	(3,415,289)	(2,069,022)	11,608	3,566,594	2,928,412	(142,857)
Prior Period Adjustments/Appropriations	<u>0</u>	<u>24,729</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Ending General Fund Balance</i>	<u><u>\$7,576,768</u></u>	<u><u>\$5,532,475</u></u>	<u><u>\$5,544,082</u></u>	<u><u>\$9,110,676</u></u>	<u><u>\$12,039,087</u></u>	<u><u>\$11,896,230</u></u>

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 19, 2014. See "Summary and Discussion of Financial Results" herein.

Note: Effective April 23, 2009 a reduction in fund balance occurred in the General Fund of \$2,122,000 due to the termination of the interest rate swap associated with the 2007 Bonds and an additional \$4,092,000 of swap termination costs was paid out of the School District's Debt Service Fund.

Source: School District Annual Financial Reports and Budget.

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Revenue

The School District received \$111,332,566 in revenue in 2013-14 and has budgeted for \$111,965,077 in 2014-15. Local sources have increased as a share of total revenue in the past five years, from 77.1 percent in 2009-10 to 78.5 percent in 2013-14. Revenue from State sources has decreased as a share of the total revenue from 21.2 percent to 20.3 percent over this period. Federal and other revenue has decreased as a share of the total revenue from 1.7 percent to 1.2 percent during this period.

TABLE C-5
Souderton Area School District
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES*
(For years ending June 30)

	Actual					Budget
	2010	2011	2012	2013	2014	2015⁽¹⁾
Local Sources:						
Real Estate	\$63,957,198	\$66,765,745	\$70,263,799	\$72,761,762	\$73,983,283	\$74,826,650
Interim Real Estate	368,508	285,723	343,024	397,865	418,466	428,215
Total Act 511 Taxes	6,908,588	6,917,181	7,033,167	7,810,855	8,281,770	7,731,996
Per Capita	136,049	134,258	136,282	137,527	137,509	139,965
Public Utility Taxes	102,011	102,635	101,982	104,331	100,533	100,533
Payments in Lieu of Current Taxes/ State & Local	175,358	177,526	181,530	192,353	278,011	278,011
Delinquent Taxes	1,294,887	1,982,134	1,138,197	1,314,056	1,134,836	1,114,702
Earnings from Investments	190,916	134,976	96,341	54,974	75,800	77,018
State Rev. Rec'd from Other Intermediate Sources	25,000	0	8,588	6,804	0	0
Federal Rev. Rcvd. from Other PA Public Schools	0	0	6,919	1,515	1,928	0
Federal IDEA Pass Through Revenue	1,058,978	1,082,195	1,066,645	1,045,610	980,146	1,120,995
Revenue from Student Activities	86,411	393,317	314,910	352,131	379,203	0
Tuition and Other Receipts from Patrons	167,435	157,852	129,258	115,305	160,489	333,695
Receipts from Other LEAS in PA – Education....	137,133	115,751	106,427	364,861	594,549	583,898
Receipts from Out-of-state LEAs	0	0	0	0	44,930	0
Rentals	34,080	38,430	98,955	181,986	150,133	182,000
Revenue from Community Services	323,333	249,163	285,609	346,424	291,748	338,662
Contributions and Donations From Private Sources	52,200	54,080	0	480	63,161	0
Refund of Prior Years' Expenditures	83,185	227,861	63,598	884	18,437	0
Other Sources	193,687	6,864	200,107	201,813	248,152	157,149
Total Local Sources	\$75,857,753	\$79,420,527	\$81,694,283	\$85,419,406	\$87,344,810	\$87,413,489
State Sources:						
Instructional Subsidy	\$7,494,546	\$7,622,639	\$8,483,059	\$8,483,235	\$8,764,339	\$8,735,272
Special Education	3,214,161	2,992,412	2,940,439	2,992,412	2,970,065	2,973,607
Rentals and Sinking Fund Payments	1,554,743	1,119,570	800,537	786,302	795,092	737,952
Transportation	2,197,798	2,480,229	2,291,446	2,031,313	1,947,470	1,924,007
Charter Schools	477,334	472,479	0	0	0	0
Alternative Education	57,036	0	0	0	0	0
Tuition for Orphans	247,553	169,393	199,727	295,626	208,561	208,561
State Property Tax Reduction Allocation	2,107,217	2,117,015	2,100,767	2,126,139	2,065,804	2,187,671
Health Services	141,438	140,153	137,239	125,011	123,123	123,123
Safe Schools	0	0	0	0	22,806	0
Extra Grants	491,682	416,792	163,752	163,752	163,752	163,752
Social Security	1,756,777	1,826,190	1,790,568	1,733,459	1,693,129	1,810,177
Retirement	1,145,500	1,404,277	2,102,763	2,928,078	3,866,246	5,063,763
Other Sources	0	0	0	0	0	0
Total State Sources	\$20,885,785	\$20,761,150	\$21,010,298	\$21,665,326	\$22,620,386	\$23,927,885
Federal Sources:						
Total Federal Sources	\$1,688,979	\$2,586,180	\$822,183	\$718,650	\$655,202	\$623,703
Other Sources:						
Total Other Sources	\$0	\$1,410	\$202,247	\$341,502	\$712,168	\$0
TOTAL REVENUE	\$98,432,518	\$102,769,266	\$103,729,011	\$108,144,885	\$111,332,566	\$111,965,077

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 19, 2014. See "Summary and Discussion of Financial Results" herein.

Source: School District Annual Financial Reports and Budget.

TABLE C-5
(cont.)
SOUDERTON AREA SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
EXPENDITURES*
(For years ending June 30)

EXPENDITURES	Actual					Budget
	2010	2011	2012	2013	2014	2015⁽¹⁾
Instruction	\$59,474,317	\$60,618,937	\$60,902,862	\$60,986,876	\$62,920,493	\$66,903,330
Pupil Personnel	2,993,684	3,215,600	3,324,064	3,477,680	3,430,755	3,799,757
Instructional Staff	2,901,761	3,037,646	3,830,587	3,966,286	3,845,462	4,133,284
Administration	4,746,833	4,511,258	4,365,397	4,620,435	4,647,923	4,942,185
Pupil Health	867,509	901,172	882,614	911,190	903,516	969,833
Business	725,557	687,429	711,249	775,525	1,023,068	973,085
Operation & Maintenance of Plant Services	8,129,305	8,374,552	7,577,767	7,782,757	8,669,400	8,876,356
Student Transportation	7,514,631	8,128,404	7,417,176	7,546,654	7,832,249	8,010,171
Central	2,482,056	2,577,873	1,806,267	1,730,386	2,151,000	1,993,103
Other Support Services	79,796	81,624	87,716	83,309	82,705	84,432
Noninstructional Services	703,678	1,708,366	1,575,106	1,286,844	1,102,782	1,186,348
Debt Service	10,218,998	10,987,056	10,891,858	10,531,413	9,685,196	6,374,580
Fac Acq, Const, and Imp	0	0	0	641,274	468,165	165,370
Fund Transfers	1,003,192	0	0	153,809	1,639,021	3,046,100
Refund of Prior Year Receipts	6,490	8,372	344,740	83,852	2,419	0
Budgetary Reserves	0	0	0	0	0	650,000
TOTAL EXPENDITURES	\$101,847,807	\$104,838,289	\$103,717,403	\$104,578,291	\$108,404,154	\$112,107,934
REVENUES OVER						
(UNDER) EXPENDITURES	(\$3,415,289)	(\$2,069,023)	\$11,608	\$3,566,594	\$2,928,412	(\$142,857)

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 19, 2014. See "Summary and Discussion of Financial Results" herein.

Source: School District Annual Financial Reports and Budget.

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TAXES AND TAXING POWERS OF THE SCHOOL DISTRICT

In General

Subject to certain limitations imposed by the Taxpayer Relief Act, Act No. 1 of the Special Session of 2006, as amended (see “The Taxpayer Relief Act (Act 1)” herein), the School District is empowered by the School Code and other statutes to levy the following taxes:

1. A basic annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An unlimited ad valorem tax on the property taxable for school purposes to provide funds:
 - d. for minimum salaries and increments of the teaching and supervisory staff;
 - b. to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
 - c. to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the school district; and
 - d. to pay for the amortization of a bond or note issue which provided a school building prior to the first Monday of July, 1959.
3. An annual per capita tax on each resident or inhabitant over 18 years of age of not more than \$5.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended (“The Local Tax Enabling Act”). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – “STEB”) multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

The Taxpayer Relief Act (Act 1)

Under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (“The Taxpayer Tax Relief Act” or “Act 1”), a school district may not, in fiscal year 2007-2008 or in any subsequent fiscal year, levy any tax for the support of the public schools which was not levied in the 2006-2007 fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by the Pennsylvania Department of Education (PDE):

4. to pay interest and principal on indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004, or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 of 2004; to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
5. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances; and

6. to make payments into the State Public School Employees' Retirement System when the increase in the estimated payments between the current year and the upcoming year is greater than the Index, as determined by PDE in accordance with the provisions of Act 1.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 1 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by PDE. If a school district's petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.

The Act 1 Index applicable to the School District in the current and prior fiscal years are as follows:

<u>Fiscal Year</u>	<u>Index</u>
2010-11	2.9%
2011-12	1.4%
2012-13	1.7%
2013-14	1.7%
2014-15	2.1%

In accordance with Act 1, the School District put a referendum question on the ballot at the May, 15, 2007, primary election seeking voter approval to levy (or increase the rate of) an earned income and net profits tax ("EIT") or a personal income tax ("PIT") and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. The referendum was **NOT** approved by the voters.

A board of school directors may submit, but is not required to submit, a referendum question to the voters at the municipal election in 2009 or any later year seeking approval to levy or increase the rate of an EIT or a PIT for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law.

The Bonds are Not Eligible for Act 1 Exception

The Bonds were not authorized before the June 27, 2006, the effective date of Act 1. Therefore, the Bonds do not qualify for the exception to the referendum requirement for debt incurred prior to the effective date of Act 1 (or its predecessor statute Act 72). The School District believes that it will not exceed the Act 1 Index established for the 2014-15 fiscal year as the full amount of the millage required to pay the debt service on such Bonds is currently in place.

Act 48 of 2003

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes for the school year 2005-2006 or any subsequent school year, unless the school district has adopted a budget for such school year that includes an estimated ending unreserved undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

<u>Total Budgeted Expenditures:</u>	<u>Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total budgeted Expenditures:</u>
Less than or equal to \$11,999,999	12.0%
Between \$12,000,000 and \$12,999,999	11.5%
Between \$13,000,000 and \$13,999,999	11.0%
Between \$14,000,000 and \$14,999,999	10.5%
Between \$15,000,000 and \$15,999,999	10.0%
Between \$16,000,000 and \$16,999,999	9.5%
Between \$17,000,000 and \$17,999,999	9.0%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000	8.0%

“Estimated ending unreserved fund balance” is defined in Act 2003-48 as that portion of the fund balance which is appropriable for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district’s budget was adopted and held in the general fund accounts of the school district.

Tax Levy Trends

Table C-6 which follows shows the recent trend of tax rates levied by the School District. Table 7 shows the comparative trend of real property tax rates for the School District, two boroughs and four townships located in the School District, and for Montgomery and Bucks Counties.

**TABLE C-6
SOUDERTON AREA SCHOOL DISTRICT TAX RATES**

	Real Estate	Per Capita⁽¹⁾	Real Estate	Earned
	(mills)	(\$)	Transfer	Income
			(%)	(%)
2010-11	25.9274	10.00	0.50	0.50
2011-12	27.1900	10.00	0.50	0.50
2012-13	28.0050	10.00	0.50	0.50
2013-14	28.2550	10.00	0.50	0.50
2014-15	28.5376	10.00	0.50	0.50

⁽¹⁾ \$5.00 under Act 511 and \$5.00 under Section 679 of the School Code.
Source: School District Officials.

**TABLE C-7
SOUDERTON AREA SCHOOL DISTRICT
COMPARATIVE REAL PROPERTY TAX RATES
(Mills on Assessed Value)
(Fiscal Years Ending)**

	2011	2012	2013	2014	2015
School District	25.9274	27.1900	28.0050	28.2550	28.5376
Montgomery County	2.6950	2.6950	2.6950	3.1520	3.1520
Franconia Township	1.1905	1.2905	1.3975	1.5475	1.5475
Lower Salford Township	2.5240	2.5240	2.6065	2.6065	2.6065
Salford Township	1.4000	1.4000	1.4000	1.4000	1.4000
Souderton Borough	4.6650	4.9925	5.2750	5.3875	5.5100
Telford Borough (portion)	4.6050	5.3050	5.5875	5.7375	6.0600
Upper Salford Township	1.5000	1.5000	1.5000	1.5000	1.5000
Bucks County	21.9421	23.2000	23.2000	23.2000	23.2000
Telford Borough (portion)	4.6050	4.9550	5.3050	5.3050	5.3050

Source: Department of Community and Economic Development- Municipal Statistics

Real Property Tax

The real property tax (excluding delinquent collections) produced \$74,401,749 in 2013-14, approximately 66.8 percent of overall revenues. The tax is levied on July 1 of each year. Taxpayers who remit prior to August 31 receive a 2 percent discount, and those who remit between September 1 and October 31 pay at par. Taxes are considered delinquent as of November 1, and are lienied with the County tax collection bureau or a contracted tax collection firm as of December 31. The School District adopted a Resolution in fiscal year 2011-12 permitting the payment of real property taxes for all properties to pay in installment plans on July 31, August 31 and October 31 (no discounts will be given for early payments).

The following tables summarize recent trends of assessed and market valuations of real property and real property tax collection data. The last countywide assessment in Montgomery County was in 1998.

**TABLE C-8
SOUDERTON AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA**

Year	Market Value*	Assessed Value	Common Level Ratio
2009-10	\$5,233,221,411	\$2,658,476,477	50.80%
2010-11	4,951,566,891	2,673,846,121	54.00%
2011-12	4,789,861,963	2,687,112,561	56.10%
2012-13	4,622,864,109	2,681,261,183	58.00%
2013-14	4,348,686,202	2,696,185,445	62.00%

*Market Values estimated, based on the Common Level Ratio.
Source: Pennsylvania State Tax Equalization Board.

**TABLE C-9
SOUDERTON AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY**

	2012 Market Value	2012 Assessed Value	2013 Market Value	2013 Assessed Value
<i>School District</i>	\$4,098,866,399	\$2,681,261,183	\$4,119,759,578	\$2,696,185,445
Franconia Township	1,248,156,088	824,316,462	1,253,260,005	826,663,806
Lower Salford Township	1,588,252,220	1,056,608,592	1,591,545,627	1,059,742,520
Salford Township	257,211,967	178,165,285	270,229,287	187,956,785
Souderton Borough	420,870,849	280,502,600	420,771,663	280,445,020
Telford Borough (portion*)	151,323,561	108,545,940	151,499,778	108,644,770
Upper Salford Township	307,596,321	215,168,844	306,867,056	214,761,304
Telford Borough (portion**)	125,455,393	17,953,460	125,586,161	17,971,240
<i>Montgomery County</i>	87,628,015,471	58,292,903,853	88,052,938,140	58,538,764,710
<i>Bucks County</i>	67,526,835,263	8,012,286,085	68,030,720,920	8,053,282,900

*Located in Montgomery County.

**Located in Bucks County.

Source: Pennsylvania State Tax Equalization Board.

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**TABLE C-10
SOUDERTON AREA SCHOOL DISTRICT
ASSESSMENT BY LAND USE**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Residential	\$2,180,656,109	\$2,195,384,729	\$2,202,032,889	\$2,214,989,897	\$2,227,868,347
Trailers	14,264,894	15,671,294	15,847,424	15,663,884	15,603,884
Seasonal.....	0	0	512,120	512,120	512,120
Lots.....	21,490,070	19,949,390	16,540,750	16,925,050	15,790,280
Industrial	90,732,256	91,629,638	91,112,570	92,603,558	94,709,142
Commercial	283,078,718	282,237,520	290,921,518	269,484,824	267,096,962
Agriculture	63,892,180	65,141,770	66,490,810	66,985,460	71,406,890
Land	4,362,250	3,831,780	3,654,480	4,096,390	3,197,820
Total.....	<u>\$2,658,476,477</u>	<u>\$2,673,846,121</u>	<u>\$2,687,112,561</u>	<u>\$2,681,261,183</u>	<u>\$2,696,185,445</u>

Source: Pennsylvania State Tax Equalization Board.

**TABLE C-11
SOUDERTON AREA SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA**

	<u>Assessed Valuation</u>	<u>Millage</u>	<u>Adjusted Levied⁽¹⁾</u>	<u>Current Collections Amount</u>	<u>Current Year Collections as Percent</u>	<u>Total Collections Amount⁽²⁾</u>	<u>Total Collections as Percent</u>
2008-09 ⁽³⁾	\$2,732,966,837	24.4600	\$64,765,867	\$63,574,223	98.16%	\$64,559,645	99.7%
2009-10	2,744,003,667	24.9500	66,355,674	64,132,555	96.65%	65,416,014	98.6%
2010-11	2,753,198,051	25.9274	68,837,382	66,379,887	96.43%	68,734,737	99.85%
2011-12	2,745,528,561	27.1900	70,310,698	66,225,646	94.19%	71,387,449	101.53%
2012-13	2,758,486,453	28.0050	73,973,359	72,762,357	93.36%	73,621,129	99.52%
2013-14	2,773,576,315	28.2550	76,299,789	74,022,352	97.02%	74,576,150	97.74%

⁽¹⁾Flat billing plus penalties, less discounts, rebates and exonerations.

⁽²⁾Includes delinquent realty taxes collected only.

⁽³⁾Beginning in 2008-09 the amount of the Adjusted Levy is reduced by the amount of the Homestead/Farmstead Exemptions. The Adjusted levy shown excludes the amount payable from the Property Tax and Rent Rebate Program funded pursuant to Act 1 of the Commonwealth.

Source: School District officials.

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The ten largest real property taxpayers, together with 2014-15 assessed values, are shown on Table C-12 which follows. The aggregate assessed value of these ten taxpayers totals approximately 2.8 percent of total assessed value.

**TABLE C-12
SOUDERTON AREA SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS, 2014-15**

Owner	Property	2014-15 Assessed Value
Harleysville Mutual Ins Co	Insurance Company	\$12,760,000
H & A Properties	Shopping Center	9,466,550
First Montgomery Assoc LPI	Apartments	8,686,746
JBS Souderton Inc ⁽¹⁾	Meat Packing	7,976,220
Westrum Harleysville	Commercial Condos	7,380,890
Hidden Springs Realty Inc	Mobile Home Park	6,600,000
Colorcon	Multi Story Office Building	6,028,790
Shelly Square	Shopping Center	6,025,790
483 Main Street LP ⁽²⁾	Bank	5,446,550
AG Pheasant Run LP	Subsidized Housing	5,190,000
Total		\$75,104,286

⁽¹⁾An appeal has been filed by the taxpayer with the County of Montgomery Board of Assessment Appeals for 2010 and thereafter. If the taxpayer were to be successful the School District does not anticipate that it would adversely impact its finances in a material manner.

⁽²⁾An appeal has been filed by the taxpayer with the County of Montgomery Board of Assessment Appeals for 2013 and thereafter. If the taxpayer were to be successful the School District does not anticipate that it would adversely impact its finances in a material manner.

Source: School District officials.

Other Taxes

Under Act 511, the School District collected \$8,281,770 in other taxes in 2013-14. Among the taxes authorized by Act 511, the Per Capita Tax, the Earned Income Tax and Real Estate Transfer Tax are levied by the School District. The Act 511 limit, equal to 12 mills on the market value of real property, was \$52,184,234.

Per Capita Tax. A tax of \$10.00 (\$5.00 under Act 511 and \$5.00 under the Public School Code) on each resident over 18 years old yielded a \$137,509 in 2013-14, or less than one percent of the School District's total revenue.

Earned Income Tax. The School District levies a tax of one-half percent on the earned income of residents. In 2013-14 (unaudited) the School District's portion of this tax yielded \$7,188,289 or about 6.5 percent of the School District's total revenue.

Real Estate Transfer. The School District levies a tax of one-half percent of the value of real estate transfers. In 2013-14 (unaudited) the School District's portion of this tax yielded \$955,972 or less than one percent of the School District's total revenue.

State Aid to School Districts

Pennsylvania school districts receive financial assistance from the Commonwealth in a number of forms, all subject to statutory provisions and annual appropriation by the Pennsylvania General Assembly.

The largest subsidy, basic instructional subsidy, is allocated to all school districts based on factors such as: (1) the per pupil market value of assessable real property in the school district; (2) the per pupil earned income in the school district; (3) the school district's tax effort, as compared with the tax effort of other school districts in the Commonwealth; and (4) student count. School districts also receive subsidies for special education, pupil transportation, health service and debt service.

DEBT AND DEBT LIMITS

Debt Statement

Table C-13 which follows shows the debt of the Souderton Area School District as of February 18, 2015, including the issuance of the Bonds.

TABLE C-13
SOUDERTON AREA SCHOOL DISTRICT
DEBT STATEMENT
(As of February 18, 2015)*

	Gross Outstanding
NONELECTORAL DEBT	
General Obligation Bonds, Series of 2015	\$5,665,000
General Obligation Bonds, Series of 2014	9,700,000
General Obligation Bonds, Series of 2013	9,995,000
General Obligation Bonds, Series of 2011	1,795,000
General Obligation of Bonds, Series of 2009	31,530,000
General Obligation Bonds, Series of 2005	23,295,000
TOTAL NONELECTORAL DEBT	\$81,980,000
LEASE RENTAL DEBT	
School Lease Revenue Bonds, Series of 2015 ⁽¹⁾	\$1,586,700
TOTAL LEASE RENTAL DEBT	\$1,586,700
TOTAL PRINCIPAL OF DIRECT DEBT	\$83,566,700

*Includes the Bonds offered through this Official Statement.

⁽¹⁾The School District's pro rata share in relation to the Bonds offered through this Official Statement.

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Debt Limit and Remaining Borrowing Capacity

The statutory borrowing limit of the School District under the Act is computed as a percentage of the School District's "Borrowing Base". The "Borrowing Base" is defined as the annual arithmetic average of "Total Revenues" (as defined by the Act), for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Total Revenues for 2011-12	\$102,726,227
Total Revenues for 2012-13	107,017,081
Total Revenues for 2013-14	<u>109,825,306</u>
Total	<u>\$319,568,614</u>
Annual Arithmetic average (Borrowing Base)	\$106,522,871

Under the Act as presently in effect, no school district shall incur any nonelectoral debt or lease rental debt, if the aggregate net principal amount of such new debt together with any other net nonelectoral debt and lease rental debt then outstanding, would cause the net nonelectoral debt plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District's Borrowing Base produces the following product:

	<u>Legal Limit</u>	<u>Net Debt Outstanding*</u>	<u>Remaining Borrowing Capacity</u>
Net Nonelectoral Debt and Lease Rental Debt Limit: 225% of Borrowing Base	\$239,676,460	\$83,566,700	\$156,109,760

*Includes the Bonds offered through this Official Statement, excludes the 2010 Bonds being refunded; does not reflect credits against gross indebtedness that may be claimed for a portion of principal of debt estimated to be reimbursed by Commonwealth aid.

Future Financing

The School District does not contemplate issuing additional long-term debt for capital projects in the near future.

LABOR RELATIONS

School District Employees

There are presently 870 employees of the School District, including 546 teachers and administrators and 344 support personnel including secretaries, maintenance staff, custodial staff, cafeteria staff, transportation and teacher aides.

The School District's teachers are represented by the Souderton Area Education Association (the "Association"), an affiliate of the Pennsylvania State Education Association (PSEA), and are contracted with the School District in a Collective Bargaining Agreement until June 30, 2017.

The Souderton Area Educational Support Personnel Association (SAESPA), an affiliate of PSEA, representing classroom assistants, special education assistants and various other support personnel are contracted with the School District in a Collective Bargaining Agreement until June 30, 2016.

The secretaries of the School District are affiliated with PSEA and are represented by the Souderton Area Secretaries' Association and are contracted with the School District in a Collective Bargaining Agreement until June 30, 2016.

The custodial and maintenance employees of the School District are affiliated with Teamsters Local 384 under a Contract that expires on June 30, 2017.

Pension Program

School Districts in Pennsylvania are required to participate in a statewide pension program administered by the Public School Employees Retirement System (PSERS). All of the School District's full-time employees, part-time employees who work more than 80 days in a school year, and hourly employees who work over 500 hours a year participate in the program. However, please note a Pennsylvania Supreme Court decision has removed the hourly de minimis requirement for current members of PSERS regarding the purchase of credit for their part-time school service rendered prior to their being members of PSERS, for purposes of increasing their pension benefits.

Beginning July 1, 1976, certain revisions were made in the pension program. The Retirement Board, previously under the Department of Education of the Commonwealth, became an independent agency. However, the program is still guaranteed by the Commonwealth. Currently, each party to the program contributes a fixed percentage of the employee's salary. Employees belonging to the Public School Employees Retirement System ("PSERS") prior to July 22, 1983 contribute 5.25% of their salary, and employees who joined the PSERS on or after July 22, 1983 contribute 6.25% of their salary. On February 17, 2002, Governor Ridge signed Act 9 which created a new membership class that sets the employee contribution rate at 7.50% of the employee's salary for those employees hired on or after July 1, 2001. Act 9 also provides an option for those employees hired prior to July 1, 2001 to elect a contribution rate of 6.50%, if they were hired before July 22, 1983, or 7.50% if they were hired on or after July 22, 1983. Act 120 of 2010 was passed by the General Assembly on September 1 and signed by Governor Rendell on November 23, 2010. The benefit reductions contained in this legislation will only impact individuals who become new members of PSERS on or after July 1, 2011. New members will have the option of selecting one of 2 new classes. The members selecting class T-E will contribute a base rate of 7.5% with "shared risk" contribution levels between 7.5% and 9.5% and a pension multiplier of 2.0%. Members selecting class T-F will contribute a base rate of 10.3% with shared risk contribution levels between 10.3% and 12.3% and a pension multiplier of 2.5%. In accordance with Senate Bill 1042 enacted on July 6, 2010, the employer rate was recertified at 5.64% for fiscal year 2010-11, 8.65% for fiscal year 2011-12 and 12.36% for fiscal year 2012-13. The rate for fiscal year 2013-14 has been set at 16.93% of payroll and the rate for fiscal year 2014-15 has been set at 21.40%.

The School District and the Commonwealth are responsible for paying a portion of the employer's share. School entities are initially responsible for paying 100% of the employer share of contributions to PSERS. The Commonwealth reimburses the employer for one-half the payment for employees. The School District contributions are made on a quarterly basis and employee contributions are deducted monthly for each paycheck and remitted quarterly. Recent School District payments have been as follows:

2009-10	\$2,334,084
2010-11	2,797,347
2011-12	4,212,561
2012-13	5,875,419
2013-14	7,862,265
2014-15 (budgeted)	10,384,952

The School District is current in all payments. The PSERS complete report is available on the PSERS website on the Internet: www.psers.state.pa.us.

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Other Post-Employment Benefits

This benefit is state mandated via the School Code statute. The School District's annual other post-employment benefit (OPEB) cost (expense) for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost, each year, and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's annual OPEB cost for the current year and the related information is as follows:

Contribution Rates:	
	<u>OPEB Benefit Actuarially Determined</u>
Interest Rate	4.50%
Plan Members.....	902
Annual Required Contribution	\$564,756
Interest on net OPEB obligation.....	63,482
Adjustment to annual required contribution	<u>(86,606)</u>
Annual OPEB cost	541,632
Contributions made	<u>(332,651)</u>
Increase in net OPEB obligation	208,981
Net OPEB Obligation - beginning of year.....	<u>1,410,707</u>
Net OPEB Obligation - end of year.....	<u><u>\$1,619,688</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation of the fiscal years ending June 30th, for the benefits were as follows:

<u>Year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2013	\$541,632	61.4%	\$1,619,688
6/30/2012	640,420	41.3%	1,410,707
6/30/2011	646,719	40.6%	1,034,704
6/30/2010	555,259	43.3%	650,422

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CONTINUING DISCLOSURE UNDERTAKING

Existing Continuing Disclosure Filing History

The School District has previously entered into Continuing Disclosure Agreements with respect to each one of its previously issued bond issues that are currently outstanding. The School District'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		Budget		Operating Data	
		Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]
6/30/2010	12/27/2010	12/30/2010	ER392150	11/7/2012	EP579133	10/23/2013 ^[3]	ER581064
6/30/2011	12/27/2011	12/22/2011	ER468011	7/18/2011	EP459537	10/23/2013 ^[3]	ER581064
6/30/2012	12/27/2012	2/25/2013	ER536920	11/7/2012	EP579129	10/23/2013 ^[3]	ER581064
6/30/2013	12/27/2013	12/20/2013	ER595681	7/23/2013	EA469266	10/23/2013	ER581064
6/30/2014	12/27/2014	12/19/2014	ER660802	7/23/2014	EA521189	12/19/2014	ER660793

Notes

^[1] For these purposes, assumes the shortest filing deadline of the School District'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] Does not include Top Taxpayers for the years 2010, 2011 & 2012.

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

For fiscal year ending June 30, 2010, the School District filed its audited financial statements on December 30, 2010, the budget report on November 7, 2012 and the operating data with the exception of the top taxpayers on October 23, 2013.

For fiscal year ending June 30, 2011, the School District filed its audited financial statements and budget report timely. The operating data with the exception of the top taxpayers were filed on October 23, 2013.

For fiscal year ending June 30, 2012, the School District filed its audited financial statements on February 25, 2013, the budget report was filed timely and the operating data with the exception of the top taxpayers were filed on October 23, 2013.

For fiscal year ending June 30, 2013, the School District filed its audited financial statements, budget and operating data timely.

For fiscal year ending June 30, 2014, the School District filed its audited financial statements, budget and operating data timely.

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

Some of the School District'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. For informational purposes, the School District has recently filed a summary of rating upgrades and downgrades relating to certain bond insurance companies.

Moody's Global Rating Scale Recalibration

Certain bond issues of the School District received rating changes from Moody's Investors Service on April 23, 2010 as a result of the Global Rating Scale Recalibration by Moody's Investors Service. For informational purposes, the School District has recently filed a notice of these rating changes relating to the Global Ratings Scale Recalibration. This information was widely disseminated at the time of the rating change and was publicly available from other public information sources.

APPENDIX D

**WISSAHICKON SCHOOL DISTRICT
Montgomery County, Pennsylvania**

Descriptive, Financial and Economic Information

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THE SCHOOL DISTRICT

The School District is located in the eastern central section of Montgomery County approximately 17 miles directly north of Philadelphia, Pennsylvania. Covering 22.81 square miles of the Wissahickon Valley, the School District area is coterminous with the Borough of Ambler and the Townships of Lower Gwynedd and Whitpain. There are a number of well known unincorporated communities located within the School District, including Springhouse, Penllyn and Gwynedd Valley in Lower Gwynedd Township and Centre Square, Blue Bell and Broad Axe in Whitpain Township.

The character of the School District has developed principally as a residential area with sections of light industry, a commercial center and still undeveloped areas upon which a certain amount of gentleman farming is pursued. The area of the School District contains some of the more desirable suburban residential communities in the Philadelphia suburbs.

The local municipalities which comprise the School District are strictly zoned and these zoning regulations have led to development intended to balance residential growth with commercial and industrial growth in order to protect the investment of property owners and to channel future development into desired directions. An example of this growth along desired lines is the Blue Bell Office Campus located in Whitpain Township. This area has been designed for research and light industrial facilities and is corporate headquarters of Unisys Corporation and Aetna/U.S. Healthcare Inc. Rohm & Haas, a Division of Dow Chemical and McNeil Pharmaceutical, a Division of Johnson & Johnson, are located in Lower Gwynedd Township in the School District.

Administration

The School District is governed by a nine-member Board of School Directors (the "School Board"), elected for four-year terms. The Superintendent is the chief executive officer of the School District, with overall responsibility for all aspects of operations, including education and finance. The Business Administrator is responsible for budget and financial operations. Both of these officials are appointed by the School Board.

School Facilities

The School District presently operates five elementary schools, a middle school and a high school, all as described in the following table. Students in grades 9-12 may elect to attend North Montco Area Vocational-Technical School (the "Vo-Tech").

**TABLE D-1
WISSAHICKON SCHOOL DISTRICT
SCHOOL FACILITIES**

Building	Original Construction Date	Additions/ Renovation Dates	Grades	Number of Classrooms	2014-15 Enrollment
<i>Elementary:</i>					
Blue Bell.....	1957	1989	K-5	27	409
Lower Gwynedd	1997	---	K-5	27	591
Stony Creek	1964	1988	K-5	25	442
Shady Grove	1957	1972/90	K-5	37	601
<i>Secondary:</i>					
Wissahickon Middle School	1975	1991/07	6-8	68	1,025
Wissahickon High School.....	1962	1972/74/01	9-12	70	1,389

Source: School District officials. Enrollments include Vo-Tech students.

Enrollment Trends

Table D-2 presents recent trends in school enrollment and projections of enrollment for the next five years, as prepared by the School District's administrative officials.

**TABLE D-2
WISSAHICKON SCHOOL DISTRICT
ENROLLMENT TRENDS**

Actual Enrollments				Projected Enrollments			
School Year	(K-6) Elementary	(7-12) Secondary	Total	School Year	(K-6) Elementary	(7-12) Secondary	Total
2010-11	2,294	2,189	4,483	2015-16	2,406	2,065	4,471
2011-12	2,274	2,155	4,429	2016-17	2,401	2,070	4,471
2012-13	2,298	2,140	4,438	2017-18	2,416	2,099	4,515
2013-14	2,344	2,096	4,440	2018-19	2,442	2,098	4,540
2014-15	2,384	2,073	4,457	2019-20	2,413	2,168	4,581

Source: School District officials.

SCHOOL DISTRICT FINANCES

Introduction

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the Superintendent and Business Administrator and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1.

Financial Reporting

The School District keeps its books and prepares its financial reports according to a modified accrual basis of accounting. Major accrual items are payroll taxes and pension fund contributions payable, delinquent taxes receivable, loans receivable from other funds, and revenues receivable from other governmental units. Its financial statements are audited annually by a firm of independent certified public accountants, as required by Commonwealth law. Herbein & Company, Reading, Pennsylvania, serves as auditor for the School District.

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Budgeting Process in School Districts under the 2006 Taxpayer Relief Act

In General. School districts budget and expend funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by school district administrative officials on a uniform form furnished by such Department and submitted to the board of school directors for approval prior to the beginning of the fiscal year on July 1.

Procedures for Adoption of the Annual Budget. Under The Taxpayer Relief Act (Act 1), all school districts of the first class A, second class, third class and fourth class (except as described below) must adopt a preliminary budget proposal (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election immediately preceding the fiscal year. The preliminary budget proposal must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days' public notice of its intent to adopt the final budget.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the Pennsylvania Department of Education (PDE) no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district's Index (*see* "**The Taxpayer Relief Act (Act 1)**" herein) and within 10 days, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one of the referendum exceptions authorized under The Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required (*see* "**The Taxpayer Relief Act (Act 1)**" herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district's request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district's request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under The Taxpayer Relief Act (Act 1), and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, The Taxpayer Relief Act (Act 1) requires only that the proposed annual budget be prepared at least 30 days, and made available for public inspection at least 20 days, prior to its adoption, and that at least ten (10) days' public notice be given of the board's intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

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Summary and Discussion of Financial Results

A summary of the General Fund Balance Sheet and Changes in Fund Balances is presented in Tables D-3 and D-4. Table D-5 shows revenues and expenditures for the past five years and the 2014-15 budget. The budget for 2014-15, dated June 9, 2014, adopted a balanced budget of revenues and expenditures of \$87,319,989 which includes a budgetary reserve of \$500,000.

TABLE D-3
WISSAHICKON SCHOOL DISTRICT
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET
(Years Ending June 30)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
ASSETS					
Cash and Cash Equivalents	\$11,429,160	\$11,192,271	\$5,770,745	\$7,972,216	\$5,364,598
Investments	13,290,346	17,747,186	22,049,663	22,528,316	26,328,765
Taxes Receivable	1,315,479	1,601,362	1,222,463	1,214,492	983,612
Due from Other Funds.....	815	180,037	613,386	103,684	451,822
Due from Other Governments	1,161,927	1,464,065	1,647,491	2,271,225	2,246,955
Other Receivables	522,836	200,743	95,988	214,415	85,981
Inventories.....	129,008	1,099	1,099	1,099	0
Prepaid Expenses	3,524	13,540	100	0	0
TOTAL ASSETS	<u>\$27,853,095</u>	<u>\$32,400,303</u>	<u>\$31,400,935</u>	<u>\$34,305,447</u>	<u>\$35,461,733</u>
LIABILITIES					
Accounts Payable	\$863,152	\$2,812,362	\$2,165,052	\$2,032,960	\$1,806,065
Accrued Salaries and Benefits.....	8,505,158	8,405,328	8,393,181	9,337,067	10,271,414
Deferred Revenues	705,765	906,278	775,002	24,941	0
Current Portion of Long-Term Debt	164,836	188,280	191,659	199,718	190,803
Other	619,690	1,020,758	1,251,740	1,215,289	1,349,380
TOTAL LIABILITIES	<u>\$10,858,601</u>	<u>\$13,333,006</u>	<u>\$12,776,634</u>	<u>\$12,809,975</u>	<u>\$13,617,662</u>
Deferred Inflows of Resources.....	\$0	\$0	\$0	\$807,484	\$700,128
FUND EQUITIES					
Nonspendable Fund Balance	\$0	\$14,639	\$1,199	\$1,099	\$0
Committed Fund Balance	0	12,669,794	12,034,118	14,209,930	14,743,943
Unassigned Fund Balance	0	6,382,864	6,588,984	6,476,959	6,400,000
Reserve for Capital Projects	1,715,624	0	0	0	0
Reserve for Other	3,220,442	0	0	0	0
Unreserved – Designated.....	4,991,389	0	0	0	0
Unreserved – Undesignated.....	7,067,039	0	0	0	0
TOTAL FUND EQUITIES.....	<u>\$16,994,494</u>	<u>\$19,067,297</u>	<u>\$18,624,301</u>	<u>\$20,687,988</u>	<u>\$21,143,943</u>
TOTAL LIABILITIES, DEFERRED					
INFLOWS OF RESOURCES,					
AND FUND EQUITIES	<u>27,853,095</u>	<u>32,400,303</u>	<u>\$31,400,935</u>	<u>34,305,447</u>	<u>\$35,461,733</u>

Source: School District Annual Financial Reports.

TABLE D-4
WISSAHICKON SCHOOL DISTRICT GENERAL FUND
SUMMARY OF CHANGES IN FUND BALANCES*

	Actual					Budget
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015⁽¹⁾</u>
Beginning Fund Balance	\$16,413,855	\$16,994,494	\$19,067,299	\$18,624,304	\$20,687,988	\$21,143,943
Revenues over (under) Expenditure	580,639	2,072,805	(\$442,994)	\$2,063,687	455,955	0
Chg/Inv. Res./PriorPd.Adj.	<u>0</u>	<u>0</u>	<u>0</u>	<u>-3</u>	<u>0</u>	<u>0</u>
Ending Fund Balance	<u><u>\$16,994,494</u></u>	<u><u>\$19,067,299</u></u>	<u><u>\$18,624,304</u></u>	<u><u>\$20,687,988</u></u>	<u><u>\$21,143,943</u></u>	<u><u>\$21,143,943</u></u>

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 9, 2014.

Source: School District Annual Financial Reports and Budget.

Revenue

The School District received \$87,599,661 in revenue in 2013-14, and has budgeted revenue of \$87,319,989 in 2014-15. Local sources decreased slightly as a share of total revenue in the past five years from 84.7 percent to 81.1 percent. Revenue from Commonwealth sources increased as a share of total revenue in the past five years from 14.1 percent to 16.1 percent over this period. Federal and other sources increased as a share of total revenue in the past five years from 1.2 to 2.8 percent over this period.

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TABLE D-5
WISSAHICKON SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES AND EXPENDITURES*
(Years Ending June 30)

REVENUE:	2010	2011	2012	2013	2014	Budget 2015⁽¹⁾
Local Sources:						
Current Real Estate Taxes	\$58,297,909	\$58,531,667	\$58,695,308	\$58,551,808	\$59,148,772	\$58,907,260
Interim Real Estate Taxes	320,033	383,542	244,820	107,814	178,135	150,000
Total Act 511 Taxes	8,015,938	7,858,502	7,593,153	9,032,286	9,347,117	9,425,000
Public Utility Realty Tax	98,116	97,914	94,871	92,924	86,538	90,000
Delinquency on Taxes Levied/Assessed	1,127,425	1,150,802	1,552,354	1,258,662	951,853	1,375,000
Earnings from Investments	157,877	96,826	73,285	57,739	50,440	50,000
Revenue from Student Activities	124,680	119,912	117,713	150,461	183,987	162,503
State Rev. Recvd. From Other PA Public Sch.	25,000	0	0	0	0	0
Federal IDEA Pass Through Revenue	473,691	747,290	35,725	41,910	13,577	0
Federal Rv. Recd from Other Sources	939,226	921,188	905,264	919,051	834,190	865,686
Rentals	241,277	219,111	194,818	176,543	122,639	150,000
Tuition - Regular Day	145	0	0	0	0	0
Tuition - Summer	69,008	59,225	52,265	52,424	46,696	125,000
Revenue from Community Service Activities	14,880	12,757	2,004	1,120	1,305	1,500
Receipts from other LEAS in PA	119,069	190,035	179,551	150,237	108,255	0
Refund's of Prior Years' Expenditures	2,335	875	538	0	8,635	0
Other Sources	20,785	20,417	31,080	11,007	0	10,000
Total Local Sources	\$70,047,393	\$70,410,062	\$69,772,747	\$70,603,987	\$71,082,142	\$71,311,949
State Sources:						
Basic Instructional Subsidy	\$2,052,472	\$1,946,311	\$2,282,790	\$2,282,767	\$2,355,198	\$2,354,637
Tuition for Children in Prvt. Homes	94,617	46,449	103,400	96,705	92,835	75,000
Charter Schools	106,042	65,943	0	0	0	0
Educational Empowerment/Sch.Imprv.Grnt.	0	0	0	0	0	135,698
Special Education for Exceptional Children	2,080,926	2,055,556	2,003,402	1,970,275	1,973,844	1,914,903
Transportation	1,159,282	1,122,616	1,172,679	1,067,279	1,157,406	1,075,000
Rentals and Sinking Fund Payments	209,857	224,437	223,323	139,626	0	0
Health Services	113,294	111,012	108,374	106,730	106,682	106,500
Revenue for Social Security Payments	1,726,817	1,685,582	1,694,868	1,713,639	1,720,700	1,826,385
Revenue for Retirement	1,336,077	1,245,580	1,981,903	2,846,728	3,910,798	5,109,647
Dual Enrollment Grants	763	2,452	0	0	0	0
PA Accountability Grants	144,609	135,605	53,277	53,278	53,278	53,278
State Property Tax Reduction Allocation	2,582,564	2,914,379	2,564,504	2,803,051	2,760,952	2,869,223
Other Sources	10,000	31,292	1,597	2,494	0	0
Total State Sources	\$11,617,319	\$11,587,215	\$12,190,116	\$13,082,573	\$14,131,691	\$15,520,271
Federal Sources:						
Total Federal Sources	\$1,001,829	\$1,080,967	\$551,957	\$525,445	\$484,202	\$487,769
Other Sources:						
Total Other Sources	\$1,137	\$16,146	\$12,875	\$57,030	\$1,901,625	\$0
TOTAL REVENUE	\$82,667,678	\$83,094,390	\$82,527,696	\$84,269,035	\$87,599,661	\$87,319,989
EXPENDITURES:						
Instruction	\$49,823,895	\$48,509,681	\$49,995,733	\$51,807,614	\$53,802,539	\$57,648,910
Pupil Personnel Services	2,825,798	2,809,385	2,947,910	3,018,583	2,990,165	3,200,073
Instructional Staff	2,811,270	2,429,368	2,543,573	2,201,218	2,257,323	2,525,812
Administration	4,365,978	4,593,273	4,473,454	4,699,638	5,024,797	4,871,784
Pupil Health Services	948,273	894,250	963,424	996,306	890,133	1,050,271
Business	876,547	815,199	793,772	682,060	742,744	752,636
Operation & Maintenance of Plant Svcs.	6,785,604	6,796,578	6,430,800	6,561,051	7,124,634	7,285,595
Student Transportation	5,043,991	5,254,310	5,912,237	5,408,381	5,566,225	5,711,535
Central	784,506	845,089	728,669	750,540	818,717	823,156
Other Support Services	71,557	73,318	72,398	73,009	72,410	76,580
Non Instructional Services	1,514,447	1,500,670	1,556,317	1,582,937	1,533,908	1,716,380
Debt Service	6,155,000	6,490,800	6,551,912	4,424,011	140,444	1,157,257
Refund of Prior Year Receipts	80,173	9,664	491		6,100	
Fund Transfers					6,173,567	
Budgetary Reserve						500,000
TOTAL EXPENDITURES	\$82,087,039	\$81,021,585	\$82,970,690	\$82,205,348	\$87,143,706	\$87,319,989
SURPLUS (DEFICIT) OF REVENUES OVER EXPENDITURES	\$580,639	\$2,072,805	(\$442,994)	\$2,063,687	\$455,955	\$0

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 9, 2014.

Source: School District Annual Financial Reports and Budget.

TAXES AND TAXING POWERS OF THE SCHOOL DISTRICT

In General

Subject to certain limitations imposed by the Taxpayer Relief Act, Act No. 1 of the Special Session of 2006, as amended (see “The Taxpayer Relief Act (Act 1)” herein), the School District is empowered by the School Code and other statutes to levy the following taxes:

4. A basic annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
5. An unlimited ad valorem tax on the property taxable for school purposes to provide funds:
 - e. for minimum salaries and increments of the teaching and supervisory staff;
 - b. to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
 - c. to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the school district; and
 - d. to pay for the amortization of a bond or note issue which provided a school building prior to the first Monday of July, 1959.
6. An annual per capita tax on each resident or inhabitant over 18 years of age of not more than \$5.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended (“The Local Tax Enabling Act”). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – “STEB”) multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

The Taxpayer Relief Act (Act 1)

Under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (“The Taxpayer Tax Relief Act” or “Act 1”), a school district may not, in fiscal year 2007-2008 or in any subsequent fiscal year, levy any tax for the support of the public schools which was not levied in the 2006-2007 fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by the Pennsylvania Department of Education (PDE):

1. to pay interest and principal on indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004, or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 of 2004; to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances; and

3. to make payments into the State Public School Employees' Retirement System when the increase in the estimated payments between the current year and the upcoming year is greater than the Index, as determined by PDE in accordance with the provisions of Act 1.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 1 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by PDE. If a school district's petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.

The Act 1 Index applicable to the School District in the current and prior fiscal years are as follows:

<u>Fiscal Year</u>	<u>Index</u>
2011-12	1.4%
2012-13	1.7%
2013-14	1.7%
2014-15	2.1%
2015-16	1.9%

In accordance with Act 1, the School District put a referendum question on the ballot at the May, 15, 2007, primary election seeking voter approval to levy (or increase the rate of) an earned income and net profits tax ("EIT") or a personal income tax ("PIT") and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. The referendum was **NOT** approved by the voters.

A board of school directors may submit, but is not required to submit, a referendum question to the voters at the municipal election in 2009 or any later year seeking approval to levy or increase the rate of an EIT or a PIT for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law.

The Bonds are Not Eligible for Act 1 Exception

The Bonds were not authorized before the June 27, 2006, the effective date of Act 1. Therefore, the Bonds do not qualify for the exception to the referendum requirement for debt incurred prior to the effective date of Act 1 (or its predecessor statute Act 72). The School District believes that it will not exceed the Act 1 Index established for the 2014-15 fiscal year as the full amount of the millage required to pay the debt service on such Bonds is currently in place.

Act 48 of 2003

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes for the school year 2005-2006 or any subsequent school year, unless the school district has adopted a budget for such school year that includes an estimated ending unreserved undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

<u>Total Budgeted Expenditures:</u>	<u>Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total budgeted Expenditures:</u>
Less than or equal to \$11,999,999	12.0%
Between \$12,000,000 and \$12,999,999	11.5%
Between \$13,000,000 and \$13,999,999	11.0%
Between \$14,000,000 and \$14,999,999	10.5%
Between \$15,000,000 and \$15,999,999	10.0%
Between \$16,000,000 and \$16,999,999	9.5%
Between \$17,000,000 and \$17,999,999	9.0%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000	8.0%

“Estimated ending unreserved fund balance” is defined in Act 2003-48 as that portion of the fund balance which is appropriable for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district’s budget was adopted and held in the general fund accounts of the school district.

Tax Levy Trends

Table D-6 shows the recent trend of tax rates levied by the School District. Table D-7 shows the comparative trend of real property tax rates for the School District, the borough and the two townships comprising the School District, and Montgomery County.

**TABLE D-6
WISSAHICKON SCHOOL DISTRICT
TAX RATES**

Year	Real Estate	Real Estate Transfer	Earned Income
2010-11	17.65	0.5%	0.5%
2011-12	17.65	0.5%	0.5%
2012-13	17.65	0.5%	0.5%
2013-14	17.65	0.5%	0.5%
2014-15	17.65	0.5%	0.5%

Source: Municipal Statistics Tax Reports.

**TABLE D-7
WISSAHICKON SCHOOL DISTRICT
COMPARATIVE REAL PROPERTY TAX RATES
(Mills on Assessed Value)**

	2010-11	2011-12	2012-13	2013-14	2014-15
<i>School District</i>	17.650	17.650	17.650	17.650	17.650
Ambler Borough	6.300	6.300	6.780	6.940	6.940
Lower Gwynedd Township.....	1.117	1.168	1.168	1.168	1.168
Whitpain Township	3.200	3.200	3.200	3.200	3.200
Montgomery County	2.695	2.695	2.695	3.152	3.152

Source: Municipal Tax Information, PA DCED.

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Real Property Tax

The real property tax (excluding interim taxes and delinquent collections) produced \$59,326,907 in 2014-15 or 67.6percent of total revenue. The School District fiscal year is July 1 through June 30 and tax bills are issued on July 1 of each year. Taxpayers who remit within 60 days of July 1 receive a 2 percent discount, and those who remit subsequent to 120 days after July 1 are assessed a 10 percent penalty.

The following tables summarize recent trends of assessed and market valuations of real property and real property tax collection data. The last county-wide assessment in Montgomery County was in January 1, 1998.

TABLE D-8
WISSAHICKON SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA

Year	Market Value	Assessed Value	Ratio
2009-10	\$5,062,980,168	\$3,622,979,545	71.56%
2010-11	5,402,444,945	3,631,424,980	67.22%
2011-12	5,425,081,813	3,650,842,240	67.30%
2012-13	5,398,261,392	3,621,549,751	67.09%
2013-14	5,397,471,970	3,621,463,828	67.10%
Compound Average Annual Percentage Change	1.29%	-0.01%	

Source: Pennsylvania State Tax Equalization Board.

TABLE D-9
WISSAHICKON SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY

	2012 Market Value	2012 Assessed Value	2013 Market Value	2013 Assessed Value
<i>School District</i>	\$5,398,261,392	\$3,621,549,751	\$5,397,471,970	\$3,621,463,828
Ambler Borough	454,535,930	279,189,610	454,878,940	279,377,840
Lower Gwynedd Township.....	2,009,101,918	1,358,357,360	2,009,639,767	1,358,656,170
Whitpain Township	2,934,623,543	1,984,002,781	2,932,953,263	1,983,429,818
Montgomery County.....	87,628,015,471	58,292,903,853	88,052,938,140	58,538,764,710

Source: Pennsylvania State Tax Equalization Board.

TABLE D-10
WISSAHICKON SCHOOL DISTRICT
ASSESSMENT BY LAND USE

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Residential	\$2,745,778,850	\$2,760,278,280	\$2,775,845,530	\$2,774,438,400	\$2,779,543,725
Trailers.....	\$3,096,990	\$3,655,790	\$4,123,640	\$4,732,490	\$5,042,970
Lots	22,794,310	18,628,410	14,241,830	12,894,180	12,529,320
Industrial.....	101,313,609	100,693,369	108,687,109	108,345,309	108,013,249
Commercial	709,947,226	708,890,341	711,412,731	687,006,742	683,296,994
Agriculture.....	38,921,430	38,151,660	35,758,150	33,359,380	32,264,320
Land.....	1,127,130	1,127,130	773,250	773,250	773,250
Total	<u>\$3,622,979,545</u>	<u>\$3,631,424,980</u>	<u>\$3,650,842,240</u>	<u>\$3,621,549,751</u>	<u>\$3,621,463,828</u>

Source: Pennsylvania State Tax Equalization Board.

TABLE D-11
WISSAHICKON SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA

School	Total	Current	Current Year	Total	Total
Year	Adjusted Flat	Collections	Collections	Collections	Collections
	Billing(1)	Amount	As a Percent	Amount⁽²⁾	As a Percent
2009-10	\$59,948,880	\$58,947,056	98.33%	\$60,074,481	100.21%
2010-11	60,518,463	59,448,613	98.23%	60,599,415	100.13%
2011-12	60,677,000	59,408,322	97.91%	60,960,676	100.47%
2012-13	60,232,603	59,076,036	98.08%	60,334,698	100.17%
2013-14	60,265,286	59,477,146	98.69%	60,428,999	100.27%

(1) Flat billing plus penalties, less discounts, rebates and exonerations.

(2) Includes delinquent realty taxes collected only.

Source: School District officials.

The ten largest real property taxpayers, together with 2014-15 assessed values are shown in Table D-12. The aggregate assessed value of these ten taxpayers totals approximately 6.87 percent of total assessed value. All major real property tax accounts as listed below are current.

TABLE D-12
WISSAHICKON SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS, 2014-15

Owner	Property	2014-15 Assessed Value
Adult Communities Total Services	Life Care	\$52,657,780
Ortho McNeil Pharmaceutical Inc	Pharmaceutical Company	49,009,850
Foulkeways at Gwynedd*	Life Care	21,503,650
Rohm & Haas Company	Chemical Company	19,708,930
Whitpain Associates*	Commercial Real Estate	19,642,080
Hunt Club Apartment Associates LP	Commercial Real Estate	19,400,560
Townline Assoc	Commercial Real Estate	18,335,580
16-18 KPG III Sentury LLC *	Commercial Real Estate	17,960,260
Blue Bell Investment Co LP*	Commercial Real Estate	16,025,150
Aetna Life Ins Co*	Health Care Insurance	14,634,450
Totals		\$248,878,290

*These taxpayers have an assessment appeal pending.

Source: School District officials.

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Other Taxes

Under Act 511, and the School Code, the School District collected \$9,347,117 in other taxes in 2013-14.

Real Estate Transfer Tax: A tax of 0.5 percent of the value of real estate transfers yielded \$1,331,905 in 2013-14 or 1.5 percent of the School District's total revenue.

Wage and Income Tax. The School District levies a tax of 0.5 percent on the earned income of residents. In 2013-14 the collected portion of this tax yielded \$8,015,212 or 9.1 percent of the School District's total revenue.

Commonwealth Aid to School Districts

Pennsylvania school districts receive financial assistance from the Commonwealth in a number of forms, all subject to statutory provisions and annual appropriation by the Pennsylvania General Assembly.

The largest subsidy, basic instructional subsidy, is allocated to all school districts based on factors such as: (1) the per pupil market value of assessable real property in the school district; (2) the per pupil earned income in the school district; (3) the school district's tax effort, as compared with the tax effort of other school districts in the Commonwealth; and (4) student count. School districts also receive subsidies for special education, pupil transportation, health service, and debt service.

DEBT AND DEBT LIMITS

Debt Statement

Table D-13 shows the debt of the School District as of February 18, 2015, including the issuance of the Bonds.

TABLE D-13
WISSAHICKON SCHOOL DISTRICT
DEBT STATEMENT*
(As of February 18, 2015)

	Gross Outstanding
NONELECTORAL DEBT	
TOTAL NONELECTORAL DEBT	\$0
LEASE RENTAL DEBT	
School Lease Revenue Bonds, Series of 2015 ⁽¹⁾	\$1,781,512
TOTAL LEASE RENTAL DEBT	\$1,781,512
TOTAL PRINCIPAL OF DIRECT DEBT	\$1,781,512

*Includes the Bonds offered through this Official Statement.

⁽¹⁾The School District's pro rata share in relation to the Bonds offered through this Official Statement.

Debt Limit and Remaining Borrowing Capacity

The statutory borrowing limit of the School District under the Act is computed as a percentage of the School District's "Borrowing Base". The "Borrowing Base" is defined as the annual arithmetic average of "Total Revenues" (as defined by the Act), for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Total Revenues for 2011-12	\$82,291,497
Total Revenues for 2012-13	\$84,072,380
Total Revenues for 2013-14	<u>\$85,698,035</u>
 Total Revenues, Past Three Years	 <u>\$252,061,912</u>
 Annual Arithmetic Average (Borrowing Base)	 \$84,020,637

Under the Act as presently in effect, no school district shall incur any nonelectoral debt or lease rental debt, if the aggregate net principal amount of such new debt together with any other net nonelectoral debt and lease rental debt then outstanding, would cause the net nonelectoral debt plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District's Borrowing Base produces the following product:

	<u>Legal Limit</u>	<u>Net Debt Outstanding*</u>	<u>Remaining Borrowing Capacity</u>
Net Nonelectoral Debt and Lease Rental Debt Limit: 225% of Borrowing Base.....	\$189,046,434	\$1,781,512	\$187,264,922

*Includes the Bonds offered through this Official Statement.

Debt Service Requirements

The School District has never defaulted on the payment of debt service.

Future Financing

The School District anticipates issuing additional long term debt in the amount of \$20 million over the next 2 years.

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LABOR RELATIONS

School District Employees

There are presently 600 employees of the School District, including 342 teachers and administrators and 258 other employees, which include secretaries, custodial staff, maintenance staff, cafeteria staff, transportation staff and instructional aides.

The School District's teachers are represented by the Wissahickon Education Association (the "Association"), an affiliate of the Pennsylvania State Education Association ("PSEA"), under a contract with the School District which expires June 30, 2016. The secretaries, custodians, maintenance, other support staff and educational aides are represented by the Wissahickon Educational Support Personnel Association, an affiliate of PSEA-NEA, under a contract with the School District, which expires June 30, 2015.

Pension Program

School Districts in Pennsylvania are required to participate in a statewide pension program administered by the Public School Employees Retirement System (PSERS). All of the School District's full-time employees, part-time employees who work more than 80 days in a school year, and hourly employees who work over 500 hours a year participate in the program. However, please note a Pennsylvania Supreme Court decision has removed the hourly de minimis requirement for current members of PSERS regarding the purchase of credit for their part-time school service rendered prior to their being members of PSERS, for purposes of increasing their pension benefits.

Beginning July 1, 1976, certain revisions were made in the pension program. The Retirement Board, previously under the Department of Education of the Commonwealth, became an independent agency. However, the program is still guaranteed by the Commonwealth. Currently, each party to the program contributes a fixed percentage of the employee's salary. Employees belonging to the Public School Employees Retirement System ("PSERS") prior to July 22, 1983 contribute 5.25% of their salary, and employees who joined the PSERS on or after July 22, 1983 contribute 6.25% of their salary. On February 17, 2002, Governor Ridge signed Act 9 which created a new membership class that sets the employee contribution rate at 7.50% of the employee's salary for those employees hired on or after July 1, 2001. Act 9 also provides an option for those employees hired prior to July 1, 2001 to elect a contribution rate of 6.50%, if they were hired before July 22, 1983, or 7.50% if they were hired on or after July 22, 1983. Act 120 of 2010 was passed by the General Assembly on September 1 and signed by Governor Rendell on November 23, 2010. The benefit reductions contained in this legislation will only impact individuals who become new members of PSERS on or after July 1, 2011. New members will have the option of selecting one of 2 new classes. The members selecting class T-E will contribute a base rate of 7.5% with "shared risk" contribution levels between 7.5% and 9.5% and a pension multiplier of 2.0%. Members selecting class T-F will contribute a base rate of 10.3% with shared risk contribution levels between 10.3% and 12.3% and a pension multiplier of 2.5%. In accordance with Senate Bill 1042 enacted on July 6, 2010, the employer rate was recertified at 5.64% for fiscal year 2010-11, 8.65% for fiscal year 2011-12 and 12.36% for fiscal year 2012-13. The rate for fiscal year 2013-14 has been set at 16.93% of payroll and the rate for fiscal year 2014-15 has been set at 21.40%.

The School District and the Commonwealth are responsible for paying a portion of the employer's share. School entities are initially responsible for paying 100% of the employer share of contributions to PSERS. The Commonwealth reimburses the employer for one-half the payment for employees. The School District contributions are made on a quarterly basis and employee contributions are deducted monthly for each paycheck and remitted quarterly. Recent School District payments, net of reimbursement, have been as follows:

2009-10	\$4,106,055
2010-11	4,559,327
2011-12	5,184,870
2012-13	5,391,856
2013-14	6,746,623
2014-15 (budgeted)	8,318,703

The School District is current in all payments. The PSERS complete report is available on the PSERS website on the Internet: www.psers.state.pa.us.

Source: PSERS – Financial Highlights.

Other Post-Employment Benefits

Plan Description

The School District administers a single-employer defined benefit healthcare plan (the “Retiree Health Plan”). The Retiree Health Plan provides healthcare insurance for eligible retirees and their spouses through the School District’s health insurance plan, which covers both active and retired members until the member reaches Medicare age. Benefit provisions are established through negotiation with the School District and the unions representing the School District’s employees. The Retiree Health Plan does not issue a publicly available financial report, and the School district is implementing GASB Statement No. 45 prospectively.

Funding Policy

Contribution requirements are also negotiated between the School District and union representatives. The required contribution is based on pay-as-you-go financing. The School District currently provides medical and prescription drug coverage to the Superintendent at 100% of premium until age 65. The School District provides medical and prescription drug coverage to the former Superintendent at 100% premium until November 30, 2018. The School District also provides medical and prescription drug coverage for all current administrators for a period of up to five years upon superannuated retirement and after completing seven (7) years of service in the School District.

Under Act 110/43, any employee who is eligible (age 60 with 30 years of service, age 62 with one year of service, or 35 years of service regardless of age) is allowed to continue coverage for themselves and their dependents until the member reaches Medicare age. The retiree is responsible for payment equal to the premium determined for the purposes of COBRA.

Annual OPEB Cost and Net OPEB Obligation

The School District’s annual other postemployment benefit (“OPEB”) cost (expense) is calculated based on the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$583,712	76%	\$721,782
2013	655,363	58%	999,861
2014	560,805	56%	1,287,642

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits as \$4,792,001 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,792,001. The covered payroll (annual payroll of active employees covered by the plan) was \$43,535,328, and the ratio of the UAAL to the covered payroll was 11.01%.

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CONTINUING DISCLOSURE UNDERTAKING

Existing Continuing Disclosure Filing History

The School District has previously entered into Continuing Disclosure Agreements with respect to each one of its previously issued bond issues that are currently outstanding. The School District'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]
6/30/2010	12/27/2010	3/8/2011	EP439306	Various ^[3]	Various ^[3]
6/30/2011	12/27/2011	12/11/2012	EP590821	Various ^[4]	Various ^[4]
6/30/2012	12/27/2012	12/11/2012	EP590814	Various ^[5]	Various ^[5]
6/30/2013	12/27/2013	12/18/2013	ER593777	Not Required ^[6]	
6/30/2014	12/27/2014	12/8/2014	EA559194	Not Required	

Notes

^[1] For these purposes, assumes the shortest filing deadline of the School District'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] Included in various EMMA filings. Tax collection results and pupil enrollment filed under EMMA ID EP590814 on 12/11/2012, debt statement and remaining borrowing capacity and total number of employees filed on 2/10/2015 under EMMA ID EA574084.

^[4] Included in various EMMA filings. Tax collection results and pupil enrollment filed under EMMA ID EP590814 on 12/11/2012, debt statement and remaining borrowing capacity and total number of employees filed on 2/10/2015 under EMMA ID EA574084.

^[5] Included in various EMMA filings. Tax collection results and pupil enrollment filed under EMMA ID EP590814 on 12/11/2012, debt statement and remaining borrowing capacity and total number of employees filed on 2/10/2015 under EMMA ID EA574084.

^[6] The School District was not required to file operating data after the Series A of 2009 Bonds matured.

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

For fiscal year ending June 30, 2010, the School District filed the financial statement on March 8, 2011. A portion of its operating data was filed on December 11, 2012 and the remaining portion of its operating data was filed on February 10, 2015.

For fiscal year ending June 30, 2011, the School District filed the financial statement on December 11, 2012. A portion of its operating data was filed on December 11, 2012 and the remaining portion of its operating data was filed on February 10, 2015.

For fiscal year ending June 30, 2012, the School District filed the financial statement on December 11, 2012. A portion of its operating data was filed on December 11, 2012 and the remaining portion of its operating data was filed on February 10, 2015.

For fiscal year ending June 30, 2013, the School District filed the annual financial information in a timely fashion.

For fiscal year ending June 30, 2014, the School District filed the annual financial information in a timely fashion.

APPENDIX E

MONTGOMERY COUNTY, PENNSYLVANIA

Demographic and Economic Information

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Population

Table E-1 which follows shows recent population trends for Montgomery County and the Commonwealth. Table E-2 shows 2000 age composition and average number of persons per household in Montgomery County and for the Commonwealth. Average household size for the County was slightly smaller than the Statewide average.

TABLE E-1

RECENT POPULATION TRENDS

<u>Area</u>	<u>2000</u>	<u>2010</u>	Compound Average Annual Percentage Change <u>2000-2010</u>
Montgomery County.....	750,097	799,874	0.64%
Pennsylvania.....	12,281,054	12,702,379	0.34%

Source: 2010 and 2000 Bureau of the Census, Decennial Census and Pennsylvania State Data Center.

TABLE E-2

AGE COMPOSITION

	<u>0-17 Years</u>	<u>18-64 Years</u>	<u>65+ Years</u>	Persons Per <u>Household</u>
Montgomery County.....	24.1%	61.0%	14.9%	2.5
Pennsylvania.....	23.8	60.6	15.6	2.5

Source: Pennsylvania State Data Center, 2000 General Population and Housing Characteristics: Pennsylvania.

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Employment

Overall employment data are not compiled for the School, but such data are compiled for the Philadelphia, PA-NJ Primary Metropolitan Statistical Area (the "MSA"), (an area which includes the School).

Table E-3 shows the distribution of employment for the MSA for September 2014.

TABLE E-3

DISTRIBUTION OF EMPLOYMENT*
PA-NJ-DE-MD METROPOLITAN STATISTICAL AREA
(Bucks, Chester, Delaware, Montgomery, and Philadelphia - PA counties)
(New Castle - DE county, Cecil - MD county)
(Salem, Burlington, Camden, and Gloucester - NJ counties)

Establishment Data	Industry Employment					Net Change From:	
	Sep 2014	Aug 2014	Jul 2013	Sep 2013	Sep 2014	Aug 2014	Sep 2013
TOTAL NONFARM	2,765,800	2,752,200	2,763,900	2,751,800	2,765,800	13,600	14,000
TOTAL PRIVATE	2,440,500	2,446,000	2,456,300	2,419,800	2,440,500	-5,500	20,700
GOODS PRODUCING	292,600	294,000	295,100	285,800	292,600	-1,400	6,800
Construction, Natural Resources, and Mining	113,100	114,700	115,300	105,800	113,100	-1,600	7,300
Manufacturing	179,500	179,300	179,800	180,000	179,500	200	-500
Durable Goods	94,300	94,300	94,600	95,000	94,300	0	-700
Non-Durable Goods	85,200	85,000	85,200	85,000	85,200	200	200
SERVICE-PROVIDING	2,473,200	2,458,200	2,468,800	2,466,000	2,473,200	15,000	7,200
PRIVATE SERVICE-PROVIDING	2,147,900	2,152,000	2,161,200	2,134,000	2,147,900	-4,100	13,900
Trade, Transportation, and Utilities	512,300	512,700	512,500	507,100	512,300	-400	5,200
Wholesale Trade	122,100	123,000	124,200	122,400	122,100	-900	-300
Retail Trade	292,700	294,900	294,300	291,500	292,700	-2,200	1,200
General merchandise stores	45,700	46,000	45,900	46,000	45,700	-300	-300
Transportation, Warehousing, and Utilities	97,500	94,800	94,000	93,200	97,500	2,700	4,300
Information	45,900	46,200	46,200	47,000	45,900	-300	-1,100
Financial Activities	204,400	206,500	206,400	202,800	204,400	-2,100	1,600
Finance and insurance	168,400	169,900	169,700	167,100	168,400	-1,500	1,300
Credit intermediation and related activities	67,700	68,100	68,000	67,400	67,700	-400	300
Depository credit intermediation	34,400	34,800	34,800	34,800	34,400	-400	-400
Real estate and rental and leasing	36,000	36,600	36,700	35,700	36,000	-600	300
Professional and Business Services	443,600	444,900	447,900	437,500	443,600	-1,300	6,100
Professional and technical services	218,500	220,800	221,500	215,100	218,500	-2,300	3,400
Administrative and waste services	166,500	165,300	167,700	165,500	166,500	1,200	1,000
Education and Health Services	576,900	567,300	571,200	573,000	576,900	9,600	3,900
Health care and social assistance	456,000	455,800	457,100	452,300	456,000	200	3,700
Ambulatory health care services	138,200	137,200	136,700	139,000	138,200	1,000	-800
Hospitals	138,400	138,600	139,300	138,900	138,400	-200	-500
Leisure and Hospitality	243,900	254,000	256,300	245,800	243,900	-10,100	-1,900
Accommodation and food services	196,900	199,100	198,300	199,100	196,900	-2,200	-2,200
Other Services	120,900	120,400	120,700	120,800	120,900	500	100
Government	325,300	306,200	307,600	332,000	325,300	19,100	-6,700
Federal Government	49,500	50,200	50,600	51,700	49,500	-700	-2,200
State Government	53,700	50,700	51,000	54,400	53,700	3,000	-700
Local Government	222,100	205,300	206,000	225,900	222,100	16,800	-3,800
Data benchmarked to March 2013	***Data changes of 1000 may be due to rounding***						

Source: Pennsylvania State Employment Service: www.paworkstats.state.pa.us

Major employers within Montgomery County include:

<u>Name</u>	<u>Product or Service</u>
Schering Corporation	Manufacturing
Abington Memorial Hospital	Health Care and Social Services
Main Line Hospitals	Health Care and Social Services
State Government	Government
Giant Food Stores LLC	Retail Trade
Montgomery County	Public Administration
Smithkline Beecham Corporation	Professional and Technical Services
Federal Government	Government
Lockheed Martin Corp	Professional and Technical Services
Quest Diagnostics Incorporated	Health Care and Social Services

Source: Center for Workforce Information & Analysis – 2nd Quarter 2013 - Final.

Table E-4 shows recent trends in labor force, employment and unemployment for Montgomery County and the State.

TABLE E-4

RECENT TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT*

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014⁽¹⁾</u>	Compound Average Annual % Rate
<i>Montgomery County</i>							
Civilian Labor Force (000)	425.6	431.5	430.6	437.4	432.4	432.8	0.59%
Employment (000)	397	400.8	401.7	407.7	408.5	412.7	0.68%
Unemployment (000)	28.6	30.7	29	29.8	23.8	20.0	-0.71%
Unemployment Rate (%)	6.7	7.1	6.7	6.8	5.5	4.6	
<i>Pennsylvania</i>							
Civilian Labor Force (000)	6,407.0	6,393.0	6,400.0	6,487.0	6,460.0	6,347.0	0.17%
Employment (000)	5,898.0	5,855.0	5,893.0	5,973.0	5,982.0	5,987.0	0.28%
Unemployment (000)	508.0	538.0	507.0	513.0	478.0	360.0	-1.25%
Unemployment Rate (%)	7.9	8.4	7.9	7.9	7.4	5.7	

*Residence Data.

⁽¹⁾As of September 2014.

Source: Department of Labor & Industry, Pennsylvania State Employment Service.

Income

The data on Table E-5 shows recent trends in per capita income for Montgomery County and Pennsylvania over the 2000-2009 (est.) period.

TABLE E-5
RECENT TRENDS IN PER CAPITA INCOME*

	<u>2000</u>	<u>2009(est.)</u>	Compound Average Annual Percentage Change <u>2000-2009 (est.)</u>
Montgomery County.....	\$30,898	\$39,511	2.49%
Pennsylvania	20,880	26,678	2.48%

*Income is defined by the Bureau of the Census as the sum of wage and salary income, non-farm self-employment income, net self-employment income, Social Security and Railroad retirement income, public assistance income, interest, dividends, pensions, etc. before deductions for personal income taxes, Social Security, etc. School District income is the population-weighted average for political subdivisions.

Source: 2000: U.S. Census Bureau, Summary File 1 (SF 1) and Summary File 3 (SF 3) & 2009: U.S. Census Bureau, 2005-2009 American Community Survey.

Commercial Activity

Table E-6 shows recent trends for retail sales in Montgomery County, the PMSA and the State.

TABLE E-6
TOTAL RETAIL SALES

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Montgomery County	\$15,650,734	\$16,723,717	\$16,716,583	\$17,281,619	\$14,129,460
MSA	89,183,335	94,935,061	94,890,513	89,309,764	91,259,939
Pennsylvania	174,483,293	188,193,104	188,149,728	187,412,600	199,975,258

Source: Sales and Marketing Management Magazine.

Housing

According to the 2010 census figures there are 325,735 housing units in Montgomery County, as opposed to 297,434 in 2000. This represents an increase of 28,301 units within a decade.

Educational Institutions

In addition to the numerous institutions of higher education which are located in the Philadelphia area, i.e., Temple University, The University of Pennsylvania and Drexel University, the following institutions of higher education are found in Montgomery County: Academy of New Church, Antonelli Institute of Art and Photography, Arcadia University, Biblical Theological Seminary, Bryn Mawr College, Calvary Baptist Theological Seminary, Combs College of Music, Dropsie College, Eastern Baptist Theological Seminary, Faith Theological Seminary, Gwynedd-Mercy College, Harcum Junior College, Haverford College, Lansdale School of Business (Lansdale and Pottstown), Manor Junior College, Montgomery County Community College, Northeastern Christian Junior College, The Pennsylvania State University (Malvern and Abington Campuses), Reconstructionist Rabbinical College, Rosemont College, St. Charles Borromeo Seminary, Temple University (Amber Campus), Ursinus College, Welder Training and Testing Institute, and Westminster Theological Seminary. Other nearby institutions are: Muhlenberg College, Moravian College, Lafayette College, Lehigh University, DeSales University, and Cedar Crest College.

Medical Facilities

The area is served by several major medical institutions as listed below:

<i>Medical Facilities</i>	<i>Approximate Employment</i>
Health East	4,750
Grandview Hospital	1,515
Easton Hospital	1,450
Sacred Heart Hospital Center	1,000
Allentown State Hospital	670
Allentown Osteopathic	550
Good Shepherd Rehabilitation Hospital	N/A
Pottstown Memorial Center	N/A
St. Luke's Hospital Quakertown	N/A

Source: Allentown Chamber of Commerce and Hospital Personnel Offices.

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APPENDIX F
BOND COUNSEL OPINION

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March 25, 2015

**Re: \$8,815,000 Aggregate Principal Amount State Public School
Building Authority School Lease Revenue Bonds (North Montco Technical
Career Center Project) Series of 2015**

To the Purchasers of the Within-Described Bonds:

We have acted as Bond Counsel to the State Public School Building Authority (the “Authority”) in connection with the issuance and sale by the Authority of its \$8,815,000 aggregate principal amount School Lease Revenue Bonds (North Montco Technical Career Center Project) Series of 2015 (the “Bonds”), being issued under the provisions of the State Public School Building Authority Act, approved by the General Assembly of the Commonwealth of Pennsylvania on July 5, 1947, P.L. 1217, as amended and supplemented (“Act”), and pursuant to a Trust Indenture, dated as of March 25, 2015 (the “Indenture”), by and between the Authority and Wells Fargo Bank, N.A., as trustee (the “Trustee”).

The Bonds are being issued for the purpose of providing funds to finance (i) the current refunding of the Authority’s outstanding School Lease Revenue Bonds (North Montco Technical Career Center Project) Series of 2010, and (ii) the costs and expenses of issuing the Bonds.

The proceeds of the Bonds are being provided by the Authority to the North Montco Vocational-Technical School (d/b/a the North Montco Technical Career Center) Area Vocational-Technical Board, Montgomery County, Pennsylvania (the “Technical School Board”), pursuant to a Sublease Agreement (the “Sublease Agreement”), dated as of March 25, 2015, among the Authority, the Technical School Board and North Penn School District, Souderton Area School District, Methacton School District, Perkiomen Valley School District and Wissahickon School District, all located in Montgomery and a portion of Bucks Counties, Pennsylvania (collectively, the “Participating School Districts”), pursuant to which the Technical School Board and the Participating School Districts covenant to make sublease rental payments to the Authority in the amounts and on the dates required for the payment of principal and interest on the Bonds and each of the Participating School Districts (except Perkiomen Valley School District) guarantees its proportionate share of the sublease rental payments and principal and interest on the Bonds, as further described in the Sublease Agreement. Under the Indenture, the Authority has pledged and assigned to the Trustee as security for the payment of the Bonds all revenues of the Authority derived from, and all right, title and interest of the Authority in and to, the Sublease Agreement and the Bonds (except certain rights to indemnification and to the payment of the Authority’s fees and expenses thereunder).

To the Purchasers of the Within-Described Bonds

March 25, 2015

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Each Participating School District (except Perkiomen Valley school District) has covenanted to include in each year's budget, to the fullest extent authorized under law, sums sufficient to meet the requirements of its proportionate share of all interest and principal payment due under the Bonds, to appropriate such amounts from its general revenues necessary for the payment of such debt service and to pay its proportionate share of the principal and interest due upon the Bonds to the extent of its obligation as and when due and it has pledged its full faith, credit and taxing power to such payment, budgeting and appropriation.

The Boards of School Directors of each of the Participating School Districts have authorized and directed the issuance of the Bonds and the execution and delivery of the Sublease Agreement in accordance with applicable and appropriate provisions of the Local Government Unit Debt Act of the Commonwealth, as codified by the Act of December 19, 1996 (P.L. 1158, No. 177) (the "LGUDA"). Proceedings regarding the guaranty by each of the Participating School Districts (except Perkiomen Valley School District) of its proportionate share of the sublease rental payments and principal and interest on the Bonds, as further described in the Sublease Agreement, have been conducted in accordance with the provisions of the LGUDA.

The Department of Community and Economic Development (the "Department") of the Commonwealth has approved the proceedings for the incurring of this debt of each of the Participating School Districts (except Perkiomen Valley School District) as required by the LGUDA.

As Bond Counsel to the Authority, we have examined certified copies of the proceedings of the Authority relative to the issuance of the Bonds, an executed counterpart of the Indenture and of the Sublease Agreement, a non-arbitrage certificate of the Authority and the Technical School Board, and usual closing certificates and documents, together with such statutes and other materials as we have deemed necessary and appropriate to render the opinions set forth herein. We have also examined a specimen of an executed Bond, and assume that all Bonds will be issued in registered form as required by the Indenture.

We have further relied upon covenants of the Authority, the Technical School Board and the Participating School Districts set forth in the Indenture and the Sublease Agreement, respectively, wherein the Authority, the Technical School Board and the Participating School Districts agree to comply with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations in effect thereunder, in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds.

In rendering the opinion set forth below, we have relied upon the genuineness, accuracy and completeness of all documents, records, certifications and other instruments we have

To the Purchasers of the Within-Described Bonds

March 25, 2015

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examined, including, without limitation, the authenticity of all signatures appearing thereon. We have also relied, in the opinion set forth below, upon the opinion of counsel to the Authority with respect to the absence of any challenge to the corporate existence or power of the Authority, the incumbency of officers of the Authority and their entitlement to their offices, the due convening and conduct of meetings of the Board of the Authority at which action was taken in respect of the Bonds and other matters incident to, inter alia, the execution and delivery by the Authority of the Indenture, the Sublease Agreement and the Bonds and such other documentation as the Authority, or members or officers of the Board of the Authority or of the Authority, were required to execute and deliver in connection with the issuance of the Bonds. Except with respect to paragraph 5 below, our opinion is given only with respect to the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof.

Based upon the foregoing, we are of the opinion that:

1. The Authority is a body corporate and politic, is validly existing under the laws of the Commonwealth of Pennsylvania and has the corporate power and lawful authority: (a) to execute and deliver the Indenture and the Sublease Agreement; and (b) to issue and deliver the Bonds.

2. The Indenture and the Sublease Agreement have been duly executed and delivered by the Authority, and assuming due authorization, execution and delivery thereof by the other parties thereto, are legal, valid and binding obligations of the Authority enforceable against it in accordance with the respective terms thereof, except as such enforcement may be affected by bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other similar laws or legal or equitable principles affecting the endorsement of creditors' rights, and the exercise of judicial discretion in appropriate cases ("Creditors' Rights Limitations").

3. The Bonds have been duly authorized, executed, authenticated, issued and delivered by the Authority, and are the legal, valid and binding limited obligations of the Authority, payable solely from the revenues received by the Authority pursuant to the Sublease Agreement, and are enforceable in accordance with the terms thereof, except as described below.

4. Under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax and the Bonds are exempt from personal property taxes in Pennsylvania.

5. Under existing statutes, regulations, rulings and court decisions, interest on the Bonds is excludable from the gross income of the holders thereof for federal income tax

purposes and is not a specific item of preference for purposes of computing the alternative minimum tax imposed on individuals and corporations.

6. The amount of non-electoral debt of each of the Participating School Districts (except Perkiomen Valley School District) issued and outstanding or authorized by vote of the Board of Directors of such Participating School District, including such Participating School District's proportionate share of debt service on the Bonds, computed in accordance with the LGUDA, is not in excess of legal limitations; and the incurring of non-electoral debt of the respective Participating School District, which is evidenced by the Bonds, is permitted by the LGUDA and the Constitution of the Commonwealth to be made by vote of the Board of Directors of such Participating School District without assent of electors of the respective Participating School District.

7. The incurrence of the non-electoral debt of each of the Participating School Districts (except Perkiomen Valley School District), which is evidenced by the Sublease Agreement, is in accordance with applicable law. The obligations of each of the Participating School Districts (except Perkiomen Valley School District) are full faith and credit obligation of each of the Participating School Districts (except Perkiomen Valley School District), the payment for which each of the Participating School Districts (except Perkiomen Valley School District) is obligated, if necessary, to exercise its ad valorem taxing power, subject to the limits of Act 1, discussed below, upon all taxable property within such Participating School District.

Notwithstanding the exclusion of interest on the Bonds from gross income and the exemption of the Bonds and the interest thereon from certain taxes, ownership of the Bonds may result in other federal, state, local and/or foreign tax consequences to certain taxpayers, including, without limitation: certain foreign corporations doing business in the United States that are subject to the Branch Profits Tax imposed under Section 884 of the Code; financial institutions; insurance companies required to include such interest in amounts required to reduce the deductions for loss reserves pursuant to Section 832 of the Code; life insurance companies; S Corporations with accumulated earnings and profits from years in which it was not an S corporation; recipients of Social Security or Railroad Retirement benefits; individuals who qualify for or may otherwise qualify for the earned income credit; and taxpayers (including banks, thrift institutions and other financial institutions subject to Section 265 of the Code) who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds, who have an initial basis in a Bond greater than the principal amount thereof, or who have paid or incurred certain expenses allocable to the Bonds. We offer no opinion as to such other tax consequences.

To the Purchasers of the Within-Described Bonds
March 25, 2015
Page 5

Notwithstanding the foregoing, if and to the extent that interest on the Bonds is paid from amounts derived from sources other than the Authority, the Technical School Board or the Participating School Districts as a result of nonappropriation by the Participating School Districts, we express no opinion that such interest paid from such sources will be excludable from gross income of the holders of the Bonds for federal income tax purposes.

In rendering this opinion, we have assumed compliance by the Authority, the Technical School Board and the Participating School Districts with the covenants contained in the Indenture, the Sublease Agreement and other documents and agreements executed in connection therewith that are intended to comply with the provisions of the Code relating to actions to be taken by the Authority, the Technical School Board and the Participating School Districts in respect of the Bonds after the issuance thereof to the extent necessary to effect or maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes. These covenants relate to, inter alia, the use of proceeds of the Bonds and the rebating to the United States Treasury of specified arbitrage earnings, if required.

We call to your attention the fact that Bonds are payable solely from amounts to be received by the Authority under the Sublease Agreement and that the Bonds are special, limited obligations of the Authority, and neither the faith nor the credit of the Commonwealth of Pennsylvania or of any political subdivision thereof (other than North Penn School District, Souderton Area School District, Methacton School District and Wissahickon School District with respect to their respective proportionate share of the principal and interest on the Bonds, as described in the Sublease Agreement) nor the credit of the Authority (except to the limited extent described above) is pledged to secure the payment of the Bonds. Furthermore, it should be noted that the Authority has no taxing power.

We call to your attention that the Taxpayer Relief Act, Pennsylvania Special Session Act No. 1 of 2006 (“Act 1”) became effective June 27, 2006. Act 1 generally provides that a school district may not, in fiscal year 2007-2008 or in any subsequent fiscal year, increase the rate of any tax for school purposes by more than an index based on factors described in Act 1 without voter approval by referendum. The Bonds were not authorized before the effective date of Act 1 and, as a result, are not “grandfathered” and the Participating School Districts cannot be granted an exception to the Act 1 referendum requirement on the basis of the debt service due and payable on the Bonds if a tax increase greater than the applicable index is needed.

We further call to your attention that rights of the holders of the Bonds and the enforceability thereof and of the other documents mentioned herein may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’

To the Purchasers of the Within-Described Bonds
March 25, 2015
Page 6

rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion as to any matter not set forth in the numbered paragraphs herein. This opinion is given as of the date hereof and we assume no obligation to supplement this opinion to reflect changes in law which may hereafter occur or changes in facts or circumstances which many hereafter come to our attention. We express no opinion herein with respect to and assume no responsibility for, the accuracy, adequacy or completeness of the Preliminary Official Statement or the Official Statement prepared in respect of the Bonds, and make no representation that we have independently verified the contents thereof.

Very truly yours,

FOX ROTHSCHILD LLP

APPENDIX G
Form of Continuing Disclosure Certificate

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the NORTH MONTCO VOCATIONAL-TECHNICAL SCHOOL (D/B/A THE NORTH MONTCO TECHNICAL CAREER CENTER) AREA VOCATIONAL-TECHNICAL BOARD, Montgomery County, Pennsylvania (the "Joint School Board") and NORTH PENN SCHOOL DISTRICT, SOUDERTON SCHOOL DISTRICT, METHACTON SCHOOL DISTRICT and WISSAHICKON SCHOOL DISTRICT, all located in Montgomery or Bucks Counties, Pennsylvania (the "Participating School Districts"), in connection with the issuance of the School Lease Revenue Bonds (North Montco Technical Career Center Project), Series of 2015, dated as of March 25, 2015 (the "Bonds") of the State Public School Building Authority (the "Authority"). The Bonds are being issued pursuant to Resolutions duly adopted by the Joint School Board and Participating School Districts (collectively, the "Resolution"). The Joint School Board and Participating School Districts make the following certifications and representations as an inducement to the Participating Underwriter and others to purchase the Bonds:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Joint School Board and Participating School Districts for the benefit of the holders or beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Joint School Board pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Business Day" shall mean a day other than a Saturday, a Sunday, or a day on which the New York Stock Exchange is closed or a day on which banks located in the Commonwealth are authorized by law to be closed.

"Commonwealth" shall mean the Commonwealth of Pennsylvania.

"Listed Events" shall mean any of the events listed in Section 5 of this Disclosure Certificate.

"Official Statement" shall mean the final official statement relating to the Bonds prepared by or on behalf of the Authority and distributed in connection with the offering and sale of the Bonds by the Participating Underwriter.

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

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time

to time.

SECTION 3. Provision of Annual Reports.

(a) The Joint School Board and the Participating School Districts shall, within 275 days following the close of each of its fiscal years, beginning with the fiscal year ending June 30, 2015, file with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") System, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Joint School Board and Participating School Districts may be submitted separately from the balance of the Annual Report.

(b) If the Joint School Board or Participating School Districts are unable to provide an Annual Report to the MSRB through the EMMA System within the time set forth in subsection (a) immediately above, the Joint School Board or the Participating School Districts will send a notice to the MSRB through the EMMA System advising it of such fact and, if appropriate, the date by which the Joint School Board or Participating School Districts expects to file the Annual Report.

SECTION 4. Content of Annual Reports. The Joint School Board's and Participating School District's Annual Report shall contain or incorporate by reference the following financial information and operating data with respect to the Joint School Board and Participating School Districts:

- the financial statements for the most recent fiscal year, prepared in accordance with generally accepted accounting principles for local government units and audited in accordance with generally accepted auditing standards
- a summary of the budget for the current fiscal year

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Joint School Board and Participating School Districts or related public entities which have been submitted to the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Joint School Board and Participating School Districts shall clearly identify each other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The occurrence of any of the following events, with respect to a particular series of the Bonds, constitutes a "Listed Event" only with respect to such series of the Bonds. This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

- (i) Principal and interest payment delinquencies;

- (ii) Nonpayment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) Modifications to rights of securities holders, if material;

(viii) Bond calls, if material, and tender offers for the Bonds;

(ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the securities, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar events of the Joint School Board and Participating School Districts;

(xiii) The consummation of a merger, consolidation, or acquisition involving the Joint School Board or the Participating School Districts or the sale of all or substantially all of the assets of the Joint School Board or Participating School Districts, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) Appointment of a successor or additional trustee or paying agent or the change of name of a trustee or paying agent, if material; and

(xv) Failure to provide annual financial information as required.

(b) Whenever any of the Joint School Board or Participating School Districts obtains knowledge of the occurrence of a Listed Event, the Joint School Board or Participating School Districts, as applicable, shall as soon as possible (with respect to those Listed Events where a determination of materiality by the Joint School Board or Participating School Districts is applicable) determine if such event would constitute material information for Holders of Bonds under applicable federal securities laws.

(c) If (i) a Determination of materiality by the Joint School Board and Participating School

Districts is not relevant to the obligation to give notice of a Listed Event or (ii) the Joint School Board or Participating School Districts determines (with respect to those Listed Events where a determination of materiality by the School District is applicable) that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Joint School Board or Participating School Districts, as applicable, shall promptly file in a timely manner, not in excess of ten (10) business days after the occurrence of the Listed Event, or cause the Dissemination Agent to so file (if a Dissemination Agent has been designated hereunder) a notice of such occurrence.

(d) For purposes of the Listed Events in Section 5(a)(xii), the Joint School Board and Participating School Districts and the Dissemination Agent acknowledge the following interpretive note which the Commission has set forth in the Rule: “ Note: for the purposes of the event identified in subparagraph (b)(5)(1)(C)(12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person;”

SECTION 6. Dissemination Agent. The Joint School Board and Participating School Districts may, at any time and from time to time, appoint or engage another person (the "Dissemination Agent") to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge such Dissemination Agent, with or without appointing a successor, and without notice to holders or beneficial owners of the Bonds.

SECTION 7. Termination of Disclosure Obligation. The Joint School Board and Participating School Districts' obligations under this Disclosure Certificate shall terminate upon the prior redemption, defeasance or payment in full of all of the Bonds.

SECTION 8. Amendment. The Joint School Board and Participating School Districts reserve 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 the result of a change in legal requirements or change in the nature of the Joint School Board and Participating School Districts; provided that the Joint School Board and Participating School Districts agrees that any such modification will be done in a manner consistent with the Rule.

SECTION 9. Default. In the event of a failure of the Joint School Board and Participating School Districts to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Joint School Board and Participating School Districts to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Joint School Board and Participating School Districts to

comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 10. Beneficiaries and Indemnification. This Disclosure Certificate shall inure solely to the benefit of the Authority, the Joint School Board and Participating School Districts, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

The Authority shall have no responsibility or liability in connection with the compliance with the Rule by the Joint School Board and Participating School Districts, their filing obligations under this Disclosure Agreement or in connection with the contents of such filings. The Joint School Board and Participating School Districts agree to indemnify and save the Authority, and its members, officers, employees and agents, harmless against any loss, expense (including reasonable attorneys' fees) or liability arising out of (i) any breach by the Joint School Board or Participating School Districts of this Disclosure Certificate or (ii) any Annual Reports or notices provided under this Disclosure Certificate or any omissions therefrom.

(Signature Pages Follow)

IN WITNESS WHEREOF, the undersigned Area Vocational-Technical Board of the North Montco Vocational-Technical School d/b/a the North Montco Technical Career Center has caused this Continuing Disclosure Certificate to be executed in its name and on its behalf by its officer and its corporate seal to be affixed hereunto and attested by its attesting officer, all as of March 25, 2015.

Attest:

**NORTH MONTCO VOCATIONAL-
TECHNICAL SCHOOL D/B/A THE NORTH
MONTCO TECHNICAL CAREER CENTER
AREA VOCATIONAL-TECHNICAL BOARD**

Secretary
[SEAL]

By: _____
Chairperson

IN WITNESS WHEREOF, the undersigned Participating District has caused this Continuing Disclosure Certificate to be executed in its name and on its behalf by its officer and its corporate seal to be affixed hereunto and attested by its attesting officer, all as of March 25, 2015.

Attest:

NORTH PENN SCHOOL DISTRICT

Secretary

By: _____
President

IN WITNESS WHEREOF, the undersigned Participating District has caused this Continuing Disclosure Certificate to be executed in its name and on its behalf by its officer and its corporate seal to be affixed hereunto and attested by its attesting officer, all as of March 25, 2015.

Attest:

SOUDERTON AREA SCHOOL DISTRICT

Secretary
[SEAL]

By: _____
President

IN WITNESS WHEREOF, the undersigned Participating District has caused this Continuing Disclosure Certificate to be executed in its name and on its behalf by its officer and its corporate seal to be affixed hereunto and attested by its attesting officer, all as of March 25, 2015.

Attest:

METHACTON SCHOOL DISTRICT

Secretary

By: _____
President

IN WITNESS WHEREOF, the undersigned Participating District has caused this Continuing Disclosure Certificate to be executed in its name and on its behalf by its officer and its corporate seal to be affixed hereunto and attested by its attesting officer, all as of March 25, 2015.

Attest:

WISSAHICKON SCHOOL DISTRICT

Secretary

By: _____
President

APPENDIX H
Audited Financial Statements

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CERTIFIED PUBLIC ACCOUNTANTS



**NORTH MONTCO
TECHNICAL CAREER CENTER
LANSDALE, PENNSYLVANIA
MONTGOMERY COUNTY**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

NORTH MONTCO TECHNICAL CAREER CENTER

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INDEPENDENT AUDITOR'S REPORT

**Joint Operating Committee
North Montco Technical Career Center
Lansdale, Pennsylvania**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Montco Technical Career Center, Lansdale, Pennsylvania, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the North Montco Technical Career Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Montco Technical Career Center, Lansdale, Pennsylvania, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the North Montco Technical Career Center's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 15, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, and other post-employment benefits schedule of funding progress on pages 3 through 10 and 33 and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Montco Technical Career Center's basic financial statements. The combining and individual fund financial statements on pages 35 and 36, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2014, on our consideration of the North Montco Technical Career Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Montco Technical Career Center's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
November 7, 2014**

NORTH MONTCO TECHNICAL CAREER CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2014

Management's discussion and analysis ("**MD&A**") of the financial performance of North Montco Technical Career Center, Lansdale, Pennsylvania (the "**Career Center**") provides an overview of the Career Center's financial performance for fiscal year ended June 30, 2014. Readers should also review the basic financial statements and related notes to enhance their understanding of the Career Center's financial performance.

CAREER CENTER PROFILE

The Career Center is a comprehensive vocational-technical school, located in Montgomery County, Pennsylvania, serving North Penn, Souderton Area, Wissahickon, Methacton and Perkiomen Valley School Districts and consists of approximately 1,100 students. There are approximately 83.5 employees at the Career Center including 51 teachers, 3 administrators and 29.5 support personnel, including secretaries, clerks, maintenance and custodial staff, cafeteria staff and instructional aides. Also, there are approximately 25 part-time teachers for the adult education program.

The mission of the Career Center is to deliver technical and academic programs that meet the needs of our students and prospective employers. This will be accomplished through a perpetual improvement system that ensures stakeholders an educated, competent individual capable of contributing to the welfare of the community.

The Career Center has specific policies and procedures in place to ensure the quality of products and services provided are in accordance with the International Quality Standard, ISO 9001-2008. ISO 9001-2008 is based on a number of quality management principles including a strong customer focus, the motivation and implication of top management, the process approach and continual improvement. The Career Center has been ISO certified since 2002.

FINANCIAL HIGHLIGHTS

- * On a government-wide basis, including all governmental activities and business-type activities, the assets of the Career Center exceeded liabilities resulting in a total net position at the close of the 2013-2014 fiscal year of \$7,491,201. During the 2013-2014 fiscal year the Career Center had an increase in total net position of \$744,883. The net position of the governmental activities increased by \$750,491 and the net position of business-type activities decreased by \$5,608.
- * The General Fund reported an increase in fund balance of \$82,920, bringing the cumulative balance to \$1,448,056 at the conclusion of the 2013-2014 fiscal year.
- * At June 30, 2014, the General Fund fund balance includes \$127,671 which is considered nonspendable, \$195,000 committed to capital projects, \$336,097 assigned for adult education, \$71,140 assigned for production control and unassigned amounts of \$718,148 or 6.39% of the 2014-2015 General Fund expenditures budget of \$11,238,757.
- * Total General Fund revenues and other financing sources were \$82,533 more than budgeted amounts and General Fund expenditures and other financing uses were \$257,088 less than budgeted amounts, resulting in a net positive variance of \$339,621.
- * There was no activity in the Capital Projects Fund during the 2013-2014 fiscal year and there was no remaining fund balance in the Capital Projects Fund at June 30, 2014.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the Career Center's basic financial statements. The Career Center's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

NORTH MONTCO TECHNICAL CAREER CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2014

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the Career Center's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Career Center's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Career Center is improving or deteriorating. To assess the Career Center's overall health, the reader will need to consider additional nonfinancial factors such as changes in the Career Center's revenue base and the condition of the Career Center's assets.

The Statement of Activities presents information showing how the Career Center's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish the functions of the Career Center that are principally supported by receipts from member districts and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

In the government-wide financial statements, the Career Center's activities are divided into two categories:

Governmental Activities

Most of the Career Center's basic services are included here, such as vocational education, support services, maintenance and administration.

Business-type Activities

The Career Center charges fees to cover the cost of its food services program.

The government-wide financial statements can be found on pages 11 and 12 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Career Center's funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Career Center, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Career Center's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Most of the Career Center's basic services are included in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Career Center's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governmental near-term financing decisions. Both the Balance Sheet – Governmental Funds and Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

NORTH MONTCO TECHNICAL CAREER CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2014

The Career Center maintains two major individual governmental funds. Information is presented separately in the Balance Sheet – Governmental Funds and Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for each of the two major funds.

The Career Center adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 13 through 16 of this report.

Proprietary Funds

The Career Center maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Food Service Fund is reported as an enterprise fund of the proprietary fund type. Internal service funds are used to accumulate and allocate certain costs internally among the Career Center's various functions. The Career Center uses an internal service fund to account for its participation in a consortium with other participating school districts and educational agencies to provide self-insurance programs for health and prescription coverage. Because an internal service fund predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements provide separate financial information for the Food Service and internal service funds.

The proprietary fund financial statements can be found on pages 17 through 19 of this report.

Fiduciary Fund

The Career Center is the trustee, or fiduciary, for its students' activity funds. Fiduciary funds are not reflected in the government-wide financial statements because the Career Center cannot use these assets to finance its operations. The Career Center is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The fiduciary fund financial statement can be found on page 20 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The notes to the financial statements can be found on pages 21 through 32 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the general fund and a schedule concerning the Career Center's progress in funding its obligation to provide other post-employment benefits, as well as additional analysis which consists of combining and individual fund financial statements.

The required supplementary information and additional analysis can be found on pages 33 through 36 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net assets may serve over time as a useful indicator of the Career Center's financial position. At the close of the 2013-2014 fiscal year the Career Center's assets exceeded liabilities by \$7,491,201. The following table presents condensed information for the *Statement of Net Position* of the Career Center at June 30, 2014 and 2013.

NORTH MONTCO TECHNICAL CAREER CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2014

	Governmental Activities		Business-Type Activities		Totals	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
ASSETS						
Current assets	\$ 3,153,666	\$ 2,322,615	\$4,845	\$9,918	\$ 3,158,511	\$ 2,332,533
Noncurrent assets	<u>14,383,492</u>	<u>14,658,380</u>	<u>-</u>	<u>-</u>	<u>14,383,492</u>	<u>14,658,380</u>
Total assets	<u>17,537,158</u>	<u>16,980,995</u>	<u>4,845</u>	<u>9,818</u>	<u>17,542,003</u>	<u>16,990,913</u>
LIABILITIES						
Current liabilities	1,117,607	957,479	1,351	816	1,118,958	958,295
Noncurrent liabilities	<u>8,931,844</u>	<u>9,286,300</u>	<u>-</u>	<u>-</u>	<u>8,931,844</u>	<u>9,286,300</u>
Total liabilities	<u>10,049,451</u>	<u>10,243,779</u>	<u>1,351</u>	<u>816</u>	<u>10,050,802</u>	<u>10,244,595</u>
NET POSITION						
Net investment in capital assets	5,802,002	5,705,920	-	-	5,802,002	5,705,920
Unrestricted	<u>1,685,705</u>	<u>1,031,296</u>	<u>3,494</u>	<u>9,102</u>	<u>1,689,199</u>	<u>1,040,398</u>
Total net position	<u>\$ 7,487,707</u>	<u>\$ 6,737,216</u>	<u>\$3,494</u>	<u>\$9,102</u>	<u>\$ 7,491,201</u>	<u>\$ 6,746,318</u>

The Career Center's total assets as of June 30, 2014 were \$17,542,003 of which \$2,229,626 or 12.71% consisted of cash and investments and \$14,383,492 or 81.99% consisted of the Career Center's investment in capital assets. The Career Center's total liabilities as of June 30, 2014 were \$10,050,802 of which \$8,480,000 or 84.37% consisted of a lease rental payable, proceeds from which were used to acquire and construct capital assets.

Of the Career Center's total net position at June 30, 2014, \$1,689,199 is unrestricted and may be used to meet the Career Center's ongoing obligations to the member districts and creditors. The Career Center's unrestricted net assets increased by \$648,801 during 2013-2014 primarily due to the results of current year operations

The largest portion of the Career Center's net assets reflect its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The Career Center uses these capital assets to provide services to students of the Career Center; consequently, these assets are not available for future spending. Although the Career Center's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. During 2013-2014, the Career Center's net investment in capital assets, increased by \$96,082 primarily due to capital assets being acquired by the Career Center with funding sources other than long-term debt.

The following table presents condensed information for the *Statement of Activities* of the Career Center for 2014 and 2013.

	Governmental Activities		Business-Type Activities		Totals	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
REVENUES						
Program revenues						
Charges for services	\$ 761,715	\$ 716,843	\$ 73,754	\$ 73,436	\$ 835,469	\$ 790,279
Operating grants and contributions	1,891,988	1,815,595	49,018	48,502	1,941,006	1,864,097
Capital grants and contributions	90,602	100,227	-	-	90,602	100,227
General revenues						
Receipts from member districts	8,702,283	8,544,797	-	-	8,702,283	8,544,797
Investment earnings	<u>636</u>	<u>2,525</u>	<u>-</u>	<u>-</u>	<u>636</u>	<u>2,525</u>
Total revenues	<u>11,447,224</u>	<u>11,179,987</u>	<u>122,772</u>	<u>121,938</u>	<u>11,569,996</u>	<u>11,301,925</u>

NORTH MONTCO TECHNICAL CAREER CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2014

EXPENSES

Instruction	6,687,253	6,608,646	-	-	6,687,253	6,608,646
Instructional student support services	864,410	958,503	-	-	864,410	958,503
Administrative and financial support services	1,601,663	1,617,004	-	-	1,601,663	1,617,004
Operation and maintenance of plant services	1,162,030	1,232,682	-	-	1,162,030	1,232,682
Student activities	32,422	35,063	-	-	32,422	35,063
Interest and amortization expense related to long-term debt	323,955	334,455	-	-	323,955	334,455
Food service	-	-	153,380	142,259	153,380	142,259
Total expenses	<u>10,671,733</u>	<u>10,786,353</u>	<u>153,380</u>	<u>142,259</u>	<u>10,825,113</u>	<u>10,928,612</u>
Change in net position before transfers	775,491	393,634	(30,608)	(20,321)	744,883	373,313
TRANSFERS	<u>(25,000)</u>	<u>(122,303)</u>	<u>25,000</u>	<u>122,303</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	<u>\$ 750,491</u>	<u>\$ 271,331</u>	<u>\$ (5,608)</u>	<u>\$101,982</u>	<u>\$ 744,883</u>	<u>\$ 373,313</u>

Overall, the Career Center's financial position has been improving but challenges such as increased medical costs, pension contributions, state-mandated programs and negotiated contracts have a potential to offset these gains in future fiscal years. Management of the Career Center continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors.

GOVERNMENTAL FUNDS

The governmental fund financial statements provide detailed information of the Career Center's major funds. Some funds are required to be established by State statute while other funds are established by the Career Center to manage monies restricted for a specific purpose. As of June 30, 2014, the Career Center's governmental funds reported a combined fund balance of \$1,448,056 which is an increase of \$82,920 from the prior year. The following table summarizes the Career Center's total governmental fund balances as of June 30, 2014 and 2013 and the total 2014 change in governmental fund balances.

	<u>2014</u>	<u>2013</u>	<u>\$ Change</u>
General Fund	\$1,448,056	\$1,365,136	\$82,920
Capital Projects Fund	-	-	-
	<u>\$1,448,056</u>	<u>\$1,365,136</u>	<u>\$82,920</u>

GENERAL FUND

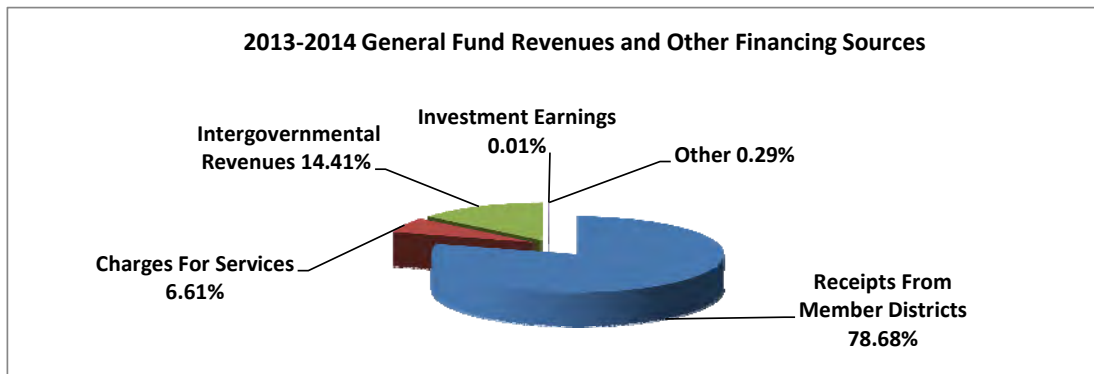
The General Fund is the Career Center's primary operating fund. At the conclusion of the 2013-2014 fiscal year the General Fund fund balance was \$1,448,056 representing an increase of \$82,920 in relation to the prior year. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2013-2014 fiscal year.

NORTH MONTCO TECHNICAL CAREER CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2014

The Career Center's reliance upon receipts from member districts is demonstrated by the graph below that indicates 78.68% of General Fund revenues are derived from this source.



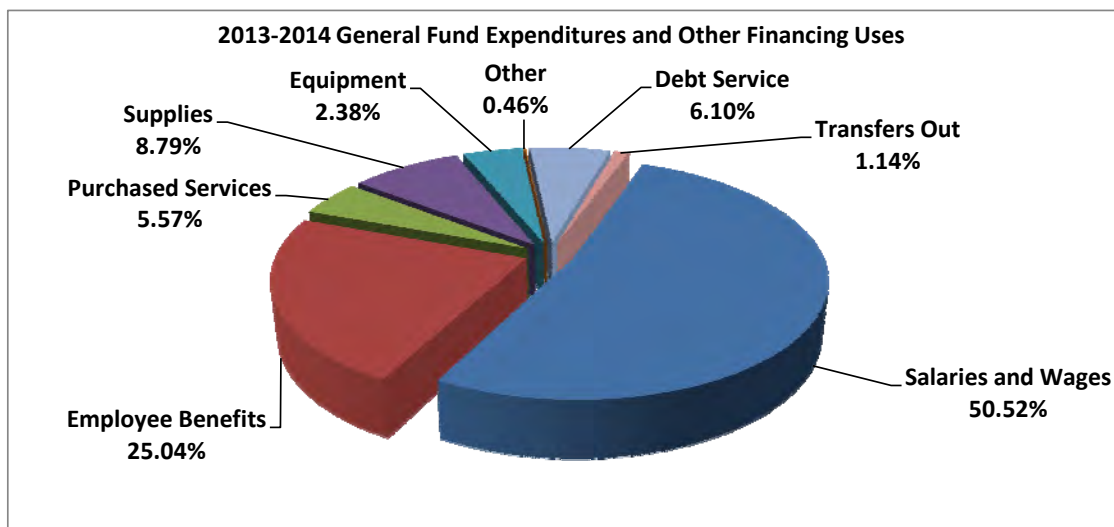
General Fund Revenues and Other Financing Sources

	<u>2014</u>	<u>2013</u>	<u>\$ Change</u>	<u>% Change</u>
Receipts from member districts	\$ 9,026,238	\$ 8,879,252	\$146,986	1.66
Charges for services	758,853	716,843	42,010	5.86
Intergovernmental revenues	1,653,634	1,581,367	72,267	4.57
Investment earnings	636	2,504	(1,868)	(74.60)
Other	33,165	50	33,115	-
	<u>\$11,472,526</u>	<u>\$11,180,016</u>	<u>\$292,510</u>	<u>2.62</u>

Charges for services increased by \$42,010 or 5.86% primarily due to an increase in adult education fees in 2013-2014 compared to 2012-2013.

Intergovernmental revenues increased by \$72,267 or 4.57% primarily due to an increase in the state subsidy for pension expense.

As the graph below illustrates, the largest portion of General Fund expenditures are for salaries and benefits. The Career Center is an educational entity and as such is labor intensive.



NORTH MONTCO TECHNICAL CAREER CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2014

General Fund Expenditures and Other Financing Uses

	<u>2014</u>	<u>2013</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$ 5,754,593	\$ 5,888,535	\$(133,942)	(2.27)
Employee benefits	2,851,400	2,572,905	278,495	10.82
Purchased services	634,415	543,285	91,130	16.77
Supplies	1,000,688	945,456	55,232	5.84
Equipment	270,721	504,668	(233,947)	(46.36)
Other	52,624	9,441	43,183	457.40
Debt service	694,925	690,425	4,500	.65
Transfers out	<u>130,240</u>	<u>122,303</u>	<u>7,937</u>	<u>6.49</u>
	<u>\$11,389,606</u>	<u>\$11,277,018</u>	<u>\$ 112,588</u>	<u>1.00</u>

Employees benefits increased in 2013-2014 as a result of the increase in the required employer annual retirement contribution to 16.93% from 12.36% in 2012-2013.

Equipment expense decreased in 2013-2014 because amounts committed for capital purchases in prior years were expended in 2012-2013.

Transfers out consist primarily of a transfer to establish the Internal Service Fund commencing in 2013-2014.

CAPITAL PROJECTS FUND

The Capital Projects Fund balance had no activity in 2013-2014 as proceeds from the lease rental financing arrangement and the capital contribution from the Perkiomen Valley School District were expended on renovations, additions and improvements to the Career Center's existing facilities in prior years. There was no fund balance of as of June 30, 2014.

GENERAL FUND BUDGET INFORMATION

The Career Center maintains its financial records and prepares its financial reports on the modified accrual basis of accounting. The Career Center budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by management and submitted to the Joint Operating Committee for approval prior to the beginning of the fiscal year on July 1 each year. The most significant budgeted fund is the General Fund.

Actual revenues and other financing sources were \$82,533 more than budgeted amounts and actual expenditures and other financing uses were \$257,088 less than budgeted amounts resulting in a net positive variance of \$339,621.

Budgeted amounts in the General Fund used \$256,701 of fund balance as of June 30, 2013 to balance the 2013-2014 General Fund budget which was not entirely used as a result of more than anticipated revenues and other financing sources and less than anticipated expenditures and other financing uses.

BUSINESS-TYPE ACTIVITIES AND PROPRIETARY FUND

The business-type activities and proprietary fund financial statements of the Career Center both report the activities of the Career Center's food service operations. As of June 30, 2014, the business-type activities and proprietary fund had a net position of \$3,494.

NORTH MONTCO TECHNICAL CAREER CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2014

CAPITAL ASSETS

The Career Center's investment in capital assets for its governmental activities as of June 30, 2014 amounted to \$14,383,492, net of accumulated depreciation. The net investment in capital assets includes land improvements, buildings and improvements and furniture and equipment. The total decrease in the Career Center's investment in capital assets for the current fiscal year was \$274,888 or 1.88%. The decrease was the result of current year depreciation and disposals in excess of current year additions. Current year additions consisted primarily of costs related to instructional machinery and equipment.

NONCURRENT LIABILITIES

The Career Center has entered into a lease rental payable arrangement with the State Public School Building Authority to finance renovations, additions and improvements to the Career Center's existing facilities. Payment of the lease rental payable has been guaranteed by participating member districts. The lease rental payable including net premiums was \$8,581,490 at June 30, 2014 and decreased by \$370,970 or 4.14% in the current fiscal year.

Other noncurrent liabilities consist of the Career Center's liabilities for compensated absences and its net obligation for post-employment benefits which totaled \$350,354 as of June 30, 2014. These liabilities increased by \$16,514 or 4.95% during the current fiscal year.

FACTORS BEARING ON THE CAREER CENTER'S FUTURE

- The Career Center adopted a balanced 2014-2015 budget totaling \$11,238,757 which used \$195,000 of General Fund fund balance committed for capital projects as of June 30, 2014.
- On November 23, 2010, Governor Edward Rendell signed Pension Reform Legislation ("**House Bill 2497**") into law. The legislation is now known as Act 120 of 2010. House bill 2497 includes a series of actuarial and funding changes to the public school employee's retirement system ("**PSERS**") and benefit reductions for individuals who become new member of PSERS on or after July 1, 2011. As a result of the legislation the employer contribution rate for 2015-2016 is projected at 25.84%. Currently, the employer contribution rate for 2014-2015 is 21.40% which is an increase of 26.40% from the 2012-2013 employer contribution rate of 16.93%. The increase in the employer contribution rate in 2014-2015 is estimated to increase the Career Center's retirement expense by approximately \$250,000, of which the Career Center's share is \$125,000.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Career Center's finances for all those with an interest in the Career Center's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, North Montco Technical Career Center, 1265 Sumneytown Pike, Lansdale, Pennsylvania 19446.

NORTH MONTCO TECHNICAL CAREER CENTER

STATEMENT OF NET POSITION

June 30, 2014 with summarized comparative totals for 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>	
			<u>2014</u>	<u>2013</u>
ASSETS				
CURRENT ASSETS				
Cash	\$ 2,006,170	\$ 3,456	\$ 2,009,626	\$ 1,705,784
Investments	220,000	-	220,000	198,000
Due from other governments	217,946	4,477	222,423	156,955
Internal balances	8,906	(8,906)	-	-
Other receivables	25,838	39	25,877	41,932
Prepaid expenses and deposit	666,286	-	666,286	221,850
Inventories	<u>8,520</u>	<u>5,779</u>	<u>14,299</u>	<u>8,012</u>
Total current assets	<u>3,153,666</u>	<u>4,845</u>	<u>3,158,511</u>	<u>2,332,533</u>
NONCURRENT ASSETS				
Capital assets, net	<u>14,383,492</u>	<u>-</u>	<u>14,383,492</u>	<u>14,658,380</u>
Total assets	<u>17,537,158</u>	<u>4,845</u>	<u>17,542,003</u>	<u>16,990,913</u>
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	116,717	-	116,717	55,330
Accrued salaries, payroll withholdings and benefits	987,544	-	987,544	867,285
Unearned revenue	<u>13,346</u>	<u>1,351</u>	<u>14,697</u>	<u>35,680</u>
Total current liabilities	<u>1,117,607</u>	<u>1,351</u>	<u>1,118,958</u>	<u>958,295</u>
NONCURRENT LIABILITIES				
Due within one year	375,970	-	375,970	370,970
Due in more than one year	<u>8,555,874</u>	<u>-</u>	<u>8,555,874</u>	<u>8,915,330</u>
Total noncurrent liabilities	<u>8,931,844</u>	<u>-</u>	<u>8,931,844</u>	<u>9,286,300</u>
Total liabilities	<u>10,049,451</u>	<u>1,351</u>	<u>10,050,802</u>	<u>10,244,595</u>
NET POSITION				
Net investment in capital assets	5,802,002	-	5,802,002	5,705,920
Unrestricted	<u>1,685,705</u>	<u>3,494</u>	<u>1,689,199</u>	<u>1,040,398</u>
Total net position	<u>\$ 7,487,707</u>	<u>\$ 3,494</u>	<u>\$ 7,491,201</u>	<u>\$ 6,746,318</u>

See accompanying notes

NORTH MONTCO TECHNICAL CAREER CENTER

STATEMENT OF ACTIVITIES

Year ended June 30, 2014 with summarized comparative totals for 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
	Expenses						2014	2013
GOVERNMENTAL ACTIVITIES								
Instruction	\$ 6,687,253	\$761,715	\$1,379,613	\$90,602	\$(4,455,323)	\$ -	\$(4,455,323)	\$(4,473,318)
Instructional student support services	864,410	-	65,537	-	(798,873)	-	(798,873)	(904,385)
Administrative and financial support services	1,601,663	-	83,865	-	(1,517,798)	-	(1,517,798)	(1,545,354)
Operation and maintenance of plant services	1,162,030	-	38,660	-	(1,123,370)	-	(1,123,370)	(1,195,945)
Student activities	32,422	-	358	-	(32,064)	-	(32,064)	(34,686)
Interest and amortization related to noncurrent liabilities	323,955	-	323,955	-	-	-	-	-
Total governmental activities	<u>10,671,733</u>	<u>761,715</u>	<u>1,891,988</u>	<u>90,602</u>	<u>(7,927,428)</u>	<u>-</u>	<u>(7,927,428)</u>	<u>(8,153,688)</u>
BUSINESS-TYPE ACTIVITIES								
Food service	153,380	73,754	49,018	-	-	(30,608)	(30,608)	(20,321)
Total primary government	<u>\$10,825,113</u>	<u>\$835,469</u>	<u>\$1,941,006</u>	<u>\$90,602</u>	<u>(7,927,428)</u>	<u>(30,608)</u>	<u>(7,958,036)</u>	<u>(8,174,009)</u>
GENERAL REVENUES								
Receipts from member districts					8,702,283	-	8,702,283	8,544,797
Investment earnings					636	-	636	2,525
TRANSFERS					(25,000)	25,000	-	-
Total general revenues and transfers					<u>8,677,919</u>	<u>25,000</u>	<u>8,702,919</u>	<u>8,547,322</u>
CHANGE IN NET POSITION					750,491	(5,608)	744,883	373,313
NET POSITION								
Beginning of year					6,737,216	9,102	6,746,318	6,373,005
End of year					<u>\$ 7,487,707</u>	<u>\$ 3,494</u>	<u>\$ 7,491,201</u>	<u>\$ 6,746,318</u>

See accompanying notes

NORTH MONTCO TECHNICAL CAREER CENTER

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2014 with summarized comparative totals for 2013

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>	
			<u>2014</u>	<u>2013</u>
ASSETS				
Cash	\$1,907,081	\$ -	\$1,907,081	\$1,702,900
Investments	220,000	-	220,000	198,000
Due from other governments	217,946	-	217,946	156,217
Due from other funds	8,911	-	8,911	-
Other receivables	25,838	-	25,838	41,794
Prepaid items	119,151	-	119,151	221,850
Inventories	<u>8,520</u>	<u>-</u>	<u>8,520</u>	<u>2,344</u>
Total assets	<u>\$2,507,447</u>	<u>\$ -</u>	<u>\$2,507,447</u>	<u>\$2,323,105</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 116,717	\$ -	\$ 116,717	\$ 55,638
Due to other funds	5	-	5	182
Accrued salaries, payroll withholdings and benefits	929,323	-	929,323	867,285
Unearned revenue	<u>13,346</u>	<u>-</u>	<u>13,346</u>	<u>34,864</u>
Total liabilities	<u>1,059,391</u>	<u>-</u>	<u>1,059,391</u>	<u>957,969</u>
FUND BALANCES				
Nonspendable				
Prepaid items	119,151	-	119,151	221,850
Inventories	8,520	-	8,520	2,344
Committed to				
Capital projects	195,000	-	195,000	19,531
Assigned for				
Adult education	336,097	-	336,097	464,707
Production control	71,140	-	71,140	47,667
Unassigned	<u>718,148</u>	<u>-</u>	<u>718,148</u>	<u>609,037</u>
Total fund balances	<u>1,448,056</u>	<u>-</u>	<u>1,448,056</u>	<u>1,365,136</u>
Total liabilities and fund balances	<u>\$2,507,447</u>	<u>\$ -</u>	<u>\$2,507,447</u>	<u>\$2,323,105</u>

See accompanying notes

NORTH MONTCO TECHNICAL CAREER CENTER

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

June 30, 2014

TOTAL GOVERNMENT FUND BALANCES	\$ 1,448,056
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.	14,383,492
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Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds balance sheet.	(8,931,844)
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The Internal Service Fund is used by management to charge the cost of health and prescription insurance premiums and claims to the General Fund. The assets and liabilities of the Career Center's Internal Service Fund are included in the governmental activities on the government-wide statement of net position.	<u>588,003</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 7,487,707</u>
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NORTH MONTCO TECHNICAL CAREER CENTER

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

Year ended June 30, 2014 with summarized comparative totals for 2013

	General Fund	Capital Projects Fund	Totals	
			2014	2013
REVENUES				
Local sources	\$ 9,818,892	\$ -	\$ 9,818,892	\$ 9,643,775
State sources	1,376,918	-	1,376,918	1,241,836
Federal sources	276,716	-	276,716	294,377
Total revenues	<u>11,472,526</u>	<u>-</u>	<u>11,472,526</u>	<u>11,179,988</u>
EXPENDITURES				
Current				
Instruction	6,820,593	-	6,820,593	6,562,914
Support services	3,687,754	-	3,687,754	3,777,095
Operation of noninstructional services	30,941	-	30,941	33,561
Facilities acquisition, construction and improvement services	19,531	-	19,531	216,305
Debt service	694,925	-	694,925	690,425
Total expenditures	<u>11,253,744</u>	<u>-</u>	<u>11,253,744</u>	<u>11,280,300</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>218,782</u>	<u>-</u>	<u>218,782</u>	<u>(100,312)</u>
OTHER FINANCING SOURCES (USES)				
Refund of prior year receipts	(5,622)	-	(5,622)	(1,127)
Transfers out	(130,240)	-	(130,240)	(122,303)
Sale of/compensation for capital assets	-	-	-	50
Total other financing sources	<u>(135,862)</u>	<u>-</u>	<u>(135,862)</u>	<u>(123,380)</u>
NET CHANGE IN FUND BALANCES	82,920	-	82,920	(223,692)
FUND BALANCES				
Beginning of year	<u>1,365,136</u>	<u>-</u>	<u>1,365,136</u>	<u>1,588,828</u>
End of year	<u>\$ 1,448,056</u>	<u>\$ -</u>	<u>\$ 1,448,056</u>	<u>\$ 1,365,136</u>

See accompanying notes

NORTH MONTCO TECHNICAL CAREER CENTER

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES

Year ended June 30, 2014

NET CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS	\$ 82,920
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense plus the loss on disposal of capital assets exceeded capital outlay expenditures in the current period.

Capital outlay expenditures	\$ 267,363	
Depreciation expense	(504,265)	
Loss on disposal of capital assets	<u>(37,986)</u>	(274,888)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. Also, governmental funds report the effect of premiums, discounts and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of lease rental payable	365,000	
Amortization of premium on lease rental payable	<u>5,970</u>	370,970

Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in the governmental funds.

Current year change in compensated absences	(6,521)	
Current year change in net post-employment benefit (OPEB) obligation	<u>(9,993)</u>	(16,514)

The Internal Service Fund is used by management to charge the cost of health and prescription insurance premiums and claims to the General Fund. The change in net position of the Internal Service Fund is included in the governmental activities on the government-wide statement of activities

588,003

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 750,491</u>
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NORTH MONTCO TECHNICAL CAREER CENTER**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**

June 30, 2014 with summarized comparative totals for 2013

	Food Service Fund	Internal Service Fund	Totals	
			2014	2013
ASSETS				
Cash	\$ 3,456	\$ 99,089	\$102,545	\$2,884
Due from other governments	4,477	-	4,477	738
Due from other funds	5	-	5	182
Other receivables	39	-	39	446
Inventories	5,779	-	5,779	5,668
Prepaid expenses	-	497,135	497,135	-
Deposit	-	50,000	50,000	-
Total assets	13,756	646,224	659,980	9,918
LIABILITIES AND NET POSITION				
LIABILITIES				
Due to other funds	8,911	-	8,911	-
Insurance claims payable	-	58,221	58,221	-
Unearned revenue	1,351	-	1,351	816
Total liabilities	10,262	58,221	68,483	816
NET POSITION				
Unrestricted	<u>\$ 3,494</u>	<u>\$588,003</u>	<u>\$591,497</u>	<u>\$9,102</u>

See accompanying notes

NORTH MONTCO TECHNICAL CAREER CENTER

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS

Year ended June 30, 2014 with summarized comparative totals for 2013

	<u>Food Service Fund</u>	<u>Internal Service Fund</u>	<u>Totals</u>	
			<u>2014</u>	<u>2013</u>
OPERATING REVENUES				
Charges for services	\$ 73,754	\$1,698,244	\$1,771,998	\$ 73,436
OPERATING EXPENSES				
Salaries	35,148	-	35,148	47,111
Employee benefits	3,693	1,215,481	1,219,174	10,923
Other purchased services	180	-	180	49
Supplies	114,309	-	114,309	83,991
Other	50	-	50	185
Total operating expenses	<u>153,380</u>	<u>1,215,481</u>	<u>1,368,861</u>	<u>142,259</u>
Operating income (loss)	<u>(79,626)</u>	<u>482,763</u>	<u>403,137</u>	<u>(68,823)</u>
NONOPERATING REVENUES				
State sources	3,600	-	3,600	5,116
Federal sources	45,418	-	45,418	43,386
Total nonoperating revenues	<u>49,018</u>	<u>-</u>	<u>49,018</u>	<u>48,502</u>
Change in net position before transfers	(30,608)	482,763	452,155	(20,321)
TRANSFERS				
Transfers in	<u>25,000</u>	<u>105,240</u>	<u>130,240</u>	<u>122,303</u>
CHANGE IN NET POSITION	(5,608)	588,003	582,395	101,982
NET POSITION				
Beginning of year	<u>9,102</u>	<u>-</u>	<u>9,102</u>	<u>(92,880)</u>
End of year	<u>\$ 3,494</u>	<u>\$ 588,003</u>	<u>\$ 591,497</u>	<u>\$ 9,102</u>

See accompanying notes

NORTH MONTCO TECHNICAL CAREER CENTER

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

Year ended June 30, 2014 with summarized comparative totals for 2013

	Food Service Fund	Internal Service Fund	Totals	
			2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from charges for services	\$ 74,696	\$ -	\$ 74,696	\$ 73,003
Cash received for assessments made to other fund	-	1,698,244	1,698,244	-
Payments to suppliers for goods or services	(96,839)	-	(96,839)	(69,821)
Cash payments for insurance claims	-	(1,704,395)	(1,704,395)	-
Payments to employees for services	(29,930)	-	(29,930)	(155,610)
Payments for other operating expenses	(230)	-	(230)	(234)
Net cash used for operating activities	(52,303)	(6,151)	(58,454)	(152,662)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State sources	3,380	-	3,380	5,099
Federal sources	24,495	-	24,495	26,937
Transfers in	25,000	105,240	130,240	122,303
Net cash provided by noncapital financing activities	52,875	105,240	158,115	154,339
NET INCREASE IN CASH	572	99,089	99,661	1,677
CASH				
Beginning of year	2,884	-	2,884	1,207
End of year	\$ 3,456	\$ 99,089	\$ 102,545	\$ 2,884
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES				
Operating income (loss)	\$(79,626)	\$ 482,763	\$ 403,137	\$ (68,823)
Donated commodities used	17,404	-	17,404	16,112
Adjustments to reconcile operating loss to net cash used for operating activities				
(Increase) decrease in				
Due from other funds	177	-	177	(182)
Other receivables	407	-	407	(248)
Inventories	(111)	-	(111)	(1,760)
Prepaid expenses	-	(497,135)	(497,135)	-
Deposit	-	(50,000)	(50,000)	-
Increase (decrease) in				
Due to other funds	8,911	-	8,911	(97,576)
Insurance claims payable	-	58,221	58,221	-
Unearned revenue	535	-	535	(185)
Net cash used for operating activities	\$(52,303)	\$ (6,151)	\$ (58,454)	\$(152,662)
SUPPLEMENTAL DISCLOSURE				
Noncash noncapital financing activity				
USDA donated commodities	\$ 17,404	\$ -	\$ 17,404	\$ 16,112

See accompanying notes

NORTH MONTCO TECHNICAL CAREER CENTER

STATEMENT OF NET POSITION – FIDUCIARY FUND

June 30, 2014 with summarized comparative totals for 2013

	Agency Fund	
	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	<u>\$37,035</u>	<u>\$25,262</u>
 LIABILITIES		
Due to student groups	\$36,491	\$18,603
Other liabilities	<u>544</u>	<u>6,659</u>
 Total liabilities	<u>\$37,035</u>	<u>\$25,262</u>

NORTH MONTCO TECHNICAL CAREER CENTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The North Montco Technical Career Center (the "**Career Center**") is a joint venture of five public school districts in Montgomery County, Pennsylvania, which was formed to provide vocational and technical education programs for students of member districts and out of school youths and adults. Member districts consist of the North Penn, Souderton Area, Wissahickon, Methacton and Perkiomen Valley School Districts. The Career Center operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the school laws of Pennsylvania. The Career Center operates under the Joint Operating Committee (the "**JOC**") which is comprised of School Board members from each member district.

The financial statements of the Career Center have been prepared in accordance with generally accepted accounting principles ("**GAAP**") as applied to governmental units. The Governmental Accounting Standards Board ("**GASB**") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

Reporting Entity

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the Career Center as a reporting entity, management has addressed all potential component units which may or may not fall within the Career Center's accountability. The criteria used to evaluate component units for possible inclusion as part of the Career Center's reporting entity are financial accountability and the nature and significance of the relationship. The Career Center is considered to be an independent reporting entity and has no component units.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Career Center as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. These statements include the financial activities of the primary government except for fiduciary funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flow. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position presents the financial position of the Career Center which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the Career Center is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does meet the definition of "net investment in capital assets" or "restricted net position."

The statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Career Center had no deferred outflows of resources or deferred inflows of resources as of June 30, 2014.

NORTH MONTCO TECHNICAL CAREER CENTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

The government-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the Career Center and for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Career Center.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

Fund Financial Statements

During the school year, the Career Center segregates transactions related to certain Career Center functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the Career Center. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The Career Center reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for financial resources restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Deferred inflows of resources reported in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific Career Center expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenue until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

NORTH MONTCO TECHNICAL CAREER CENTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Proprietary Funds

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The Career Center reports the following proprietary funds:

The Food Service Fund accounts for the revenues and costs of providing meals to students during the school year.

The Internal Service Fund is used to account for the Career Center's participation in a consortium with other participating school districts and educational agencies to provide self-insurance programs for health and prescription coverage.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the Career Center's proprietary funds are charges for services. Operating expenses for the Career Center's proprietary funds include payroll, employee benefits, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds account for the assets held by the Career Center as a trustee or agent for individuals, private organizations and/or governmental units and are, therefore, not available to support the Career Center's own programs. The Career Center accounts for these assets in an agency fund.

Cash and Cash Equivalents

The Career Center's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are stated at fair value based upon quoted market prices.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Receipts from Member Districts

Each participating member district is responsible for its proportionate share of operating, capital project and debt service expenditures of the Career Center. Operating expenditures are allocated to each member district in proportion to the average daily membership of students attending the Career Center from each member district. Capital project and debt service expenditures are allocated to each member district in proportion to the current market value of all property for each member district at the time the obligation is incurred.

Inventories and Prepaid Items

All inventories are valued at the lower of cost (first-in, first-out method) or market.

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements.

NORTH MONTCO TECHNICAL CAREER CENTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the Career Center as assets with an initial individual cost of more than \$4,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment (net of salvage value) of the Career Center is depreciated using the straight-line method over the following estimated useful lives: buildings and improvements – 50 years and furniture and equipment – 5-15 years.

Impairment of Long-Lived Assets

The Career Center evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the Career Center. No impairment losses were recognized in the year ended June 30, 2014.

Compensated Absences

Career Center policies permit employees to accumulate earned but unused vacation, personal and sick days. The liability for these compensated absences is recorded as a non-current liability in the government-wide financial statements. The portion of the liability resulting from employee resignations and retirements, if applicable, is reported as a liability in the governmental funds' financial statements.

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

In the fund financial statements, proceeds received from long-term debt are reported as other financing sources and uses.

Fund Equity

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the Career Center is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The Career Center reports the following fund balance classifications:

Nonspendable

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

NORTH MONTCO TECHNICAL CAREER CENTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Restricted

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the Career Center's highest level of decision-making authority, the JOC. Committed amounts cannot be used for any other purpose unless the JOC removes those constraints by taking the same type of formal action (e.g., resolution).

Assigned

Assigned fund balances are amounts that are constrained by the Career Center's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Business Manager or (b) an appointed body (e.g., finance committee) or (c) an official to which the Career Center has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

Unassigned

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the Career Center's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

The JOC has set a General Fund maximum unassigned fund balance of 8% of the total following year's expenditure budget in accordance with guidelines prescribed by the Pennsylvania Department of Education.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Career Center's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Career Center's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Use of Estimates

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

NORTH MONTCO TECHNICAL CAREER CENTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Implementation of New Accounting Pronouncements

Effective July 1, 2012, the Career Center adopted the provision of GASB Statement No. 60, *"Accounting and Financial Reporting for Service Concession Arrangements"*, GASB Statement No. 61, *"The Financial Reporting Entity: Omnibus – An Amendment of GASB Statement No. 14 and No. 34"*, GASB Statement No. 62, *"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Announcements"*, GASB Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"* and GASB Statement No. 65, *"Items Previously Reported as Assets and Liabilities."*

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements ("**SCAs**") which are a type of public-private or public-public partnership. As used in this statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 had no impact on the Career Center's financial statements.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends Statement No. 14, *"The Financial Reporting Entity"*, and the related financial reporting requirements of Statement No. 34 *"Basic Financial Statements – and Management's Discussion and Analysis-for State and Local Governments"*. The implementation of GASB Statement No. 61 had no impact on the Career Center's financial statements.

GASB Statement No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of GASB Statement No. 62 had no impact on the Career Center's financial statements.

GASB Statement No. 63 standardizes the presentation of deferred balances and their effects on a government's net position. As a result of the implementation of GASB Statement No. 63 the Career Center reports deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities, and reports net position instead of net assets in its financial statements.

GASB Statement No. 65 clarifies the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources and when to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). As a result of the implementation of GASB Statement No. 65, the Career Center reports debt issuance costs, which were previously reported as assets, as outflows of resources in its financial statements.

Effective July 1, 2013, the Career Center adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans—an Amendment of FASB Statement 25*. GASB 67 improves financial reporting by state and local governmental pension plans. The requirements of this statement improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that are presented by the pension plans that are within its scope. The implementation of GASB Statement No. 67 had no impact on the Career Center's financial statements.

New Accounting Pronouncements

GASB has issued the following statement not yet implemented by the Career Center. The Career Center's management has not yet determined the effect, if any, the statement will have on the Career Center's financial statements.

NORTH MONTCO TECHNICAL CAREER CENTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27* will be effective for the Career Center for the year ending June 30, 2015. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for the Capital Projects fund.

The final proposed operating budget must be approved by the Board of School Directors of each participating member district prior to final adoption by the JOC.

After the legal adoption of the budget, the JOC is required to file a copy of the budget with the Pennsylvania Department of Education by July 31. Additional copies of the budget also are required to be filed with the Housing Education Committee and the Senate Education Committee by September 15.

Legal budgetary control is maintained at the sub-function/major object level. The School Board may make transfers of funds appropriated in any particular item of expenditure by legislative action in accordance with Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without approval from the JOC. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and include the effect of approved budget amendments.

(3) DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2014, the carrying amount of the Career Center's deposits was \$2,046,661 and the bank balance was \$2,173,344. The Career Center is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$639,913 was covered by federal depository insurance, and \$185,277 was collateralized by the Career Center's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds. The remaining cash deposits of the Career Center are in the Pennsylvania School District Liquid Asset Fund ("**PSDLAF**") and the Pennsylvania Local Government Investment Trust ("**PLGIT**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF and PLGIT act like money market mutual funds in that their objective is to maintain a stable net assets value of \$1 per share, are rated by a nationally recognized statistical rating organization and are subject to an independent annual audit. As of June 30, 2014, PSDLAF and PLGIT were rated as AAA by a nationally recognized statistical rating agency.

NORTH MONTCO TECHNICAL CAREER CENTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Investments

State statutes authorize the Career Center to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds.

At June 30, 2014, the Career Center had the following investments:

Certificates of deposit due within one year –
Collateral held by pledging bank's agent in the Career Center's name \$220,000

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Career Center will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Career Center had no investments subject to custodial credit risk as of June 30, 2014.

Interest Rate Risk

The Career Center's investment policy limits investment maturities in accordance with state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates. The Career Center had no investments subject to interest rate risk as of June 30, 2014.

Credit Risk

The Career Center's investment policy limits its investments that are not backed by the "full faith and credit" of the federal or state government to those with the highest credit rating available for such investments issued by a recognized statistical rating organization.

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets being depreciated				
Buildings and improvements	\$15,723,904	\$ 26,831	\$ -	\$15,750,735
Furniture and equipment	<u>2,594,836</u>	<u>240,532</u>	<u>108,886</u>	<u>2,726,482</u>
Total capital assets being depreciated	<u>18,318,740</u>	<u>267,363</u>	<u>108,886</u>	<u>18,477,217</u>
Less accumulated depreciation for				
Buildings and improvements	(2,344,428)	(298,247)	-	(2,642,675)
Furniture and equipment	<u>(1,315,932)</u>	<u>(206,018)</u>	<u>(70,900)</u>	<u>(1,451,050)</u>
Total accumulated depreciation	<u>(3,660,360)</u>	<u>(504,265)</u>	<u>(70,900)</u>	<u>(4,093,725)</u>
Total capital assets being depreciated, net	<u>14,658,380</u>	<u>(236,902)</u>	<u>37,986</u>	<u>14,383,492</u>
Governmental activities, net	<u>\$14,658,380</u>	<u>\$ (236,902)</u>	<u>\$ 37,986</u>	<u>\$14,383,492</u>

NORTH MONTCO TECHNICAL CAREER CENTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Depreciation expense was charged to functions/programs of the Career Center as follows:

Governmental activities	
Instruction	\$325,307
Instructional student support services	41,764
Administrative and financial support services	80,669
Operation and maintenance of plant services	55,044
Student activities	<u>1,481</u>
Total depreciation expense – governmental activities	<u>\$504,265</u>

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2014 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	<u>\$8,906</u>	Fund Service Fund	<u>\$8,906</u>

Interfund balances between funds represent temporary loans recorded at year-end as the result of a final allocation of expenses.

A summary of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer To</u>	<u>Amount</u>	<u>Transfer From</u>	<u>Amount</u>
Food Service Fund	\$ 25,000	General Fund	\$ 25,000
Internal Service Fund	<u>105,240</u>	General Fund	<u>105,240</u>
	<u>\$130,240</u>		<u>\$130,240</u>

(6) NONCURRENT LIABILITIES

The following summarizes the changes in non-current liabilities for the year ended June 30, 2014:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Governmental activities					
Lease rental payable	\$8,845,000	\$ -	\$365,000	\$8,480,000	\$370,000
Premium on lease rental payable	107,460	-	5,970	101,490	5,970
Compensated absences	282,497	6,521	-	289,018	-
OPEB obligation	<u>51,343</u>	<u>21,014</u>	<u>11,021</u>	<u>61,336</u>	<u>-</u>
Total noncurrent liabilities	<u>\$9,286,300</u>	<u>\$27,535</u>	<u>\$381,991</u>	<u>\$8,931,844</u>	<u>\$375,970</u>

Noncurrent liabilities are generally liquidated by the General Fund.

Lease Rental Payable

The Career Center has entered into a lease with the State Public School Building Authority (the "**SPSBA**") to finance renovations, additions and improvements to its facilities (the "**project**"). The SPSBA was formed by the Commonwealth of Pennsylvania for the purpose of financing the construction and improvement of public school facilities under the jurisdiction of the Pennsylvania Department Education. The SPSBA finances projects through the issuance of bonds, the principal and interest of which are paid by the annual lease rental payments from public schools. The SPSBA has no general liability with respect to these obligations and has no beneficial interest in the related assets. Acting solely in an agency capacity, the SPSBA serves as a financing conduit, bringing the ultimate borrower and lender together. The goal of the SPSBA is to make lower cost financings available to public schools.

NORTH MONTCO TECHNICAL CAREER CENTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

The lease between the Career Center and the SPSBA provides that the Career Center will lease the real and personal property of the Career Center to the SPSBA, for a term at least as long as the term of the bonds issued to finance the project, and the SPSBA made available to the Career Center the proceeds of the bonds to pay for the costs of financing the project. The SPSBA has subleased the leased real and personal property back to the Career Center for rental payments in amounts sufficient to provide for the debt services of the bonds. Each of the participating member districts, except Perkiomen Valley School District, has pledged its full faith, credit and taxing power for its proportionate share of the rental payments due under the sublease. Perkiomen Valley School District paid its proportionate share of the project from its own capital project funds and is not responsible for paying any rentals due under the sublease.

This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease payments under the capital lease and the net present value of the future minimum lease payments as of June 30, 2014 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 370,000	\$ 318,975	\$ 688,975
2016	385,000	304,175	689,175
2017	400,000	292,625	692,625
2018	410,000	280,625	690,625
2019	425,000	268,325	693,325
2020-2024	2,340,000	1,112,463	3,452,463
2025-2029	2,845,000	619,713	3,464,713
2030-2031	<u>1,305,000</u>	<u>82,125</u>	<u>1,387,125</u>
	<u>\$8,480,000</u>	<u>\$3,279,026</u>	<u>\$11,759,026</u>

Other Post-Employment Benefits

The Career Center's other post-employment benefits include a single-employer defined benefit plan that provides medical insurance to certain eligible retirees and their spouses. The JOC has the authority to establish and amend benefit provisions. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

Funding Policy

The Career Center's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the JOC.

Annual OPEB Cost and Net OPEB Obligation

The Career Center's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer ("**ARC**"), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The Career Center's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2014, 2013 and 2012 were as follows:

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$21,014	52.45%	\$61,336
2013	\$21,226	39.31%	\$51,343
2012	\$28,609	42.20%	\$38,462

NORTH MONTCO TECHNICAL CAREER CENTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

The following table shows the components of the Career Center's OPEB cost for the year, the amount actually contributed by the Career Center and changes in the Career Center's net OPEB obligation:

Annual required contribution	\$ 21,856
Interest on net OPEB obligation	2,310
Adjustment to annual required contribution	<u>(3,152)</u>
Annual OPEB cost (expense)	21,014
Contributions made	<u>(11,021)</u>
Increase in net OPEB obligation	9,993
Net OPEB obligation – beginning of year	<u>51,343</u>
Net OPEB obligation – end of year	<u>\$ 61,336</u>

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation, the actuarial accrued liability for benefits was \$153,315, all of which was unfunded. The covered payroll (annual payroll of active employees was \$5,316,888 and the ratio of the unfunded actuarial accrued liability ("UAAL") to the covered payroll was 2.88%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and benefit cost trends. Amounts determined regarding the funded status and the annual required contribution of the Career Center are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on substantive benefits (the benefits as understood by the Career Center and employees) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Career Center and retirees to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

In the most recent actuarial valuation, the entry age normal method was used. The actuarial assumptions include a 4.50% discount rate and an annual healthcare cost trend rate of 7.50%, decreasing 0.50% per year to an ultimate rate of 5.50% in 2016 and later. The UAAL is being amortized based on the level dollar, 30-year open period.

(7) PENSION PLAN

Plan Description

The Career Center contributes to the Public School Employees' Retirement System ("**PSERS**"), a governmental cost-sharing multiple-employer defined benefit pension plan administered by the Commonwealth of Pennsylvania Public School Employees' Retirement System. The PSERS provides retirement and disability, legislatively mandated *ad hoc* cost-of-living adjustments and certain health care insurance premium assistance to plan members and beneficiaries. The Public School Employees' Retirement Code (Act No. 96, of October 2, 1975, as amended) provides the authority to establish and amend benefit provisions. The PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Public School Employees' Retirement System, 5 North 5th Street, Harrisburg, PA 17101-0125; or by accessing its website at <http://www.psers.state.pa.us/publications/general/cafr.htm>.

NORTH MONTCO TECHNICAL CAREER CENTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth. Individual employees contribute between 5.25% and 10.30% of annual salary depending on their membership status. Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2014, the rate of employer contribution was 16.93% of covered payroll. The Career Center's contributions to PSERS for the years ended June 30, 2014, 2013 and 2012 were \$945,173, \$701,758 and \$501,957, respectively, equal to the required contribution for each year. The Commonwealth contributes to PSERS reimbursing the Career Center 50% of its contribution each year.

(8) CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The Career Center receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. Career Center officials do not expect any significant adjustments as a result of these examinations.

Litigation

The Career Center is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

(9) RISK MANAGEMENT

The Career Center is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs including workers compensation. For insured programs, there were no significant reductions in insurance coverages during the 2013-2014 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The Career Center participates in a consortium with other participating school districts and educational agencies from Montgomery County to provide self-insurance programs for health and prescription insurance coverage and related expenses for eligible employees, spouses and dependents. Accordingly, benefit payments plus an administrative charge are made to a third party administrator, who approves and processes all claims. Since the Career Center has not transferred its risk to the other participants in the consortium, GASB requires that it recognize and measure its claims, liabilities and related expenses. The Career Center accounts for its participation in the consortium in an internal service fund in the accompanying financial statements.

The following table presents the changes in the self-insurance asset (liability) for the year ended June 30, 2014:

Net self-insurance asset (liability) - beginning of year	\$ 140,376
Payments made to the third party administrator	1,654,395
Claims and fees paid by the third party administrator	<u>(1,355,857)</u>
Net self-insurance asset (liability) - end of year	<u>\$ 438,914</u>

(10) SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 7, 2014, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2014 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH MONTCO TECHNICAL CAREER CENTER

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Local sources	\$ 9,667,638	\$ 9,664,638	\$ 9,818,892	\$ 154,254
State sources	1,428,855	1,428,855	1,376,918	(51,937)
Federal sources	295,000	295,000	276,716	(18,284)
Total revenues	<u>11,391,493</u>	<u>11,388,493</u>	<u>11,472,526</u>	<u>84,033</u>
EXPENDITURES				
Instruction				
Regular programs	1,099,223	1,089,989	1,070,995	18,994
Special programs	561,207	488,565	485,440	3,125
Vocational programs	4,762,441	4,873,784	4,681,406	192,378
Adult education programs	<u>575,720</u>	<u>572,720</u>	<u>582,752</u>	<u>(10,032)</u>
Total instruction	<u>6,998,591</u>	<u>7,025,058</u>	<u>6,820,593</u>	<u>204,465</u>
Support services				
Pupil support services	845,313	827,655	757,013	70,642
Instructional staff services	16,350	70,638	66,478	4,160
Administrative services	1,008,839	977,013	963,750	13,263
Pupil health	50,657	60,612	48,915	11,697
Business services	380,797	316,168	306,869	9,299
Operation and maintenance of plant services	1,297,846	1,169,075	1,130,266	38,809
Support services – central	<u>313,700</u>	<u>421,691</u>	<u>414,463</u>	<u>7,228</u>
Total support services	<u>3,913,502</u>	<u>3,842,852</u>	<u>3,687,754</u>	<u>155,098</u>
Operation of non-instructional services				
Student activities	<u>42,676</u>	<u>33,703</u>	<u>30,941</u>	<u>2,762</u>
Facilities acquisition, construction and improvement services	<u>-</u>	<u>19,531</u>	<u>19,531</u>	<u>-</u>
Debt service	<u>694,925</u>	<u>694,925</u>	<u>694,925</u>	<u>-</u>
Total expenditures	<u>11,649,694</u>	<u>11,616,069</u>	<u>11,253,744</u>	<u>362,325</u>
Excess (deficiencies) of revenues over (under) expenditures	<u>(258,201)</u>	<u>(227,576)</u>	<u>218,782</u>	<u>446,358</u>
OTHER FINANCING SOURCES (USES)				
Refund of prior year receipts	-	(5,625)	(5,622)	3
Transfers out	-	(25,000)	(130,240)	(105,240)
Sale of/compensation for capital assets	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>(1,500)</u>
Total other financing sources (uses)	<u>1,500</u>	<u>(29,125)</u>	<u>(135,862)</u>	<u>(106,737)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (256,701)</u>	<u>\$ (256,701)</u>	<u>82,920</u>	<u>\$ 339,621</u>
FUND BALANCE				
Beginning of year			<u>1,365,136</u>	
End of year			<u>\$ 1,448,056</u>	

NORTH MONTCO TECHNICAL CAREER CENTER

OTHER POST-EMPLOYMENT BENEFITS SCHEDULE OF FUNDING PROGRESS

Year ended June 30, 2014

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) – Entry Age (b)</u>	<u>Percentage Funded (a/b)</u>	<u>Unfunded AAL (UAAL) (b – a)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b – a)/c)</u>
07/01/2012	\$ -	\$153,315	0.00%	\$153,315	\$5,316,888	2.88%
07/01/2009	\$ -	\$183,546	0.00%	\$183,546	\$5,170,903	3.55%

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS**

NORTH MONTCO TECHNICAL CAREER CENTER**COMBINING BALANCE SHEET – GENERAL FUND**

June 30, 2014

	<u>General Operating</u>	<u>Adult Education</u>	<u>Production Control</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS					
Cash	\$1,513,044	\$323,044	\$70,993	\$ -	\$1,907,081
Investments	220,000	-	-	-	220,000
Due from other governments	216,650	1,296	-	-	217,946
Due from other funds	10,338	26,077	-	(27,504)	8,911
Other receivables	4,320	19,726	1,792	-	25,838
Prepaid items	118,876	-	275	-	119,151
Inventories	-	-	8,520	-	8,520
Total assets	<u>\$2,083,228</u>	<u>\$370,143</u>	<u>\$81,580</u>	<u>\$(27,504)</u>	<u>\$2,507,447</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 115,237	\$ 1,262	\$ 218	\$ -	\$ 116,717
Due to other funds	26,077	5	1,427	(27,504)	5
Accrued salaries, payroll withholdings and benefits	909,890	19,433	-	-	929,323
Unearned revenue	-	13,346	-	-	13,346
Total liabilities	<u>1,051,204</u>	<u>34,046</u>	<u>1,645</u>	<u>(27,504)</u>	<u>1,059,391</u>
FUND BALANCES					
Nonspendable					
Prepaid items	118,876	-	275	-	119,151
Inventories	-	-	8,520	-	8,520
Committed to					
Capital projects	195,000	-	-	-	195,000
Assigned to					
Adult education	-	336,097	-	-	336,097
Production control	-	-	71,140	-	71,140
Unassigned	718,148	-	-	-	718,148
Total fund balances	<u>1,032,024</u>	<u>336,097</u>	<u>79,935</u>	<u>-</u>	<u>1,448,056</u>
Total liabilities and fund balances	<u>\$2,083,228</u>	<u>\$370,143</u>	<u>\$81,580</u>	<u>\$(27,504)</u>	<u>\$2,507,447</u>

NORTH MONTCO TECHNICAL CAREER CENTER

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GENERAL FUND

Year ended June 30, 2014

	<u>General Operating</u>	<u>Adult Education</u>	<u>Production Control</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES					
Local sources	\$ 9,098,865	\$ 645,155	\$74,872	\$ -	\$ 9,818,892
State sources	1,317,931	58,987	-	-	1,376,918
Federal sources	<u>276,716</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>276,716</u>
Total revenues	<u>10,693,512</u>	<u>704,142</u>	<u>74,872</u>	<u>-</u>	<u>11,472,526</u>
EXPENDITURES					
Current					
Instruction	6,192,893	582,752	44,948	-	6,820,593
Support services	3,687,754	-	-	-	3,687,754
Operation of noninstructional services	30,941	-	-	-	30,941
Facilities acquisition, construction and improvement services	19,531	-	-	-	19,531
Debt service	<u>694,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>694,925</u>
Total expenditures	<u>10,626,044</u>	<u>582,752</u>	<u>44,948</u>	<u>-</u>	<u>11,253,744</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>67,468</u>	<u>121,390</u>	<u>29,924</u>	<u>-</u>	<u>218,782</u>
OTHER FINANCING SOURCES (USES)					
Refund of prior year receipts	(5,622)	-	-	-	(5,622)
Transfers in	250,000	-	-	(250,000)	-
Transfers out	<u>(130,240)</u>	<u>(250,000)</u>	<u>-</u>	<u>250,000</u>	<u>(130,240)</u>
Total other financing sources (uses)	<u>114,138</u>	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>(135,862)</u>
NET CHANGE IN FUND BALANCES	181,606	(128,610)	29,924	-	82,920
FUND BALANCES					
Beginning of year	<u>850,418</u>	<u>464,707</u>	<u>50,011</u>	<u>-</u>	<u>1,365,136</u>
End of year	<u>\$ 1,032,024</u>	<u>\$ 336,097</u>	<u>\$79,935</u>	<u>\$ -</u>	<u>\$ 1,448,056</u>



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Joint Operating Committee
North Montco Technical Career Center
Lansdale, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities each major fund, and the aggregate remaining fund information of the North Montco Technical Career Center ("**Career Center**"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Career Center's basic financial statements, and have issued our report thereon dated November 7, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BBD, LLP

**Philadelphia, Pennsylvania
November 7, 2014**

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