NEW ISSUE **Rating: "A1" See "RATING" herein**
BOOK-ENTRY ONLY

In the opinion of Bond Counsel, interest on the 2015 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, subject to the condition described in "TAX MATTERS" herein, and interest on the 2015 Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the individual and corporate alternative minimum taxes. However, under the Code, such interest may be subject to certain other taxes affecting corporate holders of the 2015 Bonds. Under the laws of the Commonwealth of Pennsylvania, the 2015 Bonds are exempt from personal property taxes in Pennsylvania, and interest on the 2015 Bonds is exempt from Pennsylvania personal income tax and the Pennsylvania corporate net income tax. For a more complete discussion, see "TAX MATTERS" herein.

Montgomery County Community College

$51,640,000
STATE PUBLIC SCHOOL BUILDING AUTHORITY
(Commonwealth of Pennsylvania)
College Revenue Bonds
(Montgomery County Community College)
Series of 2015

Dated: Date of Delivery Due: May 1, as shown on the inside front cover

The 2015 Bonds are issuable only in fully registered form without coupons, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (DTC). So long as Cede & Co. is the registered owner, reference herein to the registered owner of 2015 Bonds shall mean Cede & Co. and not the Beneficial Owners (as such phrase is defined herein). DTC will act as securities depository of the 2015 Bonds, and purchases of beneficial ownership interest in the 2015 Bonds will be made in book-entry form only, in denominations of $5,000 or integral multiples thereof. Beneficial Owners will not receive certificates representing their interest in the 2015 Bonds. See "THE 2015 BONDS - Book-Entry Only System" herein.

Interest on the 2015 Bonds is payable on May 1 and November 1 in each year until maturity or earlier redemption, commencing November 1, 2015, by The Bank of New York Mellon Trust Company, N.A., as trustee for the 2015 Bonds (the "Trustee"). So long as Cede & Co. is the registered owner, the Trustee will pay principal of, and interest on the 2015 Bonds to DTC, which will remit such principal and interest to its Participants (as such phrase is defined herein) which will in turn remit such principal and interest to the Beneficial Owners of the 2015 Bonds, as more fully described herein. See "The 2015 BONDS - Book-Entry Only System" herein.

The 2015 Bonds are subject to redemption prior to maturity as more fully described herein. See "THE 2015 BONDS - Redemption Provisions" herein.

The 2015 Bonds are being issued by the State Public School Building Authority (the "Authority") on behalf of the Montgomery County Community College (the "College") pursuant to the State Public School Building Authority Act and a Trust Indenture dated as of August 1, 2015 (the "Indenture") between the Authority and the Trustee.

THE 2015 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE SECURED BY AND PAYABLE SOLELY FROM PAYMENTS MADE BY THE COLLEGE UNDER THE LOAN AGREEMENT AS MORE FULLY DESCRIBED HEREIN. NEITHER THE PRINCIPAL OR REDEMPTION PRICE OF THE 2015 BONDS NOR THE INTEREST ACCRUING THEREON SHALL CONSTITUTE A GENERAL INDEBTEDNESS OF THE AUTHORITY OR AN INDEBTEDNESS OF THE COMMONWEALTH OF PENNSYLVANIA (THE "COMMONWEALTH") OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER; CONSTITUTE OR GIVE RISE TO PECUNIARY LIABILITY OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF; CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY OR THE GENERAL CREDIT OR TAXING POWER OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF; OR BE DEEMED TO BE A GENERAL OBLIGATION OF THE AUTHORITY OR AN OBLIGATION OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF. THE AUTHORITY HAS NO TAXING POWER.

The 2015 Bonds are offered for delivery when, as and if issued by the Authority and received by the Underwriter and subject to the approving legal opinion of Saul Ewing LLP, Philadelphia, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for the Authority by its counsel, Buchanan Ingersoll & Rooney PC, Pittsburgh, Pennsylvania; for the College by its counsel, Fox Rothschild LLP, Blue Bell, Pennsylvania; and for the Underwriter by its counsel, Dilworth Paxson LLP, Philadelphia, Pennsylvania. It is expected that the 2015 Bonds will be available for delivery through The Depository Trust Company, New York, New York on or about August 11, 2015.

RBC Capital Markets®

Dated: July 28, 2015

$51,640,000
STATE PUBLIC SCHOOL BUILDING AUTHORITY
College Revenue Bonds
(Montgomery County Community College)
Series of 2015

Maturity Schedule
Dated: Date of Delivery
Due: May 1, as shown below
Interest Payable: May 1 and November 1, commencing November 1, 2015

Maturity (May 1)	**Principal Amount**	**Interest Rate**	**Yield**	**Price**	**CUSIP No. * (85732M)**
2016	$420,000	2.000%	0.500%	101.079	H59
2017	595,000	3.000%	0.920%	103.545	H67
2018	1,015,000	4.000%	1.210%	107.447	H75
2019	2,860,000	5.000%	1.440%	112.855	H83
2020	2,995,000	5.000%	1.680%	115.008	H91
2021	3,145,000	5.000%	1.980%	116.259	J24
2022	3,305,000	5.000%	2.320%	116.588	J32
2023	3,465,000	5.000%	2.540%	117.147	J40
2024	3,650,000	5.000%	2.720%	117.593	J57
2025	3,820,000	5.000%	2.860%	118.047	J65
2026	4,015,000	5.000%	3.030%**	116.477	J73
2027	4,215,000	5.000%	3.170%**	115.203	J81
2028	4,425,000	5.000%	3.260%**	114.393	J99
2029	1,715,000	5.000%	3.350%**	113.590	K22
2030	1,800,000	4.000%	3.760%**	101.934	K30
2031	1,870,000	4.000%	3.820%**	101.445	K48
2032	1,945,000	4.000%	3.870%**	101.040	K55
2033	2,025,000	5.000%	3.570%**	111.654	K63
2034	2,125,000	5.000%	3.610%**	111.306	K71
2035	2,235,000	5.000%	3.650%**	110.960	K89

** Priced to first call date on May 1, 2025.

STATE PUBLIC SCHOOL BUILDING AUTHORITY
(Commonwealth of Pennsylvania)

1035 Mumma Road
Wormleysburg, Pennsylvania 17043

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 Timothy A. Reese State Treasurer	Treasurer
Honorable Curtis M. Topper Secretary of General Services	Secretary
Honorable Anthony M. DeLuca Designated by the Minority Leader of the House of Representatives	Board Member
Honorable Eugene A. DePasquale Auditor General	Board Member
Honorable Pedro A. Rivera Secretary of Education	Board Member

EXECUTIVE DIRECTOR
Robert Baccon

AUTHORITY COUNSEL
(Appointed by the Office of General Counsel)
Buchanan Ingersoll & Rooney PC
Pittsburgh, Pennsylvania

BOND COUNSEL
(Appointed by the Office of General Counsel)
Saul Ewing LLP
Philadelphia, Pennsylvania

TRUSTEE
The Bank of New York Mellon Trust Company, N.A.
Pittsburgh, Pennsylvania

UNDERWRITER
RBC Capital Markets, LLC
Philadelphia, Pennsylvania

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2015 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE 2015 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

No dealer, broker, salesman or other person has been authorized by the Authority, the College or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the 2015 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from the College and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Underwriter or, as to information from other sources, by the Authority or the College. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the College or with respect to other matters set forth herein since the date hereof.

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

The 2015 Bonds are not, and will not, be registered under the Securities Act of 1933, as amended, or under any state securities laws, and the Indenture has not been, and will not be, qualified under the Trust Indenture Act of 1939 because of available exemptions therefrom. Neither the Securities and Exchange Commission nor any federal, state, municipal or other governmental agency will pass upon the accuracy, completeness or adequacy of this Official Statement.

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INTRODUCTION

This Introduction is qualified in its entirety by the more detailed information appearing elsewhere in this Official Statement and in the Appendices hereto.

General

This Official Statement of the State Public School Building Authority (the "Authority"), which includes the cover page hereof and the Appendices attached hereto, provides certain information relating to the Authority and its $51,640,000 College Revenue Bonds (Montgomery County Community College), Series of 2015 (the "2015 Bonds"). The 2015 Bonds are being issued pursuant to the State Public School Building Authority Act, approved by the General Assembly of the Commonwealth of Pennsylvania (the "Commonwealth") on July 5, 1947, P.L. 1217, as amended (the "Act").

The Authority is a body corporate and politic created in 1947 by the Act. Under the Act, the Authority is constituted as 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 under the jurisdiction of the Pennsylvania Department of Education. Under the Act, the Authority has the additional purpose of acquiring, financing, refinancing, construction, improvement, maintenance and operation of community college buildings and furnishing and equipping them for use, to the extent permitted by law. In addition, Article XIX-A of the Public School Code, Act of July 1, 1985, P.L. 103, No. 31, Section 1, *et seq.*, as amended, (24 P.S. Section 19-1901A, *et seq.*) (the "Community College Act") provides that community colleges in the Commonwealth shall be eligible for financing under the Act.

Montgomery County Community College (the "College") was established under the sponsorship of Montgomery County (the "County" or the "Local Sponsor") pursuant to a resolution by the Board of County Commissioners of the County dated June 1, 1964, in accordance with the provisions of the Community College Act of 1963, which act was repealed and replaced by the Community College Act, and general guidelines for the implementation thereof prepared by the Department of Education. The College offers more than one hundred associate degree and certificate programs in forty-four areas of study, including nearly a dozen online degree and certificate programs and several hybrid online/traditional programs, and serves approximately 21,700 full-time and part-time credit and non-credit students. The College's central campus is a 186-acre site located in Blue Bell, Whitpain Township, Montgomery County, Pennsylvania, which is leased to the College by the County. The College also offers courses through a virtual campus and several learning centers located throughout the County. For further information about the College, see "Appendix A" attached hereto.

The 2015 Bonds

The 2015 Bonds are being issued by the Authority on behalf of the College pursuant to the Act and that certain Trust Indenture dated as of August 1, 2015, between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Indenture"). The 2015 Bonds will be dated the date of delivery thereof, and will bear interest from such date, payable on May 1 and November 1 of each year commencing November 1, 2015, at the rates set forth inside the front cover page hereof and shall be subject to redemption prior to maturity as described herein. See "THE 2015 BONDS - General Description of the 2015 Bonds" and "Redemption Provisions" herein.

The 2015 Bonds are issuable only as fully registered bonds without coupons, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. See "THE 2015 BONDS - Book-Entry Only System" herein.

Use of Proceeds

Pursuant to a Loan Agreement dated as of August 1, 2015, between the Authority, as lender, and the College, as borrower (the "Loan Agreement"), the Authority will lend the proceeds of the 2015 Bonds to the College, which will use such proceeds as more fully described herein under "PURPOSE OF THE 2015 BONDS - The Project", "Advance Refunding of 2008 Refunded Bonds", and "Sources and Uses of Funds".

Security for the 2015 Bonds

The College will deliver to the Authority a promissory note dated the date of issuance of the 2015 Bonds (the "Note"), evidencing its obligation under the Loan Agreement with respect to the 2015 Bonds.

The 2015 Bonds are secured under the Indenture by the assignment to the Trustee of all the right, title and interest of the Authority in and to the Note and the Loan Agreement (except for the Authority's right to payment of certain fees and expenses and to indemnification), including those amounts payable thereunder. The College has no taxing power. See "SECURITY AND SOURCE OF PAYMENT" herein for a more complete description of the College's funding structure.

The 2015 Bonds are limited obligations of the Authority and are secured by, and payable solely from all revenues of the Authority derived from, and all of the right, title and interest of the Authority in and to, the Loan Agreement, the Note and all amounts payable to the Authority by the College thereunder (except the rights of the Authority to indemnification and to the payment of its fees and expenses thereunder) and all monies and income and receipts in respect thereof held by the Trustee under the Indenture, except the Rebate Fund (collectively the "Pledged Revenues"), as more fully described herein. Neither the principal of, or redemption price of, the 2015 Bonds, nor the interest accruing on the 2015 Bonds, shall constitute a general indebtedness of the Authority or an indebtedness of the Commonwealth or any political subdivision thereof within the meaning of any constitutional or statutory provision whatsoever, constitute or give rise to pecuniary liability of the Commonwealth or any political subdivision thereof, constitute a charge against the general credit of the Authority or the general credit or taxing power of the Commonwealth or any political subdivision thereof, or be deemed to be a general obligation of the Authority or an obligation of the Commonwealth or any political subdivision thereof. The Authority has no taxing power.

Additional Bonds

Upon compliance with the terms and obligations and conditions of the Indenture and the Loan Agreement, the Authority, at the request of the College, may issue Additional Bonds on parity with the 2015 Bonds (collectively, the "Bonds"), for any purpose permitted under the Act. See "SECURITY AND SOURCE OF PAYMENT - Additional Bonds" herein.

Two other series of bonds have previously been issued by the Authority on behalf of the College that are currently outstanding. The State Public School Building Authority College Revenue Bonds, (Montgomery County Community College Project), Series of 2008 (the "2008 Bonds") are currently outstanding in the principal amount of $28,470,000 and mature on May 1, 2028. The College will be using a portion of the proceeds of the 2015 Bonds to advance refund a portion of the outstanding 2008 Bonds (the "2008 Refunded Bonds"). The State Public School Building Authority College Revenue Bonds, (Montgomery County Community College), Series of 2013 (the "2013 Bonds", and, together with the 2008 Bonds, the "Prior Bonds") are currently outstanding in the principal amount of $50,000,000 and mature on May 1, 2038.

The Prior Bonds are limited obligations of the Authority payable solely out of the revenues pledged therefor under separate trust indentures between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee and as successor trustee. The College has entered into separate loan agreements with the Authority pursuant to which it borrowed the proceeds of the Prior Bonds and has issued notes to evidence its obligations with respect to the Prior Bonds. The timely payment of all payments due under the prior loan agreements and the prior notes are unsecured general obligations of the College.

In order to enable the Underwriter to comply with the requirements of Rule 15c2-12, as amended ("Rule 15c2-12"), promulgated under the Securities Exchange Act of 1934, as amended, the College will enter into a Continuing Disclosure Agreement to be dated the date of the 2015 Bonds with the Trustee and the Authority (the "Continuing Disclosure Agreement") which will require the College (i) to file with the Municipal Securities Rulemaking Board (the "MSRB") via the Electronic Municipal Market Access System ("EMMA") certain annual information, consisting of certain financial and operating data of the College and (ii) to disclose the occurrence, if any, of certain events material to the 2015 Bonds. The Continuing Disclosure Agreement will provide that any filing in connection with the College's continuing disclosure undertaking may be made solely by transmitting such filing to the MSRB via EMMA. The obligations of the College under the Continuing Disclosure Agreement will constitute a written undertaking for the benefit of the holders and beneficial owners from time to time of the 2015 Bonds. See "CONTINUING DISCLOSURE" herein.

Availability of Documents

The general descriptions of various legal documents set forth in this Official Statement do not purport to be comprehensive or definitive and reference should be made to each document for complete details of all terms and conditions thereof. Copies of all documents referred to herein are available for inspection upon prior written request during normal business hours at the corporate trust office of the Trustee, in Pittsburgh, Pennsylvania. All statements herein are qualified in their entirety by the terms of each such document. Any capitalized terms or phrases used herein and not defined have the respective meanings set forth in the Indenture.

PURPOSE OF THE 2015 BONDS

The Project

The 2015 Bonds are being issued to provide funds to finance a project consisting of financing: (a) certain capital projects for use and operation by the College, namely: (i) improvements, renovations, upgrades and additions to spaces formerly housing Health Sciences programs into general purpose classrooms or additional lab spaces to support growing STEM programming and meet current pedagogical methods for instruction in the sciences; (ii) improvements, renovations, upgrades and additions to the theater, including, without limitation, an addition to the backstage area for ADA compliance and improved support facilities, renovations to restrooms for code and ADA compliance, renovations and updates to the HVAC system and controls, energy-efficient lighting and other furnishings, fixtures and equipment (collectively, the "Improvements"); (iii) capitalized interest on some or all of the Improvements; (iv) the acquisition of the North Hall property, located on the College's West Campus (the "North Hall Property", and, together with the Improvements, the "College Facilities"); ((i), (ii), (iii) and (iv) together the "2015 Capital Project"); (b) the advance refunding of a portion of the Authority's Revenue Bonds, Series of 2008 (the "2015 Refunding Project", and along with the 2015 Capital Project, the "Project"); and (c) the costs of issuance of the 2015 Bonds.

Advance Refunding of the 2008 Refunded Bonds

A portion of the proceeds of the 2015 Bonds will be irrevocably deposited into an escrow fund (the "Escrow Fund") maintained by The Bank of New York Mellon Trust Company, N.A., as trustee for the 2008 Refunded Bonds, under the terms of an Escrow Deposit Agreement (the "Escrow Agreement") dated as of August 1, 2015. The proceeds of the 2015 Bonds so deposited will remain uninvested in cash or be used to purchase direct obligations of the United States of America (the "Government Obligations") or certain other permitted obligations, which will mature and earn interest at such rates as will provide sufficient funds to pay the interest, maturing principal and redemption price of 100% of principal amount plus accrued interest as and when due, and on May 1, 2018, when all of the remaining 2008 Refunded Bonds will be retired.

Sources and Uses of Funds

The following table shows the estimated sources and uses of funds:

Sources:	
Principal Amount of 2015 Bonds	$51,640,000.00
Original Issue Premium	6,879,196.85
Total Sources of Funds:	$58,519,196.85
Uses:	
Deposit to Project Fund	$31,068,516.00
Cash Deposit to Escrow Fund	$333.08
Open Market Purchases in Escrow Fund	26,152,360.53
Capitalized Interest Fund	1,042,319.44
Costs of Issuance (1)	255,667.80
Total Uses of Funds:	$58,519,196.85

(1) Includes Underwriter's discount, legal fees, Trustee fees, rating agency fees, Escrow Agent fees, verification agent fees, printing costs and miscellaneous expenses.

THE AUTHORITY

The Authority and the Pennsylvania Higher Educational Facilities Authority ("PHEFA") share an executive, fiscal and administrative staff, and operate under a joint administrative budget. The Authority has issued, and may continue to issue, series of bonds for the purpose of financing projects, including educational facilities, for other schools. Each such series of bonds is, or will be, secured by instruments separate and apart from the Indenture securing the 2015 Bonds. Under the Act, the Authority consists of the Governor of the Commonwealth of Pennsylvania, the State Treasurer, the Auditor General, the Secretary of Education, the Secretary of the Department of General Services, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Minority Leader of the Senate and the Minority Leader of the House of Representatives. The President Pro Tempore of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives and the Minority Leader of the House of Representatives may designate any member of his or her legislative body to act as a member of the Authority in his or her stead. The members of the Authority serve without compensation but are entitled to reimbursement for all necessary expenses incurred in connection with the performance of their duties as members. The powers of the Authority are exercised by a governing body consisting of the members of the Authority acting as a board.

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

Robert Baccon, Executive Director

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

David Player, Comptroller & Director of Financial Management

Mr. Player serves as the Comptroller & Director of Financial Management of both the Authority and PHEFA. 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 Pennsylvania State University, with a bachelor's degree in accounting. He is a Certified Public Accountant.

Beverly M. Nawa, Administrative Officer

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

THE 2015 BONDS

General Description of the 2015 Bonds

The 2015 Bonds will be issued as fully registered bonds without coupons in denominations of $5,000 or any whole multiple thereof. The 2015 Bonds shall bear interest on the unpaid principal at the rates and mature in the amounts and on the dates set forth on the inside cover page of this Official Statement and are subject to redemption prior to maturity, as set forth herein. See "THE 2015 BONDS - Redemption Provisions" herein. While the 2015 Bonds are in the Book-Entry-Only System, references to the "Owner" or the "Registered Owner" as described herein are to Cede & Co., as nominee of DTC. Each beneficial owner of a 2015 Bond may desire to make arrangements with a DTC Participant to receive notices or communications with respect to matters described herein. See "THE 2015 BONDS - Book-Entry Only System" herein.

Interest on the 2015 Bonds shall be computed on the basis of a 30-day month and 360-day year and shall be payable semiannually on May 1 and November 1 of each year (each, an "Interest Payment Date"), commencing on November 1, 2015. If an Interest Payment Date occurs on a Saturday, Sunday, legal holiday or a day on which banking institutions in any state in which the corporate trust office of any authorized paying agent is located, are authorized or required by law or executive order to be closed, the interest on and principal of the 2015 Bonds coming due on such Interest Payment Date shall be payable on the next succeeding business day without any additional accrual of interest.

Each 2015 Bond will be dated the date of delivery thereof, and will bear interest from the Interest Payment Date next preceding the authentication date thereof, unless such 2015 Bond is authenticated after a Record Date and on or before the next succeeding Interest Payment Date, in which case, it shall bear interest from such Interest Payment Date, or unless such 2015 Bond is authenticated on or prior to the Record Date next preceding the first Interest Payment Date, in which case it shall bear interest from the date of delivery thereof.

So long as DTC or its nominee, Cede & Co., is the registered owner of the 2015 Bonds, payments of the principal of, premium, if any, and interest on the 2015 Bonds will be made by the Trustee directly to Cede & Co. Disbursements of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC. Disbursement of such payment to the owners of the beneficial interest in the 2015 Bonds is the responsibility of the DTC Participants and the Indirect Participants (as hereinafter defined). See "THE 2015 BONDS - Book-Entry Only System" herein. At all other times, the principal of the 2015 Bonds shall be payable at the designated corporate trust or corporate trust agency office of The Bank of New York Mellon Trust Company, N.A., as Trustee in Pittsburgh, or such other office or corporate trust office as may be designated by the Trustee, in such coin or currency of the United States of America as at the time and place of payment is legal tender for public and private debts. Interest shall be paid by check drawn upon the Trustee and mailed to the persons in whose names the 2015 Bonds are registered at the close of business on the fifteenth (15th) day (whether or not a Business Day) of the month immediately preceding the month of the relevant Interest Payment Date (the "Regular Record Date") at the addresses shown on the registration records for the 2015 Bonds (the "Bond Register") kept by the Trustee.

Notwithstanding the foregoing, if and to the extent there shall be a default in the payment of interest due on an Interest Payment Date, such defaulted interest shall be paid on a special payment date established by the Trustee, to the Registered Owners in whose names the 2015 Bonds are registered at the close of business on a special record date (the "Special Record Date" and together with the Regular Record Date, the "Record Date") to be fixed by the Trustee, such date to be not more than 15 days (whether or not a Business Day) nor less than 10 days prior to the date of payment of the defaulted interest.

Delivery of Certificates; Registered Owners

Subject to the provisions described under "THE 2015 BONDS - Book-Entry Only System" below, in the event that the Authority determines that it is in the best interest of the Authority and/or the Beneficial Owners (as hereinafter defined) of the 2015 Bonds that 2015 Bond certificates be issued, or if DTC determines to discontinue providing its services with respect to the 2015 Bonds (and no successor Securities Depository has been designated), 2015 Bond certificates in fully registered form will be printed and delivered as directed by DTC. The ownership of the 2015 Bonds so delivered (and any 2015 Bonds thereafter delivered upon a transfer or exchange described below) shall be registered in the Bond Register kept by the Trustee at its designated corporate trust office, and the Authority, the College and the Trustee shall be entitled to treat the registered owners of such 2015 Bonds, as their names appear in such Bond Register as of the appropriate dates, as the owners thereof for all purposes described in the Indenture.

Transfer and Exchange

Subject to the provisions described under "THE 2015 BONDS - Book-Entry Only System" below, a 2015 Bond may be transferred or exchanged only upon presentation thereof to the Trustee. Such 2015 Bond must be accompanied by a written instrument or instruments of transfer or exchange, in form and with guaranty of signatures satisfactory to the Trustee, duly executed by the Registered Owner thereof or his duly authorized agent or legal representative. Upon surrender of any 2015 Bonds to be transferred or exchanged, the Trustee shall record the transfer or exchange in its Bond Register and shall authenticate and deliver new 2015 Bonds appropriately registered and in appropriate authorized denominations. Neither the Authority nor the Trustee shall be required to effect or register any transfer or exchange of any 2015 Bond during the period beginning on any Record Date and ending on the corresponding Interest Payment Date, except that 2015 Bonds properly surrendered for partial redemption may be exchanged for new 2015 Bonds, in authorized denominations, equal in the aggregate to the unredeemed portion. No charge will be imposed in connection with any transfer or exchange, except for taxes or governmental charges related thereto. No service charge shall be made for any transfer of any 2015 Bond, but the Authority or the Trustee may require payment of any sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of 2015 Bonds.

Book-Entry Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC. The Corporation, the Authority and the Underwriter take no responsibility for the accuracy thereof, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The information in this section has been provided by DTC and is not to be deemed to be a representation of the Authority, the College or the Underwriter.

DTC, New York, New York, will act as securities depository for the 2015 Bonds. The 2015 Bonds will be issued as fully registered 2015 Bonds 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 certificate will be issued for each maturity of the 2015 Bonds, each in the aggregate principal amount of such maturity, 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 and www.dtc.org.

Purchases of the 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2015 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2015 Bond (“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 2015 Bonds 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 the 2015 Bonds, except in the event that use of the book entry system for the 2015 Bonds is discontinued.

To facilitate subsequent transfers, all 2015 Bonds 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 2015 Bonds 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 2015 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 2015 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2015 Bonds, such as redemptions, defaults and proposed amendments to the bond documents. For example, Beneficial Owners of the 2015 Bonds may wish to ascertain that the nominee holding the 2015 Bonds 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 will be sent to DTC. If less than all of the 2015 Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2015 Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to an 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 the 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, premium, if any, and interest on the 2015 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, 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 2015 Bonds 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, the Authority or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium, if any, and interest on the 2015 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, 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.

DTC may discontinue providing its services as depository with respect to the 2015 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2015 Bond certificates are required to be printed and delivered.

Discontinuation of Book-Entry Only System

As described above, DTC may determine to discontinue providing its service with respect to the 2015 Bonds at any time by giving notice to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law. In addition, the Authority may decide at any time to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In either event, certificates for the 2015 Bonds would be printed and delivered, and the following provisions would apply, subject to the further conditions set forth in the Indenture.

Delivery of Certificates; Registered Owners

2015 Bond certificates in fully registered form will be delivered to, and registered in the names of, the DTC Participants or such other persons as such DTC Participants may specify (which may be the Indirect Participants or beneficial owners), in authorized denominations of $5,000 or integral multiples thereof. The ownership of the 2015 Bonds so delivered (and any 2015 Bonds thereafter delivered upon a transfer or exchange described below) shall be registered on the bond register (the "Bond Register") of the Authority to be maintained by the Trustee at its payment office, and the Authority and the Trustee will be entitled to treat the Registered Owners of such 2015 Bonds, as their names appear on the Bond Register as of the appropriate dates, as the owners thereof for all purposes described herein and in the Indenture.

None of the Authority, the Underwriter, the Trustee, or the College will have any responsibility or obligations to any Direct Participants or Indirect Participants or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or any such Direct Participant or Indirect Participant; (ii) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of, premium, if any, or interest on the 2015 Bonds; (iii) the delivery by any such Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Indenture to be given to Bondholders; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the 2015 Bonds; or (v) any consent given or other action taken by DTC as Bondholder.

Redemption Provisions

The 2015 Bonds are subject to redemption as described below:

Optional Redemption: The 2015 Bonds maturing on or after May 1, 2026 are subject to optional redemption prior to maturity, at the option of the Authority at the direction of the College, in whole or in part at any time and from time to time, on or after May 1, 2025 and if in part within a maturity by lot, in any order of maturity, at a redemption price of 100% plus accrued interest to the date fixed for redemption. Any partial optional redemption may be in any order of maturity and in any principal amount within a maturity as designated by the College. The 2015 Bonds to be redeemed within a maturity will be selected by the Trustee by lot.

Extraordinary Optional Redemption: The 2015 Bonds are subject to extraordinary redemption prior to maturity, in whole or in part at any time, in any order of maturity selected by the College, and within any maturity by lot, upon payment of a redemption price equal to one hundred percent (100%) of the principal amount, plus accrued interest to the date of redemption, but only in the event that all or a portion of the College Facilities financed with the proceeds of the 2015 Bonds are condemned, sold under threat of condemnation, damaged or destroyed and it is determined by the College that repair or reconstruction is not desirable, practical or financially feasible, from and to the extent of insurance proceeds, condemnation awards, or proceeds of sale in lieu of condemnation payable to the College and deposited for such purposes with the Trustee.

Notice of Redemption

So long as the 2015 Bonds are registered in the name of DTC or its nominee, the Trustee shall cause notice of any redemption of 2015 Bonds to be made only to DTC or its nominee. If at any time the book-entry only system shall be discontinued with respect to the 2015 Bonds or if any 2015 Bonds are not registered in the name of DTC, its nominee or similar depository or nominee, the Trustee shall cause any notice of redemption to be mailed by first class mail, postage prepaid to the Owners of all 2015 Bonds to be redeemed at the registered addresses appearing in the Bond Register. Each such notice shall be given in the name of the Authority and shall (i) be mailed not less than 20 nor more than 60 days prior to the redemption date, (ii) identify the 2015 Bonds to be redeemed (specifying the CUSIP numbers, if any, assigned to the 2015 Bonds), (iii) specify the redemption date and the redemption price, and (iv) state that on the redemption date the 2015 Bonds called for redemption will be redeemable at the designated trust office, in Pittsburgh, of the Trustee or any alternative paying agent, that interest will cease to accrue from the redemption date, and that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the 2015 Bonds. No defect affecting any particular 2015 Bonds, whether in the notice of redemption or mailing thereof (including any failure to mail such notice), shall affect the validity of the redemption proceedings for (he redemption of any other 2015 Bonds. No further interest shall accrue on any 2015 Bond called for redemption after the redemption date if payment of the redemption price has been duly provided for and the Owners of such 2015 Bonds shall have no rights except to receive payment of the redemption price and the unpaid interest accrued on such 2015 Bond to the date fixed for redemption. If at the time of mailing of any notice of redemption the Authority shall not have deposited with the Trustee monies sufficient to redeem all the 2015 Bonds called for redemption, such notice shall state that it is subject to the deposit of the redemption monies with the Trustee not later than the opening of business on the redemption date and shall be of no effect unless such monies are so deposited. If such monies are not deposited by such date and time, the Trustee shall promptly notify the Owners of all 2015 Bonds called for redemption of such fact.

Debt Service Requirements

The table below indicates the College's total outstanding debt service upon issuance of the 2015 Bonds.

Year Ended June 30	2015 Bonds Principal	2015 Bonds Interest	2015 Bonds Total Debt Service	2008 Bonds Remaining Total Debt Service*	2013 Bonds Total Debt Service	Aggregate Debt Service
2016	$420,000.00	$1,799,200.00	$2,219,200.00	$1,864,075.00	$4,855,743.76	$8,939,018.76
2017	595,000.00	2,482,800.00	3,077,800.00	1,863,075.00	4,827,143.76	9,768,018.76
2018	1,015,000.00	2,464,950.00	3,479,950.00	1,861,600.00	4,830,743.76	10,172,293.76
2019	2,860,000.00	2,424,350.00	5,284,350.00		4,833,743.76	10,118,093.76
2020	2,995,000.00	2,281,350.00	5,276,350.00		4,829,993.76	10,106,343.76
2021	3,145,000.00	2,131,600.00	5,276,600.00		4,824,493.76	10,101,093.76
2022	3,305,000.00	1,974,350.00	5,279,350.00		4,826,993.76	10,106,343.76
2023	3,465,000.00	1,809,100.00	5,274,100.00		4,826,743.76	10,100,843.76
2024	3,650,000.00	1,635,850.00	5,285,850.00		4,828,493.76	10,114,343.76
2025	3,820,000.00	1,453,350.00	5,273,350.00		4,827,093.76	10,100,443.76
2026	4,015,000.00	1,262,350.00	5,277,350.00		2,555,093.76	7,832,443.76
2027	4,215,000.00	1,061,600.00	5,276,600.00		2,556,156.26	7,832,756.26
2028	4,425,000.00	850,850.00	5,275,850.00		2,557,518.76	7,833,368.76
2029	1,715,000.00	629,600.00	2,344,600.00		2,558,800.00	4,903,400.00
2030	1,800,000.00	543,850.00	2,343,850.00		2,557,000.00	4,900,850.00
2031	1,870,000.00	471,850.00	2,341,850.00		2,554,975.00	4,896,825.00
2032	1,945,000.00	397,050.00	2,342,050.00		2,557,450.00	4,899,500.00
2033	2,025,000.00	319,250.00	2,344,250.00		2,553,875.00	4,898,125.00
2034	2,125,000.00	218,000.00	2,343,000.00		1,199,250.00	3,542,250.00
2035	2,235,000.00	111,750.00	2,346,750.00		1,197,250.00	3,544,000.00
2036					1,198,000.00	1,198,000.00
2037					1,196,250.00	1,196,250.00
2038					1,197,000.00	1,197,000.00

*Series 2008 Bonds after the effect of the advance refunding of a portion of the 2008 Bonds.

SECURITY AND SOURCE OF PAYMENT

General

The 2015 Bonds are limited obligations of the Authority, payable solely from (i) payments received from the College under the Loan Agreement and the Note, and (ii) moneys held by the Trustee in certain funds established under the Indenture, excepting, however, sinking or Indenture funds pledged to any Additional Bonds.

On the date of issuance of the 2015 Bonds, the Authority and the College will enter into the Loan Agreement pursuant to which the Authority will, among other things, lend the proceeds of the 2015 Bonds to the College.

Under the Loan Agreement, the College agrees to repay such loan in such amounts and at such times as will provide sufficient funds to meet the debt service requirements on the 2015 Bonds. The College will deliver the Note to the Authority evidencing its obligations under the Loan Agreement with respect to the 2015 Bonds.

The 2015 Bonds are secured under the Indenture by the assignment to the Trustee of all the right, title and interest of the Authority in and to the Note and the Loan Agreement (except for the Authority's right to payment of certain fees and expenses and to indemnification), including amounts payable thereunder. The timely payment of all payments due under the Loan Agreement and the Note is the unsecured general obligation of the College. See "Community College Funding Structure" below. The College has no taxing power.

The 2015 Bonds are limited obligations of the Authority payable solely from the Pledged Revenues pledged under the Indenture. Neither the principal or redemption price of the 2015 Bonds, nor the interest accruing thereon, shall constitute a general indebtedness of the Authority or an indebtedness of the Commonwealth or any political subdivision thereof within the meaning of any constitutional or statutory provision whatsoever, constitute or give rise to pecuniary liability of the Commonwealth or any political subdivision thereof, constitute a charge against the general credit of the Authority or the general credit or taxing power of the Commonwealth or any political subdivision thereof, or be deemed to be a general obligation of the Authority or an obligation of the Commonwealth or any political subdivision thereof. The Authority has no taxing power.

No Recourse.

No recourse shall be had for the payment of the principal of, the interest on, or the premium (if any) payable upon the redemption of, any 2015 Bond, or for any claim based thereon or on this Indenture, against any member, officer or employee of the Authority, or of any successor body, as such, either directly or through the Authority or any such successor body, whether by virtue of any constitutional provision, statue or rule of law, or by the enforcement of any assessment or penalty, or otherwise, of the members, officers or employees being released as a condition of and as consideration for the execution of this Indenture and the issue of the 2015 Bonds.

No Debt Service Reserve Fund

The 2015 Bonds will not be secured by a debt service reserve fund.

Additional Bonds

The Authority may issue Additional Bonds on parity with the 2015 Bonds (other than with respect to certain funds under the Indenture). In connection with the issuance of Additional Bonds, additional funds may be established under the Indenture for the benefit of such additional series. In such event, the holders of the 2015 Bonds will have no claims or right to any such funds. For a further description of the conditions under which such Additional Bonds may be issued, see "SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT AND THE INDENTURE - The Indenture" herein.

Community College Budget and Funding Structure

The College's annual operating and capital budget is set by the College Board of Trustees and approved by the Local Sponsor. The Commonwealth, the County, and student tuition revenues support the operating budget. Management of the College's approved budget as set forth by the College Board of Trustees is the responsibility of the College administration. The President and other senior staff members assume responsibility for fiscal control in their respective areas of responsibility. A comprehensive financial information system allows for continual monitoring of expenditure patterns. See Appendix A for information regarding the College and Appendix B for certain Audited Financial Statements of the College.

Local Sponsor Obligation

General: Under the Community College Act, community colleges are established pursuant to a plan submitted by a local sponsor and approved by the Commonwealth Board of Education (a "Plan"). In the case of the College, the Plan was submitted by the County as the local sponsor in 1964.

Operating Costs and Capital Expenses: The Community College Act stipulates that the Plan shall set forth a financial program for the operation of the community college. The Plan shall provide that the local sponsor shall appropriate or provide to the community college an amount at least equal to the community college's annual operating costs less the student tuition and less the Commonwealth's payment as determined pursuant to the Community College Act. The Plan shall provide that one-half of the annual capital expenses shall be appropriated or provided by the local sponsor to the community college. The local sponsor's appropriation for annual operating costs and annual capital expenses may in part be represented by real or personal property or services made available to the community college. Of the College's total annual operating costs, up to one third may be collected from students in the form of tuition and the balance is to be provided by the Local Sponsor and the Commonwealth. The Commonwealth pays the College for expenses associated with operating costs using a formula which is based on prior year payments. The Commonwealth does not pay on the basis of the formula provided in the Community

College Act. See “SECURITY AND SOURCE OF PAYMENT - Community College Budget and Funding Structure - Commonwealth Obligation” below.

The County, as local sponsor of the College, has undertaken to and is obligated to pay one-half of the College’s annual capital expenses. Half of the estimated debt service required for the Improvements contemplated by the 2015 Capital Project is $13 million. The County approved a resolution on June 18, 2015 authorizing the use of proceeds of the 2015 Bonds. The College does not currently intend to apply for an increase in the amount of the County approval. In addition, the County’s ability to budget and appropriate funds necessary to make such payments is dependent upon its own financial condition. The resolution of the County with respect to the 2015 Capital Project is also subject to amendment. No representation is made or assurance given that the County will have sufficient funds in its operating budget for each fiscal year to pay its portion of the College’s capital and operating costs.

The following table discloses the County’s direct financial support of the College for the past five fiscal years.

Contributions from the County for the Five Years Ended June 30, 2015

Fiscal Year	Operating Dollars	Debt Service	Capital	Total
2011	$17,702,534	$2,360,378	$958,979	$21,021,891
2012	17,702,534	2,360,378	958,979	21,021,891
2013	12,471,328	2,360,378	958,979	15,790,658
2014	12,854,746	3,095,998	959,406	16,910,150
2015	13,230,480	2,988,521	1,799,406	18,018,407

Taxing Power Regarding Community Colleges: The Community College Act authorizes, but does not require, the governing body of each school district or municipality comprising a local sponsor of a community college to levy taxes annually on subjects of taxation as prescribed by law in such school district or municipality for the purpose of establishing, operating and maintaining a community college. The tax levy authorized is in excess of and beyond the millage fixed or limited by law, subject to certain limiting provisions of the Community College Act. However, in no event shall the obligation of any local sponsor for operating or capital expenses of a community college exceed the limit of such local sponsor’s authority to levy taxes pursuant to the Community College Act and other Commonwealth law or its right to incur or increase indebtedness under Article IX of the Constitution of Pennsylvania. The College has no taxing power.

Lease of Campus. The County owns the land and buildings comprising the central campus of the College (the “Central Campus”). Pursuant to a Sub-Lease dated as of February 1, 1970, as supplemented and amended (the “Lease”), the County leases the Central Campus to the College for an annual rental of $1 for a term ending on December 31, 2044. The College covenants under the Lease to operate the Central Campus as a community college as a part of the Commonwealth’s system of higher education, to make adequate provision for all costs of operation, compensation, expenses and taxes in its annual budget, to maintain the Central Campus in good repair, to insure the Central Campus against loss or damage by fire or other casualty and against public liability arising out of use of the facilities, to pay or make provision for the payment of all taxes and assessments levied upon the Central Campus or any of the College’s revenues. The College also covenants not to lease or encumber the Central Campus or to assign the Lease without the consent of the County. If the College shall fail to comply with the covenants contained in the Lease for a period of six months after written notice from the County, the County may terminate the Lease and take possession of the Central Campus. The Lease and obligations of the College thereunder are not pledged or assigned as security for the 2015 Bonds and neither the Authority nor the Trustee has any right to enforce the obligations of the College thereunder. The Lease does not address the parties’ respective rights to, or allocation of, casualty or condemnation proceeds.

Commonwealth Obligation

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

Operating Costs: The Community College Act provides that the Commonwealth shall pay to a community college on behalf of the local sponsor on account of its operating costs during the fiscal year from funds appropriated for such purpose an amount equal to the College's equivalent full-time student reimbursement. Starting July 1, 2005, operating revenues derived from the Commonwealth changed from an allocated formula based on a basic subsidy for each eligible full-time equivalent (FTE) student enrolled to appropriation that is allocated proportionally based on the College's total eligible FTE's as compared to all FTE's in the Community College System. For the year ended June 30, 2015, the total average payment per eligible full-time equivalent college student was $1691. A full-time equivalent student is defined as the total number of (1) all students taking more than twelve credits; (2) the number of credits taken by all part-time students divided by twelve; (3) the number of clock hours taken by non-credit students divided by 180; and (4) all student taking more than 180 clock hours of non-credit instruction. For the fiscal year ended June 30, 2015, the Commonwealth's contribution on account of operating costs of the College was approximately 17.4% of total operating costs.

Capital Expenses: The Community College Act provides that the Commonwealth will pay to a community college on behalf of the local sponsor on account of its capital expenses (including debt service) an amount equal to one-half of such college's annual capital expenses from funds appropriated for that purpose to the extent that said capital expenses have been approved for such reimbursement by the Commonwealth of Pennsylvania Department of Education. The Improvements portion of the 2015 Capital Project was approved by the Department of Education on August 6, 2014 at $11,284,258, which constitutes half of the estimated cost of the Improvements at the time the approval was solicited. The Commonwealth currently provides financial support for the North Hall Property in the form of a rent subsidy for the College's lease of the property. The College has applied to the Department of Education for approval of the North Hall Property portion of the 2015 Capital Project and a transfer of the Commonwealth's support of the lease to support of the debt service incurred in the acquisition of the North Hall Property. The College will purchase the North Hall Property with or without approval from the Commonwealth.

All community college subsidies in the Commonwealth are subject to appropriation by the General Assembly. Although the Constitution of the Commonwealth provides that "the General Assembly shall provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth", the General Assembly is not legally obligated to appropriate such subsidies and there can be no assurance that it will do so in the future. The allocation formula pursuant to which the Commonwealth distributes such subsidies to the various community colleges throughout the Commonwealth may be amended at any time by the General Assembly. Moreover, the Commonwealth's ability to make such disbursements will be dependent upon its own financial condition. At various times in the past, the enactment of budget and appropriation laws by the Commonwealth has been delayed, resulting in interim borrowing by certain community colleges pending the authorization and payment of Commonwealth aid. Consequently, there can be no assurance that financial support from the Commonwealth for community colleges, either for capital projects or education programs in general, will continue at present levels or that moneys will be payable to a community college if indebtedness of such community college is not paid when due.

The College is responsible for making all payments with respect to debt service on the 2015 Bonds regardless of whether the County or the Commonwealth provide the expected support as described above.

Direct Payment of Commonwealth Appropriations to Trustee

Provisions of the Community College Act require that, should any community college fail to make its required debt service payment with respect to a general obligation note such as the Note, the Secretary of Education is required to withhold from such community college out of any subsidy payment of any type due such community college from the Commonwealth, an amount equal to the debt service payment owed by such community college. Any amounts so withheld are payable to the Trustee under the Indenture. The Secretary of Education's requirement to withhold such payments is subject to legislation and as such is subject to modification at any time in the future.

Based on the College's maximum anticipated debt service after issuance of the 2015 Bonds and the amount of Commonwealth operating and capital expense appropriations presently budgeted by the College for fiscal year 2015-2016, the Commonwealth coverage of the College's maximum anticipated debt service would currently be approximately 2.58 times.

SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT AND THE INDENTURE

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

The Loan Agreement

The Authority will loan the proceeds of the 2015 Bonds to the College pursuant to the Loan Agreement. The Loan Agreement requires the College to make loan repayments to the Authority in amounts sufficient to pay the debt service payments on the 2015 Bonds. The obligation of the College under the Loan Agreement will be evidenced by the Note.

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

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

Assignment of Loan Agreement. The loan payments shall be paid by the College directly to the Trustee under an assignment by the Authority to the Trustee of such payments for the benefit and security of the 2015 Bondholders under the Indenture.

Unsecured General Obligation. Payment of the principal and redemption price of and interest due under the Note and Loan Agreement and all other sums, payable under the Loan Agreement is the unsecured general obligation of the College. The payments are required to be made in full directly to the Trustee, as assignee, when due without delay or diminution for any cause whatsoever, including, without limitation, destruction of the College's facilities, and without right of set-off for default on the part of the Authority under the Loan Agreement. The College's obligations under the Loan Agreement and the Note are not secured by any mortgage or other lien on any real or personal property of the College.

Annual Audit. The College covenants to keep accurate records and books of account with respect to the Capital Project and shall furnish to the Authority a copy of its annual audited financial statements within 30 days of the availability of such statements, and copies of all financial statements required to be submitted by the College to the Department of Education under the Public School Code of 1949, as amended.

The Indenture

Limited Obligation of the Authority. The 2015 Bonds are limited obligations of the Authority. Neither the principal or redemption price of the 2015 Bonds, nor the interest accruing thereon, shall constitute a general indebtedness of the Authority or an indebtedness of the Commonwealth or any political subdivision thereof within the meaning of any constitutional or statutory provision whatsoever, constitute or give rise to pecuniary liability of the Commonwealth or any political subdivision thereof, constitute a charge against the general credit of the Authority or the general credit or taxing power of the Commonwealth or any political subdivision thereof, or be deemed to be a general obligation of the Authority or an obligation of the Commonwealth or any political subdivision thereof. The Authority has no taxing power.

Pledge of Certain Revenues. The Authority in the Indenture has pledged and assigned and granted to the Trustee a security interest in all loan payments, and other sums payable by the College under the Loan Agreement and the Note, for the benefit and security of the registered owners of the 2015 Bonds issued under the Indenture.

Project Fund. There is established in the Indenture a Project Fund which shall be held by the Trustee and shall consist of such funds as shall be deposited therein, for the purpose of paying costs of a Capital Project.

Revenue Fund. All loan payments by the College under the Loan Agreement and Note are required to be deposited in the Revenue Fund established under the Indenture with the Trustee. Moneys in the Revenue Fund established under the Indenture are required to be transferred by the Trustee at the times set forth in the Indenture to the various other funds established under the Indenture.

Debt Service Fund. The Trustee shall transfer to the Debt Service Fund established under the Indenture from moneys in the Revenue Fund, moneys in an amount sufficient to make the interest payments and principal payments on the 2015 Bonds when due.

Rebate Fund. Under the Indenture a Rebate Fund is established. The Authority will periodically and upon retirement of the last of the 2015 Bonds determine the sum required to be deposited in the Rebate Fund, if any, and direct the Trustee to transfer such sum from the other funds and accounts established under the Indenture. The Authority will direct the Trustee to pay to the United States Government the sums on deposit in the Rebate Fund at the times and in the amounts, if any, required by the Internal Revenue Code of 1986, as amended. Amounts held in the Rebate Fund do not constitute Pledged Revenues.

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

Additional Bonds. The Indenture permits, under certain circumstances and conditions, the issuance of Additional Bonds for the purposes of refunding all or a portion of Outstanding Bonds issued on behalf of the College, any obligation of the College, completing any project or financing additional projects.

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

Under the Indenture, upon the occurrence of an Event of Default the Trustee may enforce, and upon the 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 declaring the principal of all Bonds then Outstanding to be due and payable immediately, bringing suit, action or proceeding at law or in equity and of having a receiver appointed.

For a more complete statement of rights and remedies of the 2015 Bondholders and of the limitations thereon, reference is made to the Indenture.

Annual Audit. The Authority covenants that it will keep proper books of record and account in which complete and correct entries shall be made of all transactions of the Authority relating to the 2015 Bonds and which, at all reasonable times, will be subject to the inspection of the Trustee.

<u>Modifications and Amendments</u>. Amendments to the Indenture are permitted without consent of Bondholders for certain purposes, including the imposition of additional restrictions and conditions respecting issuance of bonds, the addition of covenants and agreements by the Authority, the modification of the Indenture to conform the same with governmental regulations (so long as the rights of Bondholders are not adversely affected thereby), the curing of any ambiguity, defect or inconsistency in the Indenture, and the making of provision for matters which are necessary or desirable and which do not adversely affect the interests of Bondholders. Certain other modifications may be made to the Indenture, but only with consent of the owners of not less than 66 2/3% in principal amount of outstanding Bonds issued thereunder, or if less than all Bonds Outstanding are affected thereby, with the consent of the Owners of not less than 66 2/3% in principal amount of all Bonds Outstanding affected thereby. Financial Security has the right under the Indenture to give its consent in lieu of owners of the Insured Bonds for amendments and modifications to the Indenture and Loan Agreement.

CONTINUING DISCLOSURE

In order to enable the Underwriter to comply with the requirements of Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule"), the College shall enter into a Continuing Disclosure Agreement, to be dated the date of issuance of the 2015 Bonds (the "Continuing Disclosure Agreement") with the Authority and the Trustee. See "Appendix C – Proposed Form of Continuing Disclosure Agreement."

Compliance History and Continuing Compliance

The College has failed to comply with certain of its existing disclosure requirements under continuing disclosure agreements (the "Prior Disclosure Agreements") entered into in connection with the issuance of the State Public School Building Authority College Revenue Refunding Bonds, (Montgomery County Community College Project), Series of 1999 (the "1999 Bonds"), the State Public School Building Authority College Revenue Bonds, (Montgomery County Community College Project), Series of 2005 (the "2005 Bonds"), the 2008 Bonds and the 2013 Bonds.

Under the Prior Disclosure Agreements, the College was required to file its financial statements and certain additional operating data on an annual basis within 180 days after the end of the College's fiscal year. The College filed its annual financial statement and operating data for the fiscal year ending June 30, 2014, nine days late. The College filed its operating data for the fiscal year ending June 30, 2011 in a timely manner for the 2008 Bonds, but inadvertently failed to associate the data on EMMA with the CUSIP numbers of the 1999 Bonds and the 2005 Bonds. The financial statements and operating data for fiscal years 2010, 2012 and 2013 were filed in a timely manner.

Under the Prior Disclosure Agreements, the College also agreed to provide notice of certain events specified under the Rule. The College failed to file notice on EMMA of two ratings changes that affected outstanding bonds of the College. The College filed notice on August 22, 2014 of a downgrade of the rating that had occurred on March 3, 2014, and failed to associate the ratings notice with the 1999 Bonds (which had matured on May 1, 2014). In connection with the anticipated issuance of the 2015 Bonds, the College identified the failure to file notice of these rating actions under its prior continuing disclosure undertakings in effect at the time of such rating actions and now has filed notice of such rating actions on EMMA.

As of the date hereof, the College is currently in compliance in all material respects with its previous continuing disclosure undertakings with regard to continuing disclosure for prior obligations issued. The College has in place disclosure policies and procedures to ensure that the College remains in compliance with its continuing disclosure obligations.

The Authority is not required to provide disclosure regarding its financial condition because, among other things, its financial condition is not material to an investment in the 2015 Bonds. In addition, the Authority has no responsibility for the College's compliance with the Continuing Disclosure Agreement or for the information provided by the College thereunder.

LITIGATION

There is no litigation of any nature now pending or, to the knowledge of the Authority, threatened against the Authority seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2015 Bonds or in any way contesting or affecting the validity of the 2015 Bonds, the Indenture, or any proceedings of the Authority, taken in connection with the issuance or sale of the 2015 Bonds, the pledge or application of any moneys or security provided for the payment of the 2015 Bonds, or the existence or powers of the Authority.

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

LEGALITY FOR INVESTMENT

Under the Act, the 2015 Bonds are securities in which all officers of the Commonwealth and its political subdivisions and municipal officers and administrative departments, boards and commissions of the Commonwealth, all banks, bankers, savings banks, trust companies, savings and loan associations, investment companies and other persons carrying on a banking business, all insurance companies, insurance associations and other persons carrying on an insurance business, and all administrators, executors, guardians, trustees and other fiduciaries, and all other persons whatsoever who now or may hereafter be authorized to invest in bonds or other obligations of the Commonwealth, may properly and legally invest any funds, including capital belonging to them or within their control. Also, under the Act, the 2015 Bonds are securities which may property and legally be deposited with, and received by, any Commonwealth or municipal officer or agency of the Commonwealth for any purpose for which the deposit of bonds or other obligations of the Commonwealth is now or may hereafter be authorized by law.

THE TRUSTEE

The obligations and duties of the Trustee are described in the Indenture and the Trustee has undertaken only those obligations and duties, which are expressly set out in the Indenture. The Trustee has not independently passed upon the validity of the 2015 Bonds, the security therefor, the adequacy of the provisions for payment thereof or the tax-exempt status of the interest on the 2015 Bonds. The Trustee has relied upon the opinion of bond counsel for the validity and tax-exempt status of the interest on the 2015 Bonds. The Indenture expressly provides that the Trustee shall not be responsible for any loss or damage resulting from any action or inaction taken in good faith in reliance upon an opinion of counsel.

Under the terms of the Indenture, the Trustee is liable only for those damages caused by its negligence or misconduct under the Indenture, the Trustee is not required to take notice or be deemed to have knowledge of any default under the Indenture, except failure by the Authority or the College to cause to be made any of the payments required to be made for payment of principal of the 2015 Bonds, when due at maturity or earlier redemption, or interest on the 2015 Bonds, or unless the Trustee has been specifically notified in writing of such default by the Authority, an Owner or the College. All notices or other instruments required by the Indenture to be delivered to the Trustee must be delivered at the designated corporate trust office of the Trustee. In the absence of any such notice, the Trustee may conclusively assume no Event of Default exists, except as expressly stated above and in the Indenture. The summary of the Trustee's rights, duties, obligations and immunities contained herein is not intended to be a complete summary and reference is made to the Indenture for a complete statement of the Trustee's rights, duties, obligations and immunities.

FINANCIAL STATEMENTS

The audited financial statements of the College as of and for the fiscal year ended June 30, 2014 included in this Official Statement in Appendix B, have been audited by Baker Tilly Virchow Krause, LLP, independent auditors, as stated in their report appearing in Appendix B.

TAX MATTERS

Tax Exemption-Opinion of Bond Counsel

The Internal Revenue Code of 1986, as amended (the "Code") contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the 2015 Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the 2015 Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the Authority and the College subsequent to the issuance and delivery of the 2015 Bonds in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The Authority and the College have made covenants to comply with such requirements.

In the opinion of Bond Counsel, interest on the 2015 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion of Bond Counsel is subject to the condition that the Authority and the College comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2015 Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the 2015 Bonds to be so includable in gross income retroactive to the date of issuance of the 2015 Bonds. The Authority and the College have covenanted to comply with all such requirements.

Interest on the 2015 Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum taxes; however, under the Code, to the extent that interest on the 2015 Bonds is a component of a corporate holder's "adjusted current earnings," a portion of that interest may be subject to the corporate alternative minimum tax. Bond Counsel expresses no opinion regarding other federal tax consequences relating to the 2015 Bonds or the receipt of interest thereon. See discussion of "Alternative Minimum Tax", "Branch Profits Tax", "S Corporations with Passive Investment Income", "Social Security and Railroad Retirement Benefits", "Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations", "Property or Casualty Insurance Company," "Accounting Treatment of Amortizable Bond Premium," "Recent State Tax Developments," and "Reportable Payments and Backup Withholding" below.

In the opinion of Bond Counsel, under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof, the 2015 Bonds, and the interest thereon are free from taxation for state and local purposes within the Commonwealth of Pennsylvania, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2015 Bonds or the interest thereon. Profits, gains or income derived from the sale, exchange, or other disposition of the 2015 Bonds are subject to state and local taxation within the Commonwealth of Pennsylvania. Specifically, the 2015 Bonds are exempt from personal property taxes in Pennsylvania and interest on the 2015 Bonds is exempt from the Pennsylvania personal income tax and the Pennsylvania corporate net income tax.

Alternative Minimum Tax

The Code includes, for purposes of the corporate alternative minimum tax, a preference item consisting of, generally, seventy-five percent of the excess of a corporation's "adjusted current earnings" over its "alternative minimum taxable income" (computed without regard to this particular preference item and the alternative tax net operating loss deduction). Thus, to the extent that tax-exempt interest (including interest on the 2015 Bonds) is a component of a corporate holder's "adjusted current earnings," a portion of that interest may be subject to the alternative minimum tax.

Branch Profits Tax

Under the Code, foreign corporations engaged in a trade or business in the United States will be subject to a "branch profits tax" equal to thirty percent (30%) of the corporation's "dividend equivalent amount" for the taxable year. The term "dividend equivalent amount" includes interest on tax-exempt obligations.

S Corporations with Passive Investment Income

Section 1375 of the Code imposes a tax on the income of certain small business corporations for which an S Corporation election is in effect, and that have "passive investment income." For purposes of Section 1375 of the Code, the term "passive investment income" includes interest on the 2015 Bonds. This tax applies to an S Corporation for a taxable year if the S Corporation has Subchapter C earnings and profits at the close of the taxable year and has gross receipts, more than twenty-five percent (25%) of which are "passive investment income." Thus, interest on the 2015 Bonds may be subject to federal income taxation under Section 1375 of the Code if the requirements of that provision are met.

Social Security and Railroad Retirement Benefits

Under Section 86 of the Code, certain Social Security and Railroad Retirement benefits (the "benefits") may be includable in gross income. The Code provides that interest on tax-exempt obligations (including interest on the 2015 Bonds) is included in the calculation of "modified adjusted gross income" in determining whether a portion of the benefits received are to be includable in gross income of individuals.

Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations

The Code, subject to limited exceptions not applicable to the 2015 Bonds, denies the interest deduction for indebtedness incurred or continued to purchase or carry tax-exempt obligations, such as the 2015 Bonds. With respect to banks, thrift institutions and other financial institutions, the denial to such institutions is one hundred percent (100%) for interest paid on funds allocable to the 2015 Bonds and any other tax-exempt obligations acquired after August 7, 1986.

Property or Casualty Insurance Company

The Code also provides that a property or casualty insurance company may also incur a reduction, by a specified portion of its tax-exempt interest income, of its deduction for losses incurred.

Accounting Treatment of Amortizable Bond Premium

The 2015 Bonds maturing on May 1, 2016 through May 1, 2035 are hereinafter referred to as the "Premium Bonds." An amount equal to the excess of the initial public offering price of a Premium Bond set forth on the inside cover page over its suited redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed.

Purchasers of any Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning Premium Bonds."

Reportable Payments and Backup Withholding

Under 2006 amendments to the Internal Revenue Code, payments of interest on the 2015 Bonds will be reported to the Internal Revenue Service by the payor on Form 1099 unless the Bond is an "exempt person" under Section 6049 of the Code. A Bondholder who is not an exempt person may be subject to "backup withholding" at a specified rate prescribed in the Code if the Bond does not file Form W-9 with the payor advising the payor of the Bond's taxpayer identification number. Bondholders should consult with their brokers regarding this matter.

The Trustee will report to the Bondholders and to the Internal Revenue Service for each calendar year the amount of any "reportable payments" during such year and the amount of tax withheld, if any, with respect to payments made on the 2015 Bonds.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the 2015 Bonds are subject to the approval of Saul Ewing LLP, Philadelphia, Pennsylvania, Bond Counsel, whose approving legal opinion will be delivered to the Underwriter at the time of the delivery of the 2015 Bonds. Certain legal matters will be passed upon for the Authority by its counsel, Buchanan Ingersoll & Rooney PC, Pittsburgh, Pennsylvania; for the College by its counsel, Fox Rothschild LLP, Blue Bell, Pennsylvania and for the Underwriter by its counsel, Dilworth Paxson LLP, Philadelphia, Pennsylvania.

UNDERWRITING

The Underwriter is purchasing the 2015 Bonds from the Authority at an aggregate price of $58,388,805.85 (representing the $51,640,000.00 par amount of the 2015 Bonds, plus original issue premium of $6,879,196.85, less underwriter's discount in the amount of $130,391.00). The obligation of the Underwriter to purchase the 2015 Bonds is subject to certain terms and conditions set forth in the contract for purchase of the 2015 Bonds, the approval of certain legal matters by Bond Counsel and certain other conditions. The terms of sale provide that the Underwriter will purchase all the 2015 Bonds, if any are purchased.

The Underwriter may offer and sell the 2015 Bonds to certain dealers (including dealers depositing the 2015 Bonds into investment trusts) and others at prices lower than such initial public offering prices as are stated inside the cover page hereof. The public offering prices may be changed from time to time by the Underwriter. The Underwriter may also receive a fee for conducting a competitive bidding process regarding the investment of certain proceeds of the Bonds.

RBC Capital Markets, LLC has provided the following information for inclusion in this Official Statement: The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Issuer. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Issuer. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

OTHER MATTERS

Changes in Federal Law

From time to time, there are presidential proposals, proposals by various federal committees and legislative proposals in Congress that, if enacted, could alter or amend the tax matters referred to herein or adversely affect the marketability or market value of the 2015 Bonds or otherwise prevent holders of the 2015 Bonds from realizing the full benefit of the tax exemption of interest on the 2015 Bonds. Further, such proposals may impact the marketability or market value of the 2015 Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposals may be enacted or whether if enacted such proposals would apply to bonds issued prior to enactment. In addition, regulatory or other actions are from time to time announced or proposed which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the 2015 Bonds. It cannot be predicted whether any such regulatory or other actions will be implemented or whether the 2015 Bonds would be impacted thereby.

Purchasers of the 2015 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulations or other potential changes in law. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the 2015 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulations or other potential changes in law.

RATING

Moody's Investors Service, Inc. ("Moody's") has assigned to the 2015 Bonds a rating of "A1" with a stable outlook. The College furnished to the rating agency certain material and information respecting the 2015 Bonds and the College. Generally, the rating agency bases its rating on such materials and information and on investigations, studies and assumptions by the rating agency. Such rating reflects only the view of the rating agency and an explanation of its significance may be obtained only from the rating agency. There is no assurance the 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 in its judgment circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the marketability or market price of outstanding 2015 Bonds.

VERIFICATION

The accuracy of (a) the arithmetic computations showing the adequacy of the maturing principal and interest on the securities to be acquired with a portion of the proceeds of the 2015 Bonds to be used as described under "PURPOSE OF THE 2015 BONDS – Advance Refunding of the 2008 Refunded Bonds", together with any funds to pay interest, principal and applicable redemption premium on the 2008 Refunded Bonds, (b) the mathematical computations supporting the conclusion of Bond Counsel that the 2015 Bonds are not "arbitrage bonds" under the Code, have been verified by Causey, Demgen & Moore, Inc., independent certified accountants.

MISCELLANEOUS

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

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

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

The information contained in this Official Statement should not be construed as representing all of the conditions affecting the Authority, the College or the 2015 Bonds.

The Authority has not assisted in the preparation of this Official Statement, except for the statements under the section captioned "THE AUTHORITY" and "LITIGATION" (solely as it relates to the Authority) herein and, except for those sections, the Authority 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 the 2015 Bonds, the Authority has not otherwise assisted in the public offer, sale or distribution of the 2015 Bonds. Accordingly, except as aforesaid, the Authority assumes no responsibility for the disclosures set forth in this Official Statement.

STATE PUBLIC SCHOOL BUILDING AUTHORITY

By: /s/ Robert Baccon
Robert Baccon, Executive Director

Approved by:
MONTGOMERY COUNTY COMMUNITY COLLEGE

By: /s/ Michael J. D'Aniello
Michael J. D’Aniello, Esquire, Chairman

APPENDIX A

CERTAIN INFORMATION REGARDING
MONTGOMERY COUNTY COMMUNITY COLLEGE

The information contained herein is being filed by Montgomery County Community College for the purposes of complying with its responsibilities under SEC Rule 15c2-12. The information contained herein is as of the date set forth above. Neither Bank of New York Mellon Trust Company, National Association, as Dissemination Agent, nor the State Public School Building Authority has participated in the presentation of this report or examined its contents, and neither makes any representation concerning the accuracy and completeness of the information contained herein.

CERTAIN INFORMATION REGARDING

MONTGOMERY COUNTY COMMUNITY COLLEGE

General

Montgomery County Community College, founded in 1964 as a comprehensive community college, offers a curriculum which includes more than 100 associate degree/certificate programs in 44 areas of study — including nearly a dozen online degree and certificate programs and several hybrid online/traditional programs — offered at our Central Campus in Blue Bell, West Campus in Pottstown, Virtual Campus and several learning centers located throughout the county. The College also offers plenty of career training and continuing education programs for learners of all ages and backgrounds. The College primarily serves Montgomery County, a large and diverse area which contains sixty-two municipalities, twenty-three school districts, and four hundred eighty-three square miles. Home to nearly 813,000 residents, Montgomery County includes large, suburban residential communities in proximity to Philadelphia County; large operating farms in the northern and western sections; and several small urban centers. Annually, the College serves approximately 19,600 unduplicated credit and 2,100 unduplicated non-credit students in day and evening classes, as well as in distance learning classes.

The Central Campus is located in Blue Bell, twenty-five miles northwest of Philadelphia, on the Route 202 technology and industrial corridor that extends from Princeton, New Jersey to Wilmington, Delaware. The West Campus is located in Pottstown at the converging borders of Berks, Chester, and Montgomery counties. Centrally located on the Route 422 corridor, the West Campus serves students primarily from Montgomery and Chester counties.

The College's open admissions policy, which assures enrollment for all students who hold a high school diploma or its equivalent, combined with its well-defined standards of academic excellence, ensures that the College provides affordable, accessible, quality education to all students, including the many who would otherwise not have an opportunity for higher education. Our learning resources such as tutoring, advising, counseling, and libraries are provided to support student success at the collegiate level.

In addition to providing associate degree and certificate opportunities, Montgomery County Community College has partnered with a number of colleges and universities (see below) to provide seamless transfer opportunities for its students.

Partner Colleges/Universities

Albright College	DeSales University	Rosemont College, Traditional & Schools of Graduate/Professional Studies
Alvernia University	Eastern University	Strayer University
Arcadia University	Gwynedd-Mercy University	Temple University
Bellevue University	Kutztown University of PA	University of Phoenix
	Lehigh University	
Cabrini College	La Salle University	Villanova University, Bachelor of Interdisciplinary Studies Degree Program
Chestnut Hill College	Messiah College	West Chester University
Cheyney University of PA	Penn State Abington	Wilmington University
Delaware Valley College	Peirce College	Widener University (Day Program)
Philadelphia University's Accelerated Bachelor of Science Degree Completion (evening) Program		

Mission and Philosophy

The College believes that learning is a lifelong activity requiring constant adaptation of programs, courses, and learning support services to reflect social, technological, and workforce changes and to ensure that all learners reach their unique goals.

Believing in the right of everyone to have access to a quality education, to workforce training, to opportunities for personal and professional growth, and to culture and recreation, the College translates the values of its community and reaches out to it, inviting involvement, offering learning, and fostering understanding.

As part of its role in the greater community, the College serves these vital functions:

- It provides quality associate degree, certificate, and continuing education programs that lead to transfer, employment and/or personal enrichment;
- It extends the reach of its programs and services, and thus educational opportunity, to meet the learning needs of those who cannot readily access collegiate educational opportunities because of academic, physical, economic, cultural, or geographic boundaries;
- It links with leaders of the region's businesses and industries to assist in developing a vital, current, and educated workforce;
- It serves as a cultural and recreational destination, presenting opportunities for area residents to attend activities that feature stimulating and popular entertainment and ideas; and
- Acting as a significant element in a larger regional learning community, the College works with K-12 and university teachers, leaders, and learners to ensure a seamless and successful transition from high school, to the associate degree, to the baccalaureate degree, and beyond.

The College works to define itself through its role as one institution with one set of shared values and principles, yet with multiple physical and virtual points of access.

Evaluation of Mission Achievement

The College views education as a dynamic process that brings to the community a diverse, constantly changing set of learning opportunities; opportunities that grow, change, transform and multiply as the community and our learners confront and react to ever present change. Thus, to fully meet our mission, the College participates in on-going self-assessment and review in order to enhance and improve instructional programs and services to students and the county we serve.

Governance Structure

A Board of Trustees consisting of fifteen members appointed by the Montgomery County Board of Commissioners governs the College. The members of the Board of Trustees are appointed for terms of six years each.

The Bylaws call for the following four standing committees: Finance Committee, Physical Plant Committee, Curriculum Committee and Personnel Committee.

The names, occupations and terms of the current members are set forth below:

NAME	OCCUPATION	TERM EXPIRES
Michael D’Aniello	Attorney	2019
Andrew B. Cantor	Retired	2021
Regina M. Lowrie	Mortgage Banker	2021
Gertrude Mann	Retired	2017
Margot Clark	Retired	2019
Susan Arnhold	Administration/Development	2017
Ellen Toplin	Business & Marketing Advisor	2021
Sean Kilkenny	Attorney	2019
Geoffrey D. Brandon	Senior VP, Banking	2017
Marcel L. Groen	Attorney	2021
Anisha Robinson Keeys	CEO/Fundraising/Marketing	2021
Moon Y. Ahn	Attorney	2015
J. Edmund Mullin	Attorney	2021
Richard Montalbano	Health Care	2017
John Rafferty	PA Senator	2019
Charles Kahn, Jr.	Owner, Real Estate Company	Emeritus

ADMINISTRATION	TITLE
Dr. James Linksz	Interim President
Ronald Brand, CPA	Interim Vice President for Finance and Administration
Dr.Victoria L. Bastecki - Perez	Vice President for Academic Affairs and Provost
Dr. Phillip Needles	Interim Vice President of Student Affairs and Enrollment Management
Dr. Celeste Schwartz	Vice President for Information Technology
Dr. Jose Alicea	Dean of Academic and Student Affairs, West Campus
Arline Stephan	Vice President for Development and External Relations

In February 2015, Dr. Karen Stout, the President of the College since 2001, announced that she was resigning from the College as of the end of the 2014-2015 academic year. Dr. James Linksz, the former president of Bucks County Community College and interim CEO of the Pennsylvania Commission for Community Colleges, began serving as Interim President of the College in July 2015. The College is currently conducting a national search for a new president.

Accreditation

Montgomery County Community College is approved as an institution of higher education by the Board of Education of the Commonwealth of Pennsylvania. The College is authorized by the Board to award associate degrees in arts and sciences, as well as appropriate diplomas and certificates. In recognition of our high standards, the College is fully accredited by the Middles States Commission on Higher Education. In March, 2015 the College was evaluated by the Middle States visiting team who reported the College is in compliance with all 14 standards. The Evaluation Team found:

> ….Montgomery County Community College to be an impressive college with a range of initiatives to advance student learning. Its effectiveness has been heralded by winning important national recognition, such as Achieving the Dream Leader College, the Leah Meyer Austin Award from Achieving the Dream, by invitations to critical gatherings such as President Obama's College Opportunity Summit, and by requests to partner with a range of organizations such as the EDUCAUSE Next Generation Learning Breakthrough Model Incubator, The National Endowment for Financial Education and the Bill and Melinda Gates Foundation.

Invest in Campus Renewal

The College's two campuses have undergone significant new building construction and major renovations since 2006. Prior to 2006, the Central Campus had no major classroom construction or renovation since it was built in 1972 in Blue Bell, so this time of growth and renewal has led to great excitement at the College. The motivation is that the College is proactive and continues to respond to the growing needs for new and existing programs and services through a careful assessment of facility projects and appropriate financing. The College is currently taking steps to implement components of its Master Plan Update for 2012-2022. In recent years, funding from both State and County sources has been reduced, but the College has undertaken strong fund raising efforts to identify alternative funding sources, grants and public-private partnerships. The new renovation projects outlined in the Master Plan Update will, in part, be contingent on the health of the economy and the College's funding levels from the State and the County as well as the College's ability to generate alternate revenue sources to support new capital projects. Some of the major projects currently in progress or that have been completed since 2005 are listed below.

<u>Advanced Technology Center</u>: The 60,000 square foot Advance Technology Center (ATC) opened in the fall of 2007. The ATC integrates advanced technology into education, has become the "signature" building on campus, and houses high-demand programming in the fields of biotechnology, computer game design, digital audio and video design and geographic information systems.

<u>Fine Arts Center</u>: The Fine Arts Center, which opened in spring 2009, renovated and expanded the existing structure from 10,000 to 26,000 square feet. The additional space was needed, as demand for studio time and courses in the visual fine arts (sculpture, ceramics, drawing and painting) outstripped the College's ability to provide them.

<u>West Campus – North Hall</u>: Alternative funding approaches are exemplified by this public-private partnership that opened its doors to students on January 18, 2006. First floor renovations added 26,426 square feet of space. In 2008, the College authorized the partnership to expand an additional 26,426 square feet on the second floor, and those renovations were completed in Fall 2009. As part of the project, an underpass was constructed to facilitate safe and convenient pedestrian passage between 101 College Drive (South Hall) and 16 High Street (North Hall). Due to this expansion of these attractive and functional new physical spaces, the College has increased its workforce development programs, fine arts

offerings and opportunities for transfer via the newly-established University Center. The College currently leases the North Hall Property under the terms of a long-term lease. A portions of the proceeds from the 2015 Bonds will be used to fund the acquisition of the North Hill Property. See "PURPOSE OF THE 2015 BONDS – The Project" herein.

Children's Center: The 2008 feasibility study for the College Hall/Library renovation project recommended that the former 2,300 square foot Children's Center, which was located on the lower level of College Hall, be relocated to another campus location to accommodate current demand and to support future growth. The project broke ground in April of 2008 and was completed in November of 2009. The Children's Center offers students, College faculty, administrators and support staff with children a first-class child care program and partners with College's education programs. The new 9,200 square-foot Center has allowed the number of children that can be accommodated to double from 42 to 84. In addition, an observation classroom within the new Center provides an opportunity for students majoring in early childhood education to observe both toddler and pre-K classrooms in action.

Parkhouse Hall: Renovation of the major classroom building for the College - Parkhouse Hall, was completed in September 2011. All classrooms, faculty and staff offices and common meeting spaces were redone. The facility now includes a central atrium which can be used to host events. Also included in this building is the Center for Entrepreneurial Studies, which provides office space and administrative support for launching new businesses, and includes a training classroom. In total **72** classrooms were remodeled to meet 21st century educational needs. All computer laboratories were upgraded, classrooms were equipped with multimedia stations, and building lighting and HVAC systems were replaced. One hundred sixty-nine offices were remodeled with modern furniture and improved lighting. The College's Workforce Development and Continuing Education unit, located in Parkhouse Hall, was renovated to provide a more corporate appearance.

College Hall/Library: Renovations to College Hall were completed during summer 2012. The refurbished spaces support growing program and service requirements, offer expanded library facilities, and fully meet the learning needs of today's students. Building systems have been modernized to improve interior conditions and save energy, enhance aesthetics, and create gathering areas for faculty, students, staff, and visitors. The building houses a renovated cafeteria, faculty and staff dining area and servery; a new student leadership and involvement area; a new finance and administration area; renovated student lounge area; renovated student success and testing center; creation of a "one stop" enrollment services area; and all of the restrooms have been renovated and updated with energy saving devices. The College is in the process of seeking Leadership in Energy and Environmental Design (LEED) certification for "green" features included in the building.

140 College Drive: In June 2009 the College took ownership of 140 College Drive in Pottstown. The College is partnering with the Schuylkill River National Heritage Area (SRHA) to create the Schuylkill Riverfront Academic and Heritage Center through a joint fundraising effort. These renovations are leading to exciting new programming for the College. For example, the Center will provide space for four college classrooms, a science laboratory and an Interpretive Center with educational, historic and tourist information about the Schuylkill River Heritage Area. In addition, the College's credit curriculum will be expanded in the areas of environmental science and geography. In June 2010, the College completed Phase I of this multi-phased project, a 220 space parking lot funded by a combination of state and federal grants and College funds. The parking lot converted an old brownfield site by removing contaminated soil and installing bio-retention basins to keep groundwater clean. Improved site lighting incorporating efficient LED technology was installed at the site.

Phase II, which began in April 2011, continued the project by making some critical infrastructure improvements, such as a new roof, windows, sewer system and a new entrance.

The final phase (Phase III), is in progress and proposes a focus on sustainability and innovation including (1) general flexible classroom, (1) innovation/multipurpose lab, (1) aquaponics lab, (2) engineering labs, and auxiliary spaces. This final phase will allow the College to occupy the building. All of the construction will adhere to green principles.

The University Center: In partnership with a local developer, the College has leased the former AAA building on Hanover Street in Pottstown and opened the University Center Building in the fall 2012. The newly renovated University Center building serves as a state-of-the-art instructional facility to support University Center partners and College-based workforce development programs.

Community Use of Facilities: The College takes pride in its facilities and offers use of its varied facilities to diverse community groups and also to serve as a venue for larger, nationally based forums. Each weekend, local cultural groups use our classrooms for structured instruction in Chinese (two schools), Turkish, and Tamil (India). Charitable groups and non-profit organizations enjoy the use of College grounds for special events including the second largest dog show in the country. In addition, the College also provides space to state and county departments for training and conference uses.

Preventive Maintenance: The College maintains a five-year preventive maintenance plan that is updated on an annual basis. Typical projects include replacement of building roofs, parking lot maintenance, upkeep to buildings and grounds, and minor remodeling projects.

The College is also dedicated to sustainability. As part of its efforts to develop a long range plan to meet the American College and University Presidents' Climate Commitment, the College has taken a number of steps to reduce its Carbon Footprint. The College offsets 100% of its electricity needs by purchasing certified renewable energy certificates sourced from wind renewables located within the United States; uses paper that has 30% post-consumer content for all printers and copiers; utilizes seven electric powered vehicles for on-campus operations; converts all kitchen waste cooking oils into bio-fuel; uses sustainable cleaning products that are manufactured utilizing renewable resources and/or using partially or wholly recycled components and participates in the Recycle mania competition annually.

To further the goal of Investment in Campus Renewal, the College finalized a 2012-2022 Master Plan in 2011 which includes:

1. Health Sciences Center – As a full remake of the current Physical Education Building, this project will meet the current and future workforce needs of regional employers by supporting the expansion and modernization of key health sciences programs like nursing, dental hygiene, medical laboratory technology and medical assisting and exercise management programs like nutrition and health fitness professional. The project includes flexible spaces to allow the College to develop new workforce programs in this critical industry cluster. The project also includes enhancements to recreational and athletics facilities to support the College's goals of building student and community engagement. This project is a carry-over from the 2002-2010 master plan with a feasibility study for this project completed in 2010. The College received approval for the Health Sciences Center Project in 2012 from the Commonwealth and the County. In September 2013 the College secured bond funding for the $34.6 million project and expects to break ground in the summer of 2015.

2. Science Center Addition And Renovation - A comprehensive backfill space plan will transition spaces formerly housing Health Sciences programs into general purpose classrooms or additional spaces to support growing STEM programming. With the completion of the new Health Sciences Center, this full remake of the Science Center provides an opportunity to renovate the Theater and add to the backstage area for ADA compliance and improved support facilities. The completed project will support expansion of STEM programming, expansion of theater academic programming, and expansion of the

College's Lively Arts series. These renovations comprise the Improvements portion of the 2015 Capital Project, and a portion of the proceeds of the 2015 Bonds will be used to fund the Improvements. See "PURPOSE OF THE 2015 BONDS – The Project" herein.

3. Facilities Management Relocation – The college will remove the "Quonset Hut" on the opposite side of Cathcart Road and move operations into an addition to the current Facilities Building.

4. Retail Center Enhancements – The college will replace the north end wall with glass to create an enticing retail opportunity for the Bookstore and other auxiliary services operations that will benefit from increased visibility.

5. South Hall Improvements – The college will renovate the 100 level to make it more attractive and functional including a café/retail store; additional classroom; better lounge space; space designed to support integrated enrollment services, additional student club space, new finishes, etc.

6. North Hall Café - The art studio will be renovated to create a café/gathering area.

7. Several Site Improvement Projects including: Entry between Science Center And the ATC; Main Quadrangle Improvements; New Linear Quadrangle at the Health Sciences Center; Additional Athletic Fields and Support Facilities; Reconfigured Parking and Entrances; Recreational Trail; New Walkway Along College Drive and Just South of South Hall; New Walk Development to the University Center; Partner on New Arrival Development at Corner of College Drive and Hanover Street; Develop Parking Analysis and Wayfinding Plan.

In addition to the updated Master Plan, the College has entered into a build and lease back arrangement with a private developer for a 15,000 square foot Culinary Arts Institute. Beginning in May 2013, this Facility began operating newly refreshed Culinary Arts programs in the facility which features: four state-of-the-art kitchens and equipment, three SMART classrooms, and a retail café/bakeshop where you can develop real-world food preparation and customer service skills.

The College renovated "202 House" with support from the Collegiate Consortium for Workforce and Economic Development. Opening in fall 2012 as the College's Veterans Support Center, this Facility will be a comprehensive resource center serving more than 400 MCCC student veterans and their dependents.

Finally, starting in July of 2014, the College implemented a series of energy savings upgrades estimated to save the College more than $300,000 per year in energy costs beginning in fiscal year 2015.

In summary, the College has a Master Facilities Plan for 2012-2022 which serves as a guide to campus development to further advance the College's strategic plan.

Employees

The College employed the following number of people in each of the fiscal years below:

	2010/11	2011/12	2012/13	2013/14	2014/15
Faculty (Full-time)	202	208	210	207	207
% Tenured (Full-time)	63%	65%	71%	71%	69%
Faculty (Part-time)	1126	1118	1138	1178	1199
Administrators	210	218	211	200	198
Support Staff	189	189	181	173	169

The College engages in collective bargaining with the Support Staff Assembly 4316, Pennsylvania Federation of Teachers, American Federation of Teachers and the AFL-CIO ("Support Staff Assembly 4316") that represents 169 employees and Montgomery County Community College Faculty Pennsylvania Federation of Teachers, AFT/AFL-CIO ("MCCC Faculty PFT") that represents 1406 employees (full-time and part-time faculty).

On December 15, 2014, the College reached a new three-year collective bargaining agreement with the Montgomery County Community College Faculty AFT/AFL-CIO. This agreement covers the period of September 1, 2014 thru August 31, 2017.

On June 15, 2015, the College also agreed to a three-year contract with Support Staff Assembly 4316, with a contract period covering July 1, 2014 thru June 30, 2017.

During fiscal 2014, the College offered an Early Voluntary Retirement Incentive opportunity for regular full-time Faculty and Support Staff who met certain criteria and have chosen to retire between December 31, 2014 and August 31, 2015. The incentive plan benefited the College by incentivizing the retirement of high cost individuals and enabling the deployment of resources in ways that best meet the changing needs of students and the institution, and that best facilitate the achievement of the strategic objectives identified in the College's continuing strategic planning process. The successful implementation of this program resulted in 36 Faculty and 13 Support Staff, of the total 86 eligible employees, electing to retire at a total cost of $4,126,358 in fiscal year 2014. The College intends to replace 50 percent of the retirees resulting in anticipated savings of $2,951,300 commencing in fiscal year 2015. The voluntary early retirement program avoided downsizing by reduction in force, which was not immediately feasible within the existing bargaining unit agreements.

The College makes payment toward its annual required contributions ("ARC") to cover costs associated with other postemployment benefits ("OPEB"). The College's OPEB expenses for 2014 were calculated to be $2,993,124, and the College made contributions of $1,228,311. The College's net OPEB obligation as of July 1, 2013 was $8,268,464 and the College's net OPEB obligation as of June 30, 2014 was $10,033,277. See Appendix B for additional information.

Enrollment

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

	Headcount			Full-time Equivalent		
Fiscal Year	Credit	Non-Credit	Total	Credit	Non-Credit	Total
2014/15 Est	19,600	2,100	21,700	9,553	530	10,085
2013/14	20,205	3,908	24,113	10,014	542	10,556
2012/13	21,062	6,962	28,024	10,498	810	11,308
2011/12	21,500	11,200	32,700	10,831	979	11,810
2010/11	21,600	12,200	33,800	11,215	1,071	12,286

The College has budgeted conservatively, estimating a 3.5% credit enrollment decline for fiscal year 2015. Enrollment results are projected as better than anticipated showing a decline of 3.0%. Operational expenses are consistent with budgeted expectations. Based on new program offerings, accelerated course options and dual-enrollment programs, the College expects enrollment to grow 1.5% in fiscal year 2016.

Student Tuition and Fees

The following table sets forth the tuition and student fees assessed to students in each of the fiscal years set forth:

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16*
24 Credit Hours:						
Tuition	$2,304	$2,472	$2,688	$3,000	$3,096	$3,216
Student Fees	504	528	552	672	696	720
Total Per Year	$ 2,808	$ 3,000	$3,240	$3,672	$3,792	$3,936

*Tuition rates for 2015/16 have been finalized.

Statement of Revenues, Expenses and Changes in Net Assets

The following table sets forth a summary of the College's Statement of Revenues, Expenses and Changes in Net Assets.

	June 30				
					Unaudited
	2011	2012	2013	2014	2015
Operating Revenues:			(as Restated)		
Tuition and Fees	$ 36,041,910	$ 36,815,833	$ 36,073,447	$ 37,662,873	$ 36,194,731
Auxiliary enterprises	1,106,653	1,123,281	1,010,473	1,029,870	1,044,328
Other operating revenue	683,951	1,030,523	1,613,591	1,918,828	2,229,905
	37,832,514	38,969,637	38,697,511	40,611,571	39,468,964
Operating Expenses:					
Instruction	40,456,891	36,028,192	35,966,262	38,999,130	35,215,908
Academic support	5,936,017	10,641,452	10,329,796	10,499,366	10,506,082
Student services	7,720,009	7,141,823	7,697,519	8,053,053	7,652,529
Public service	686,282	666,871	436,306	388,944	449,289
Institutional support	15,991,193	18,446,799	21,524,413	23,039,934	23,237,323
Operation and maintenance of plant	7,221,710	7,001,701	7,462,459	8,388,382	8,166,521
Student aid	10,537,831	9,452,037	9,488,743	9,010,917	9,204,017
Depreciation and amortization	2,618,505	3,527,677	5,086,323	5,107,160	5,137,842
Auxiliary enterprises	492,645	350,220	1,068,311	1,028,118	1,039,552
	91,661,083	93,256,772	99,060,132	104,515,004	100,609,063
Non-operating Revenue (Expenses):					
Local appropriations	17,702,534	17,747,759	12,471,328	12,854,746	13,230,480
State appropriations	17,425,477	17,301,738	17,242,939	17,242,931	17,527,386
Federal appropriations	16,898,072	15,875,541	17,291,551	17,445,966	17,939,526
Federal appropriations (ARRA)	1,749,268	0	0	0	0
State Grants and contracts	4,412,307	3,780,973	4,185,322	3,876,776	4,017,774
Other gifts, grants and contracts	69,625	185,108	238,417	1,283,681	1,480,020
Investment income	301,948	464,341	344,205	652,721	1,162,250
Interest on indebtedness	(1,231,217)	(1,687,762)	(2,749,043)	(2,236,232)	(2,302,176)
	57,328,014	53,667,698	49,024,719	51,120,589	53,055,260
Other Revenue:					
Capital Appropriations	6,814,640	6,816,861	6,811,546	8,379,906	10,014,643
Capital grants and contracts	556,879	627,662	0	0	0
	7,371,519	7,444,523	6,811,546	8,379,906	10,014,643
Increase in net assets	$ 10,870,964	$ 6,825,086	$ (4,526,356)	$ (4,402,938)	$ 1,929,804

Management's Analysis of Financial Performance of the College

Operating revenues of the College are estimated to have increased $1,636,450 or 4.3% between fiscal years 10/11 and 14/15. For the same period of time, tuition and fees increased $152,821 or 0.4% reflecting a modest rate increases.

Operating Expenses increased $8,947,980 or 9.8% between fiscal years 10/11 and 14/15. The primary factor contributing to the negative operating results in fiscal year 2014 was the implementation of an Early Retirement Incentive Plan. At a cost of $4.3 million reflected in fiscal year 2014, the plan is expected to generate savings in the next fiscal year and is part of an overall strategy to rebalance the budget. See APPENDIX A – "Employees" above.

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

	2010/11	2011/12	2012/13	2013/14	(Unaudited) 2014/15
<u>GRANTS</u>					
PELL	$13,659,808	$12,316,188	$13,088,432	$13,304,580	$13,771,562
PA Higher Education Assistance Agency	$861,000	$1,258,702	$1,630,604	$2,049,968	$2,213,839
Supplemental Educational Opportunity Grant	$180,125	$157,968	$220,256	$210,580	$225,037
College Resources	$676,957	$652,113	$929,529	$981,031	$1,095,788
<u>LOANS</u>					
Guaranteed Student Loan	$22,879,799	$22,345,698	$20,103,013	$20,554,710	$19,986,047

EMPLOYMENT

	2010/11	2011/12	2012/13	2013/14	(Unaudited) 2014/15
Federal Work-Study Program	$140,584	146,825	$142,970	$124,688	$134,306
% of Students Receiving Financial Aid	28%	33%	34%	35%	35%

Funding From Grants and Special Projects (2014/15 Actual; 2015/16 Projected)

The College received $275,000 from the Workforce and Economic Development Network of Pennsylvania Program to provide specialized training to employees of area companies. The College will receive an amount of $250,000 in 2016.

The College received $105,000 from the Montgomery County Workforce Investment Board for the purpose of enhancing employability skills, GED Preparation and Literacy for the Workplace. The College will receive an amount of $158,620 in 2016.

The College received $318,000 from the Montgomery County Economic and Workforce Development Program to provide computer training, tuition reimbursement for unemployed individuals, programs for out of school youth, and assessment of job skills and career education opportunities for students within the career link. Additionally, one of the grants funded a WIA Performance Director who provided guidance regarding compliance/performance measures for the WIB/Department of Labor’s Youth Employment and WIA Programs. The College has requested in excess of $250,000 for 2016 programs.

The College received $610,000 in Perkins funding to purchase updated technology, equipment, and instructional materials for culinary arts, medical assisting, medical laboratory technology, dental hygiene, surgical technology, nursing, radiography, health and fitness, computer info systems programs, biotechnology, and anatomy/physiology programs. The College will receive an amount of $606,938 in 2016.

The College received revenue in the amount of $154,000 from a US Department of Labor TAACCCT (Trade Adjustment Assistance Community College and Career Training) grant subcontracted through the Community College of Philadelphia to provide training and increase the attainment of industry certifications in entry-level jobs for TAA impacted workers. The College will receive an additional $26,000 through the end of the grant in September 2015.

The College received revenue in the amount of $300,000 from a new US Department of Labor TAACCCT (Trade Adjustment Assistance Community College and Career Training) grant subcontracted through Forsyth Technical Community College of Winston-Salem, North Carolina for a period of 4 years to bridge the gap between TAA eligible and other displaced workers and their preparation for entry-level jobs in the biosciences industry and to build the capacity of community colleges to meet emerging needs for biosciences training. The College will receive an additional $853,332 through the end of the grant in September 2016.

The College received revenue in the amount of $619,000 from a new US Department of Labor TAACCCT (Trade Adjustment Assistance Community College and Career Training) grant for a period of 4 years to provide the development of a Prior Learning Assessment process model and stackable credentials which will be added to the PA Community College's shared framework. The College will receive an additional $995,865 through the end of the grant in September 2016.

The College received $694,000 in National Science Foundation funding for multi-year grants to provide scholarships and support to increase full-time enrollment and success in STEM Programs; build collaborations/partnerships, provide updated curriculum and staff development training within the Biomanufacturing industry; and provide science and technology training institutes for high school and community college educators.

The College received TRIO Upward Bound funding in the amount of $235,000 from the United States Department of Education to provide under-served high school students with academic, career, and cultural enrichment experiences to prepare them for success in higher education. The College will receive an additional $262,500 through the end of the grant in May 2017.

The College received two ACT 101 grants totaling $136,960 from the Pennsylvania Higher Education Assistance Agency to provide specialized instruction for economically disadvantaged students. The College will receive an amount of $136,960 in 2016.

The College received $163,000 from the Pennsylvania Department of Public Welfare Bureau of Training and Employment Programs for a KEYS Program to help Temporary Assistance for Needy Families (TANF) and Food Stamp recipients succeed in Community College. The College will receive an amount of $269,191 in 2016.

The College received $439,000 from the Pennsylvania Department of Education and Department of Welfare’s Office of Child Development and Early Learning to fund the PRE K Counts Program which provides a high quality pre-kindergarten learning experience to eligible children who are 3 or 4 years of age. The College will receive an amount of $518,500 in 2016.

The College received $80,000 from the Gateway to College National Network for two grants which will provide eligible students who have dropped out of or are unlikely to graduate from high school with a program to simultaneously earn a high school diploma and substantial college credit. The College will not receive any additional Funds. The grant ended on June 30, 2015.

Budgetary Procedures

The current College budget development process is driven by the College's Strategic Plan to 2016 and the six goals it articulates. The Office of Finance works with departments throughout the College to prepare budgets which support the College's strategic goals within the constraints of available resources. After obtaining initial input from the departments and other units, Finance meets with the College's Vice Presidents to discuss what changes or additional funding is required to achieve the College's strategic goals. With Vice Presidential input and approval, a finalized budget is assembled for approval by the College's President and the Board of Trustees. The FY 2016 budget is below:

		2016 Budget
Operating Revenues:		
Tuition and Fees		$39,906,201
Auxiliary enterprises		$1,129,661
Other operating revenue		$2,270,000
		$43,305,862
Operating Expenses:		
Instruction		$36,106,520
Academic support		$9,828,634
Student services		$7,355,941
Public service		$317,889
Institutional support		$22,247,464
Operation and maintenance of plant		$8,783,102
Student aid		$10,581,452
Depreciation and amortization		$5,100,000
Auxiliary enterprises		$1,287,038
		$101,608,039
Non-operating Revenue (Expenses):		
Local appropriations		$13,230,480
State appropriations		$17,527,386
Federal appropriations		$14,127,877
State Grants and contracts		$3,397,558
Other gifts, grants and contracts		$603,567
Investment income		$550,000
Interest on indebtedness		($2,343,946)
		$47,092,922
Other Revenue:		
Capital Appropriations		$11,209,255
Increase in net assets		$0

The operating budget includes a $5 per credit hour tuition increase and a $1 per credit hour increase in the technology fee, moving MCCC's tuition rates for in-county students closer to the rates of neighboring community colleges.

The approved operating budget projects stable funding from the State and County. The capital budget includes new State and County funding of $1.4 and $1.2 million respectively for debt service for the transformation of the Central Campus Physical Education Building into a Health Sciences Center to house current and new high demand programs in the health sciences fields as well as an $840,000 capital projects allocation from the County.

To continue to preserve financial access for students in the wake of the tuition increase, the College is taking a number of proactive steps including:

- The Foundation Scholarship campaign which raised in excess of $10M in private funds to support College programs and fill the gap in unmet student financial need;

- Expanding support for Veterans through the Veterans Resource Center;

- Reducing textbook costs by increasing the availability of e-books, book rentals and open source instructional materials;

- Implementing retention and planning tools to better track student progress against their degree plans, and accelerating students to college-level courses through placement test exemptions, revised cut scores, and refresher courses;

- Preserving the free "Think Big" transportation shuttle between campuses and supporting carpooling options for students to save transportation costs;

- Expanding the College's deferred payment plan to include summer semesters, and allowing students to spread payments out over a longer period of time;

- Providing students with financial literacy training modules, improving financial aid communications to students, and educating faculty on the intersections between academic performance and financial aid in order to improve student access to federal financial aid programs such as PELL and state programs such as PHEAA; and

- Maintaining affordable tuition at the College's Children's Center, fundraising to help students with child care assistance, and partnering with community agencies for access to affordable child care options in Pottstown.

The College is also investing in new programs to further expand access and to continue to meet student needs and workforce demand including the College's Culinary Arts Institute and the College's Virtual Campus with several short-term certificate options for adults looking for re-training opportunities. The Science Center project further supports this access goal.

The funding of the Science Center project allows the College to renovate the existing Science Center Building on the Central Campus, repurposing spaces formerly housing Health Sciences programs into general purpose classrooms or additional lab spaces to support growing STEM programming and meet pedagogical methods of instruction in the sciences. The Commonwealth and County have approved funding to support the project. The first two years of the County's funding share will be capitalized with the County support commencing in 2018.

The new debt will also allow the College to exercise the lease option to purchase the North Hall Building located at the West Campus. Exercising the purchase option of this lease results in significant savings to the College.

In addition, MCCC's 2014-2015 base operating budget has been reduced by introducing cost-saving measures which Board and College officials achieved by carefully trimming expenses while maintaining quality. Examples include:

- Maximizing seat capacity in each academic course while reducing the number of overall course sections, and modifying or discontinuing programs with low enrollment.

- Collaborating externally with other community colleges and agencies to negotiate better pricing for technology, while coordinating internally on the purchase of office supplies;

- Cross-training student services staff for greater flexibility and coverage, and streamlining transcript evaluation; and

- Aggressively managing administrative vacancies and in FY14 the implementation of an Early Voluntary Retirement Incentive Program. The incentive was very successful and resulted in 49 retirements.

- The college has moved from a fully insured health care model to a primarily self-insured plan. This change, along with newly implemented employee contributions to the cost of health care, is expected to moderate the escalation of health care costs going forward.

The 2015-16 operating budget revenue comes from three primary sources, the County (17.6 percent), the State (23.3 percent) and students (59.1 percent).

Outstanding Long Term Indebtedness

A summary of Long Term Indebtedness as of 6/30/15 is as follows:

Description	Balance at 6/30/15
2008 Note payable	$28,470,000*
2013 Note payable	50,000,000
Bond premiums	3,530,879
Total	$82,000,879

* A portion of which will be advance refunded using a portion of the proceeds 2015 Bonds.

Future Financing Plans

At this time the College plans to finance operating expenditures based on funding from the County, the Commonwealth, and student tuition. As much as possible, capital expenditures will be funded from County and Commonwealth appropriations. In light of the College's capital improvement plans, the College also may seek to secure funding via loans and/or bond issues.

Future renovations are planned to the Facilities Building, the main quadrangle, and athletic fields as well as a reconfiguration of campus parking and entrances.

No Material Adverse Changes

The College experienced a decrease in net assets in 2014, primarily due to the implementation of an Early Retirement Incentive Program at a cost of $4.3 million. This plan is expected to generate savings in the current and future fiscal years and is part of an overall strategy to rebalance the budget.

The College has taken a variety of steps to adjust operations to the current level of support by increasing other revenues generated and reducing overall expense for 2015 and beyond. In the opinion of the College's administration, the strategic decision to absorb the cost of the Early Retirement Incentive Program was done to set the stage to realize future cost savings and does not represent a material change that threatens the College's ability to operate or fulfill its debt obligations.

Material Events

In fiscal year 2015, the College implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The College is a participant in two "multi-employer" defined benefits pension plans. They are Public School Employees' Retirement System (PSERS) and State Employees' Retirement System (SERS). These plans have been discontinued by the College. Current participants of these programs are grandfathered. The College currently has 16 employees participating in SERS, 31 employees participating in PSERS and 552 employees participating in TIAA-CREF. The net pension liability recorded under GASB 68 will not have a budgetary impact on the College. Recording the liability is an accounting function and will not be paid currently with existing resources. The implementation of GASB 68 will involve a "restatement" of the College's beginning net position (equity). The net pension liability will appear on the College's Statement of Net Position and the offset will be the reduction of beginning net position (equity). The College's estimated liability based upon preliminary figures from SERS is $2,072,033. No information has been received from PSERS to date but the projected liability is $3,449,289.

APPENDIX B

AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Financial Statements and
Supplementary Information

June 30, 2014 and 2013

BAKER TILLY

Candor. Insight. Results.

Montgomery County Community College

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June 30, 2014 and 2013

formerly
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Independent Auditors' Report

Board of Trustees
Montgomery County Community College

Report on the Financial Statements

We have audited the accompanying financial statements of Montgomery County Community College (the "College") and its discretely presented component unit, a component unit of the County of Montgomery, Pennsylvania, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 Montgomery County Community College and its discretely presented component unit as of June 30, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Notes 2 and 16 to the financial statements, the College adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in 2014 to conform with accounting principles generally accepted in the United States of America. The College restated its financial statements as of and for the year ended June 30, 2013 for this adoption.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") on pages 4 through 10 and the Schedule of Funding Progress and Employer Contributions for the Postemployment Benefit Plan on page 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 College's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Philadelphia, Pennsylvania
December 12, 2014

The Montgomery County Community College's (the "College") financial statements are prepared using Governmental Accounting Standards Board ("GASB") Statement Nos. 34 and 35. The financial results of the Montgomery County Community College Foundation (the "Foundation") are reported as a component unit.

This Management's Discussion and Analysis ("MD&A") is based upon facts, decisions, and conditions known as of the date of the audit report. The results of 2014 are compared to those for the 2013 fiscal year.

Overview of Financial Statements

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

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

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

Montgomery County Community College, founded in 1964 as a comprehensive community college, offers a curriculum which includes more than 100 associate degree/certificate programs in 44 areas of study - including nearly a dozen online degree and certificate programs and several hybrid online/traditional programs - offered at our Central Campus in Blue Bell, West Campus in Pottstown, Virtual Campus and several learning centers located throughout the county. The College also offers plenty of career training and continuing education programs for learners of all ages and backgrounds. The College primarily serves Montgomery County, a large and diverse area which contains sixty-two municipalities, twenty-three school districts, and four hundred eighty-three square miles. Home to nearly 813,000 residents, Montgomery County includes large, suburban residential communities in proximity to Philadelphia County; large operating farms in the northern and western sections; and several small urban centers. Annually, the College serves approximately 20,205 unduplicated credit and 3,908 unduplicated non-credit students in day and evening classes, as well as in distance learning classes.

The Central Campus is located in Blue Bell, twenty-five miles northwest of Philadelphia, on the Route 202 technology and industrial corridor that extends from Princeton, New Jersey to Wilmington, Delaware. The West Campus is located in Pottstown at the converging borders of Berks, Chester, and Montgomery counties. Centrally located on the Route 422 corridor, the West Campus serves students primarily from Montgomery and Chester counties.

The College's open admissions policy, which assures enrollment for all students who hold a high school diploma or its equivalent, combined with its well-defined standards of academic excellence, ensures that the College provides affordable, accessible, quality education to all students, including the many who would otherwise not have an opportunity for higher education. Our learning resources such as tutoring, advising, counseling, and libraries are provided to support student success at the collegiate level.

In addition to providing associate degree and certificate opportunities, Montgomery County Community College has partnered with a number of colleges and universities (see below) to provide seamless transfer opportunities for its students.

Partner Colleges/Universities

- Albright College
- Alvernia University
- Arcadia University
- Bellevue University
- Cabrini College
- Chestnut Hill College
- Cheyney University of PA
- Delaware Valley College
- DeSales University
- Philadelphia University's Accelerated Bachelor of Science Degree Completion (evening) Program
- Eastern University
- Gwynedd-Mercy University
- Kutztown University of PA
- Lehigh University
- La Salle University
- Messiah College
- Penn State Abington
- Peirce College
- Rosemont College, Traditional & Schools of Graduate/Professional Studies
- Strayer University
- Temple University
- University of Phoenix
- Villanova University, Bachelor of Interdisciplinary Studies Degree Program
- West Chester University
- Widener University (Day Program)
- Wilmington University

Financial Statement Highlights

- Net position decreased by $4.4 million in 2014 compared to a $4.6 million decrease in 2013.

- Tuition and fee revenue totaled $37.7 million and $36 million in 2014 and 2013, respectively. The scholarship allowance' amounts were $7.9 million in 2014 compared to $6.7 million 2013. The scholarship allowance represents the difference between the stated charges for goods and services and the amount that is paid by students. The scholarship allowance amount for fiscal 2014 reflects an increase in tuition and an increase of financial aid awarded to students.

- Total full-time equivalents ("FTEs") were 10,556 and 11,308 in 2014 and 2013, respectively, which represents a 6.6% decrease.

- Principal payments and interest expense totaled $6.5 million and $6.1 million, respectively, during fiscal years ended June 30, 2014 and 2013. The principal obligation on the three outstanding bonds and three lease obligations is $90.8 million at June 30, 2014.

- Capital outlays in 2014 totaled $3.4 million in the plant funds, primarily due to the start of the Health Sciences Center project. This project is intended to transform the Physical Education Center into a Health Sciences Center to house much needed updated space to support our growing Health Sciences Programs as well as programs in Exercise Science and to create additional support space to meet demands created by significant enrollment growth for student recreation, intramurals and intercollegiate athletics.

- The College's State Budget Allocation was $21.6 million and $20.7 million, respectively, during fiscal years ended June 30, 2014 and 2013. County funding was $17.2 million and $15.8 million, respectively, during the fiscal years ended June 30, 2014 and 2013.

- In fiscal 2009 the College implemented the GASB 45 accounting standard. This standard requires that the present value of projected post-retirement benefits other than pensions, paid to retired employees be recorded as an expense in public institution's financial statements. Using the services of an actuarial firm, estimates of the post-retirement liability are calculated every two years. As required by GASB 45, the bi-annual reassessment of the liability was prepared in June 2014 for reporting as of June 30, 2014. The College elected to phase in the reporting of the post-employment benefit liability over a 30 year period and to continue to fund the costs of the benefit out of the College's annual budget revenues. A separate trust has not been established to fund any portion of this liability. The cumulative estimated value for the accrued post-employment benefit liability was $10,033,277 in fiscal 2014 and $8,268,464 in 2013.

- During fiscal 2014, the College offered a Voluntary Retirement Incentive opportunity for regular full-time Faculty and Support Staff who met certain criteria and have chosen to retire between December 31, 2014 and August 31, 2015. The incentive plan benefits the College by enabling the deployment of resources in ways that best meet the changing needs of students and the institution, and that best facilitate the achievement of the strategic objectives identified in the College's continuing strategic planning process. The College recognized a liability and expense in the amount of $4,279,255 at June 30, 2014 representing the cost of this voluntary termination benefit pursuant to GASB Statement No. 47, *Accounting for Termination Benefits*.

Condensed statement of net position as of June 30, 2014 and 2013 (2013 restated pursuant to the College's implementation of GASB 65) (in thousands):

	2014	2013 (Restated)	Increase/ (Decrease)	Percentage Change
Assets:				
Other assets	$ 92,067	$ 56,672	$ 35,395	62.5%
Capital assets	103,859	105,957	(2,098)	(2.0)
Total assets	$ 195,926	$ 162,629	$ 33,297	20.5%
Liabilities and net position:				
Current liabilities	$ 19,776	$ 14,584	$ 5,192	35.6%
Noncurrent liabilities	96,383	63,875	32,508	50.9
Total liabilities	116,159	78,459	37,700	48.1
Net position:				
Invested in capital, net of	47,754	47,187	567	1.2
Restricted for Capital Projects	3,500	3,500	-	0.0
Unrestricted	28,513	33,483	(4,970)	(14.8)
Total net position	79,767	84,170	(4,403)	(5.2)
Total liabilities and net position	$ 195,926	$ 162,629	$ 33,297	20.5%

The College's assets amounted to $196 million and $162.6 million as of June 30, 2014 and 2013, respectively. Cash and cash equivalents and short-term investments were $29.0 million and $30.1 million in 2014 and 2013, respectively. Deposits with bond trustee were $34.6 million on June 30, 2014 compared to zero as of June 30, 2013. Accounts receivable were $3.5 million and $3.2 million in 2014 and 2013, respectively, net of an allowance for uncollectible accounts of $1.0 million in 2014 and 2013 respectively. Prepaid expenses were $1.5 million and $1.6 million in 2014 and 2013 respectively. The cost of property, plant and equipment amounted to $148.9 million and has corresponding accumulated depreciation of $45.0 million at June 30, 2014.

The College's liabilities were $116.2 million and $78.5 million as of June 30, 2014 and 2013. Appropriations refundable are $153,000 in 2014 and relates to amounts due to the Pennsylvania Department of Education. Notes payable, net of current portion were $82.0 million and $51.1 million as of June 30, 2014 and 2013, respectively. Interest rates on the outstanding obligations range from 2.00% to 5.50%. Accrued postemployment benefits amounted to $10.0 million at June 30, 2014 and $8.3 million at June 30, 2013.

Condensed statements of revenues, expenses and changes in net position as of June 30, 2014 and 2013 (2013 restated pursuant to the College's implementation of GASB 65) (in thousands):

	2014	2013 (Restated)	Increase/ (Decrease)	Percentage Change
Operating revenues:				
Tuition and fees	$ 37,663	$ 36,073	$ 1,590	4.4%
Auxiliary enterprises	1,030	1,010	20	1.9
Other operating revenue	1,919	1,614	305	18.9
Total operating revenues	40,612	38,697	1,915	4.9
Operating expenses	104,515	99,060	5,455	5.5
Operating loss	(63,903)	(60,363)	(3,540)	(5.9)
Nonoperating revenues:				
Local appropriations	12,854	12,471	383	3.1
State appropriations	17,243	17,243	-	0.0
Federal appropriations	17,446	17,292	154	0.9
State grants and contracts	3,877	4,185	(308)	(7.4)
Other gifts, grants and contracts	1,284	239	1,045	437.2
Interest income	653	344	309	89.8
Interest on indebtedness	(2,237)	(2,749)	512	18.6
Nonoperating revenues	51,120	49,025	2,095	4.3
Loss before other revenues	(12,783)	(11,338)	(1,445)	(12.7)
Other revenues:				
Capital appropriations	8,380	6,812	1,568	23.0
Decrease in net position	(4,403)	(4,526)	123	2.7%
Net position, beginning period	84,170	88,696		
Net position, ending	$ 79,767	$ 84,170		

Revenue recognized from appropriations amounted to $47.5 million and $47 million in 2014 and 2013, respectively.

The College's auxiliary enterprises include the College bookstore, food services, University Center, Center for Entrepreneurial Studies and the Children's Center. Commissions and other revenue totaled approximately $1,030,000 and $1,010,000 in 2014 and 2013, respectively. The auxiliary enterprises activities generated an operating profit of approximately $507,000 and $462,000 in 2014 and 2013, respectively.

The College is the recipient of funds for financial assistance and other grants that are subject to restrictions. The number of students receiving financial aid from one or more programs totaled 6,983 in 2014. The College processed approximately 24,175 awards in fiscal year 2014 with amounts ranging from $200 to $5,250 per semester. The College received student financial assistance of approximately $13.3 million from the Pell Grant, Supplemental Education Opportunity Grant, and Federal Work Study Programs in 2013-14. The College participated exclusively in the Federal Direct Loan Program in 2013-14. There were approximately 3,293 Subsidized Direct Loan recipients for a total of $9.6 million disbursed; 3,383 Unsubsidized Direct Loan recipients for a total of $10.9 million disbursed; and 8 Federal Direct Plus loans for a total of $30,259 disbursed. Pennsylvania Higher Education Assistance Agency (PHEAA) awarded grants amounted to approximately $2,050,000 for the year, an increase of 19.6% over 2013. The increase in PHEAA grants is due to the extended application filing deadline for community college students to apply for State grants. The extension enabled first-time (non-renewal) applicants to apply for State aid through August 1st. Additionally, the College offers a deferred payment student loan program. For the 2014 fiscal year, approximately 4,812 deferred payment agreements were initiated amounting to $5.3 million. While there was a 2.23% decline in enrollment of payment plans from 2014, the initiating total plan amount increased by 13% which is attributable to increased tuition and fees.

Restricted funding received by the College in 2013 includes local, state and federal government grants as well as private Corporate and Foundation funding. Local government grants remained stable at $60,000 in 2014 and 2013. State grants decreased to $1.1 million in 2014 compared to $1.2 million in 2013, an 8% decrease. The decrease in state grants was due to a reduction in funding from PHEAA ACT 101 and the Workforce and Economic Development Network of Pennsylvania Program. Federal grants increased to $3.7 million in 2014 compared to $3.3 million in 2013, a 13% increase. The increase is attributed funding received in connection to the two U.S. Department of Labor Trade Assistance Community College Career Training (TAACCCT) grants. The first TAACCCT grant is subcontracted through Forsyth Technical Community College of Winston-Salem, North Carolina. The purpose is to bridge the gap between Trade Adjustment Assistance eligible workers and other displaced workers in their preparation for entry-level jobs in the biosciences industry and to build the capacity of community colleges to meet emerging needs for bioscience training. The second TAACCCT grant provides funding for the development of a Prior Learning Assessment process model and stackable credentials which will be added to the Pennsylvania Community College's shared framework. In addition, National Science Foundation Grant, initiated in 2013 to build collaborations/partnerships, provide updated curriculum and staff development training within the Bio-manufacturing industry; and provide science and technology institutes for high school and community college educators, received additional funding in 2014.

Private corporate and foundation grants increased 50% in 2014 to $1,060,828 from $705,106 in 2013. The increase is credited in part to new funding from the Gateway to College National Network which provides eligible students who have dropped out or are unlikely to graduate from high school with a program to simultaneously earn a high school diploma and substantial college credit. Awards were also received from the Community College Research Center supporting research and development of strategies and tools to improve Community College student completion rates and institutional performance.

The College continues to place emphasis on the designation of funds for the Campus Master Plan and the replacement of facilities and equipment. This provides the College with a prudent strategy for equipment and facilities replacement and renewal. During the current year, the College's capital outlays amounted to $3.4 million. Depreciation expense on capital expenditures was $5.1 million.

In accordance with Governmental Accounting Standards Board No. 61, *The Financial Reporting Entity: Omnibus, an amendment of Statement No. 39, Determining Whether Certain Organizations are Component Units*, and Statement No. 14, *The Financial Reporting Entity*, the College has reflected the Montgomery County Community College Foundation (the "Foundation") as a component unit of the College and accordingly, the Foundation is presented in the College's financial statements. Additionally, the Foundation has separately issued financial statements. Complete financial statements for the Foundation can be obtained from the College's administrative office.

Statement of Net Position - Primary College
June 30, 2014 and June 30, 2013

Assets	2014	2013
Current Assets		
Cash and cash equivalents	$ 28,980,044	$ 30,085,873
Investments	22,450,585	18,445,798
Governmental appropriations receivable, net of allowance for uncollectible accounts of $-0- in 2014 and 2013, respectively	17,653	2,311,457
Interest receivable on investments	70,909	-
Accounts receivable, net of allowance for uncollectible accounts of $1,000,000 in 2014 and 2013, respectively	3,392,532	3,185,395
Inventory	59,479	52,192
Prepaid expenses	1,495,506	1,614,651
Total current assets	56,466,708	55,695,366
Deposits with Bond Trustee	34,588,052	-
Equipment Lease Acquisition Escrow Fund	129,397	722,726
Due from Foundation	39,250	253,997
Capital Assets, Net	103,859,476	105,957,190
Total assets	195,082,883	162,629,279
Deferred Outflows of Resources		
Loss on Bond Refunding	843,742	-
Total assets and deferred outflows of resources	$ 195,926,625	$ 162,629,279

Liabilities and Net Position	2014	2013
Current Liabilities		
Current maturities of notes payable	$ 4,198,888	$ 3,581,253
Current maturities of capital lease obligation	273,625	286,755
Accounts payable	3,328,357	2,504,185
Appropriations refundable	152,692	147,419
Accrued employee incentive and other payables	4,122,614	289,942
Accrued expenses	4,670,961	4,929,445
Unearned revenues	3,028,620	2,845,369
Total current liabilities	19,775,757	14,584,368
Notes Payable, Net of Current Maturities	82,000,879	51,082,436
Capital Lease Obligation, Net of Current Maturities	4,349,310	4,523,671
Accrued Postemployment Benefits	10,033,277	8,268,464
Total liabilities	116,159,223	78,458,939
Net Position		
Net investment in capital assets	47,754,223	47,187,173
Restricted for capital projects	3,500,000	3,500,000
Unrestricted	28,513,179	33,483,167
Total net position	79,767,402	84,170,340
Total liabilities and net position	$ 195,926,625	$ 162,629,279

See notes to financial statements

Montgomery County Community College

Statement of Revenues, Expenses, and Changes in Net Position - Primary College
Years Ended June 30, 2014 and 2013

	2014	2013
Operating Revenues		
Student tuition and fees (net of scholarship discounts and allowances of $7,942,233 in 2014 and $6,737,466 in 2013)	$ 37,662,873	$ 36,073,447
Auxiliary enterprises	1,029,870	1,010,473
Other operating revenue	1,918,828	1,613,591
Total operating revenues	40,611,571	38,697,511
Operating Expenses		
Education and general:		
Instruction	38,999,130	35,966,262
Academic support	10,499,366	10,329,796
Student services	8,047,653	7,697,519
Public services	388,944	436,306
Institutional support	23,039,934	21,524,413
Operation and maintenance of plant	8,388,382	7,462,459
Student aid	9,016,317	9,488,743
Depreciation and amortization	5,107,160	5,086,323
Auxiliary enterprises	1,028,118	1,068,311
Total operating expenses	104,515,004	99,060,132
Total operating loss	(63,903,433)	(60,362,621)
Nonoperating Revenues (Expense)		
Local appropriations	12,854,746	12,471,328
State appropriations	17,242,931	17,242,939
Federal appropriations	17,445,966	17,291,551
State grants and contracts	3,876,776	4,185,322
Other gifts, grants and contracts	1,283,681	238,417
Investment income	652,721	344,205
Interest on indebtedness	(2,236,232)	(2,749,043)
Total nonoperating revenues	51,120,589	49,024,719
Loss before other revenues	(12,782,844)	(11,337,902)
Other Revenues		
Capital appropriations	8,379,906	6,811,546
Decrease in net position	(4,402,938)	(4,526,356)
Net Position, Beginning		
As previously reported	84,170,340	89,441,243
Effect of adoption of GASB Statement No. 65	-	(744,547)
As adjusted	84,170,340	88,696,696
Net Position, Ending	$ 79,767,402	$ 84,170,340

See notes to financial statements

Montgomery County Community College

Statement of Cash Flows - Primary College
Years Ended June 30, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Tuition and fees	$ 36,714,082	$ 35,321,719
Payments to suppliers	(16,385,469)	(17,473,633)
Payments to utilities	(1,867,049)	(1,864,066)
Payments to employees	(64,701,011)	(62,380,636)
Payment for financial aid	(9,016,317)	(9,488,743)
Auxiliary enterprises	1,017,118	1,027,378
Other receipts	2,133,575	1,402,940
Net cash flows from operating activities	(52,105,071)	(53,455,041)
Cash Flows from Noncapital Financing Activities		
Federal appropriations	17,194,924	16,997,589
State appropriations	21,047,015	21,427,231
Local appropriations	12,854,746	10,236,916
Other receipts	3,509,715	238,417
Net cash flows from noncapital financing activities	54,606,400	48,900,153
Cash Flows from Capital Financing Activities		
Capital expenditures	(1,754,284)	(5,451,147)
Capital appropriations	8,347,139	6,843,583
Principal paid on bonds payable	(21,648,315)	(3,319,131)
Proceeds from issuance of long term debt	54,174,744	-
Proceeds from sale of capital assets	78,436	15,161
Writeoff premium of 2005 bonds	(755,810)	-
Loss on refunding	(843,742)	-
Capital lease payments	(300,024)	(173,883)
Interest paid on capital debt	(3,487,604)	(2,865,679)
Net cash flows from capital financing activities	33,810,540	(4,951,096)
Cash Flows from Investing Activities		
Redemption (purchase) of investments, net	(3,824,970)	3,656,396
Change in bond trustee deposits	(34,588,052)	4,420,961
Change in equipment lease acquisition escrow	593,329	2,374,171
Interest on investments	401,995	347,032
Net cash flows from investing activities	(37,417,698)	10,798,560
Net increase in cash and cash equivalents	(1,105,829)	1,292,576
Cash and Cash Equivalents, Beginning	30,085,873	28,793,297
Cash and Cash Equivalents, Ending	$ 28,980,044	$ 30,085,873
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating Loss	$ (63,903,433)	$ (60,362,621)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	5,107,160	5,086,323
Bad debt expense	869,672	1,447,435
Loss on disposal of assets	33,567	81,098
Changes in assets and liabilities:		
Receivables	(647,265)	(876,805)
Due from Foundation	214,747	(210,651)
Prepaid expenses	119,145	(203,941)
Inventory	(7,287)	10,609
Accounts payable and accrued liabilities	327,887	(830,851)
Accrued payroll and related benefits	3,832,672	13,132
Unearned revenue	183,251	151,427
Postemployment benefit liability	1,764,813	2,239,804
Net cash used in operating activities	$ (52,105,071)	$ (53,455,041)
Schedule of Noncash Investing, Capital and Financing Activities:		
Capital asset additions in accounts payable	$ 220,800	$ 215,846
Capital assets acquired via capital lease	$ 112,533	$ 635,034

See notes to financial statements

Montgomery County Community College

Statement of Financial Assets - Component Unit
June 30, 2014 and 2013

	2014	2013
Assets		
Cash and cash equivalents	$ 737,022	$ 195,560
Investments	7,736,400	6,635,438
Pledges receivable, net of discount and allowance for doubtful collection	564,766	212,936
Accrued interest and dividend income receivable	11,785	17,278
Beneficial interest in charitable remainder trust	109,819	92,938
Other assets	3,000	100
Cash surrender value of life insurance policies (with aggregate face value of $175,000)	-	44,721
Total assets	$ 9,162,792	$ 7,198,971
Liabilities and Net Assets		
Liabilities:		
Vouchers payable	$ 33,578	$ 25,510
Deferred revenue	387,125	-
Due to Montgomery County Community College	39,250	253,997
Total liabilities	459,953	279,507
Net Assets:		
Unrestricted	844,750	673,249
Temporarily restricted	5,202,965	4,541,190
Permanently restricted	2,655,124	1,705,025
Total net assets	8,702,839	6,919,464
Total liabilities and net assets	$ 9,162,792	$ 7,198,971

See notes to financial statements

Montgomery County Community College

Statement of Activities and Changes in Net Assets - Component Unit
Years Ended June 30, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues								
Gifts and bequests	$ 70,349	$ 977,242	$ 930,099	$ 1,977,690	$ 21,665	$ 940,028	$ 249,228	$ 1,210,921
Investment gain	655,705	474,418	-	1,130,123	465,776	271,034	-	736,810
Fund raising revenues from special events	29,716	46,555	-	76,271	38,326	116,898	-	155,224
Transfer in from College	73,000	-	-	73,000	-	-	-	-
Total revenues	828,770	1,498,215	930,099	3,257,084	525,767	1,327,960	249,228	2,102,955
Net assets released from restrictions	816,440	(816,440)	-	-	570,541	(570,541)	-	-
Change in donor designation	-	(20,000)	20,000	-	-	16,114	(16,114)	-
Net revenues	1,645,210	661,775	950,099	3,257,084	1,096,308	773,533	233,114	2,102,955
Expenditures								
Program services:								
Scholarship and other student support	437,367	-	-	437,367	279,121	-	-	279,121
Program	387,575	-	-	387,575	365,878	-	-	365,878
Development	274,940	-	-	274,940	105,501	-	-	105,501
Art Barn debt service	139,250	-	-	139,250	139,250	-	-	139,250
Total program services	1,239,132	-	-	1,239,132	889,750	-	-	889,750
Supporting services:								
Fund raising for special events	65,329	-	-	65,329	92,650	-	-	92,650
Management and general	169,248	-	-	169,248	143,990	-	-	143,990
Total supporting services	234,577	-	-	234,577	236,640	-	-	236,640
Total expenditures	1,473,709	-	-	1,473,709	1,126,390	-	-	1,126,390
Change in net assets	171,501	661,775	950,099	1,783,375	(30,082)	773,533	233,114	976,565
Net Assets, Beginning	673,249	4,541,190	1,705,025	6,919,464	703,331	3,767,657	1,471,911	5,942,899
Net Assets, Ending	$ 844,750	$ 5,202,965	$ 2,655,124	$ 8,702,839	$ 673,249	$ 4,541,190	$ 1,705,025	$ 6,919,464

See notes to financial statements

1. Nature of Activities

Montgomery County Community College (the "College") is a public institution of higher education with campuses located in Blue Bell, Pennsylvania and Pottstown, Pennsylvania. The College was founded in 1964 in response to a need for a two-year collegiate experience in higher education. The College is funded through a diversified financial support system from the County of Montgomery, Pennsylvania (the "County"), the Commonwealth of Pennsylvania (the "Commonwealth"), and the students.

The College, operating under a sponsorship agreement of the County, is considered a component unit and as such the financial statements of the College are incorporated into the comprehensive annual financial report of the County.

2. Summary of Significant Accounting Policies

Measurement Focus, Basis of Accounting and Basis of Presentation

The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board ("GASB"). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The College functions as a business-type activity, as defined by GASB.

Reporting Entity

In accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus,* an amendment of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment to GASB Statement No. 14 *The Financial Reporting Entity*; the College has determined that the Montgomery County Community College Foundation (the "Foundation") should be included in the College's financial statements as a discretely presented component unit. A component unit is a legally separate organization for which the primary institution is financially accountable or closely related.

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation has received a determination letter from the Internal Revenue Service concluding that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the donors. Since these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements as of June 30, 2014 and 2013. Complete financial statements for the Foundation may be obtained at the College's administrative office.

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board ("FASB"). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Operating Revenues

Operating revenues of the College consist of tuition and fees, sales and services of educational activities and auxiliary enterprise revenues. Transactions related to capital and financing activities, noncapital financing activities, investing activities and state, local and federal appropriations are components of nonoperating income. Governmental and private grants and contracts are reported as nonoperating revenue.

Use of Estimates

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

Accounts Receivable

Accounts receivable consist of tuition and fees charged to current and former students, amounts due from federal and state governments in connection with reimbursements of allowable expenditures made pursuant to grants and contracts and other miscellaneous sources.

Accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. An allowance for doubtful accounts is estimated based upon the College's historical losses and periodic review of individual accounts.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the College considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Investments

Investments are carried at fair value. Investments in mutual funds, corporate bonds, inflation hedges and real assets, municipal bonds, U.S. treasury securities, and U.S. government agencies are carried at fair value using dealer or exchange quoted market prices at year end. Investments in certificates of deposits are carried at cost, which approximates market.

Compensated Absences

The College records a liability for vacation earned and records an annual provision for unused sick days earned by employees, but not yet paid.

Postemployment Benefits Other than Pensions

The College offers postemployment benefits, other than pension, to eligible retirees. These benefits include premium payments related to medical, prescription drugs, dental, and life insurance. These benefits are accounted for in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions.*

Capital Assets

Capital assets are stated at cost at the date of acquisition or fair value at date of donation in the case of gifts. Improvements to the leased facilities made by the College are capitalized and are recorded at cost. Depreciation and amortization is recorded on the straight-line basis over the estimated useful lives of the assets as a charge in the statement of revenues, expenses and changes in net position. The College capitalizes assets with a useful life in excess of one year and an original cost exceeding $5,000. The lives are as follows:

Buildings	50 years
Leasehold improvements	20 years
Equipment and library	5 to 10 years

The period of amortization of capitalized leased equipment and building improvements coincides with lease terms.

Net interest incurred for building construction funded by long-term debt of $1,249,678 was capitalized in fiscal year 2014. No interest was capitalized in fiscal year 2013. This balance will be depreciated over the useful lives of the related assets.

Deferred Loss on Bond Refunding

Deferred loss on bond refunding is being amortized over the term of the related debt, using the straight-line method, which approximates the interest method.

Tax-Exempt Status

The College is exempt from federal income taxes under Section 115 of the Internal Revenue Code (“IRC”).

Tuition Revenue

Tuition Revenue is recognized when instruction is provided. A receivable is recognized when a student application is processed and an invoice submitted, with revenue recognition considered unearned until the instruction starts.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on students' behalf. Certain government grants are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Net Position

The College's net position is classified as follows:

Net investment in capital assets: This represents the College's total investment in capital assets, net of accumulated depreciation and related debt, net of restricted cash attributable to acquisition, construction, repair or improvement of those assets.

Restricted - nonexpendable: Net position subject to externally imposed conditions requiring that they be maintained by the College in perpetuity.

Restricted - expendable: Net position whose use is subject to externally imposed conditions that can be fulfilled by the actions of the College or by the passage of time.

Unrestricted: All other categories of net position. Unrestricted net position may be designated for specific purposes by the College's Board of Trustees.

When both restricted and unrestricted assets are available for expenditure, the decision as to which assets are used first is left to the discretion of the College.

Risk Management

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters. The College purchases commercial insurance coverage for general liability, property and casualty, workers' compensation, environmental and antitrust liabilities, and certain employee health benefits.

New Accounting Standards

The College adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2014. GASB No. 65 provides financial reporting guidance related to the impact of the financial statement elements of deferred outflows of resources and deferred inflows of resources, and changes the use of the term “deferred” in financial statement presentations. This statement amends the financial statement element classification of certain items previously reported as assets and liabilities to more consistently align with asset, liability, deferred inflow of resources and deferred outflow of resource definitions. The College implemented the accounting and reporting requirement of GASB 65 as of July 1, 2012. The effect of this adoption decreased the College's net position at July 1, 2012 by $744,547 and decreased the College's 2013 operating expenses and decrease in net position by $59,924.

The College also adopted GASB Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62* for the year ended June 30, 2014. The objective of this Statement is to improve accounting and financial reporting for a government financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The College's implementation of Statement No. 66 did not have a significant impact on its financial statements.

In addition, the College implemented GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* during its year ended June 30, 2014. The objective of this Statement is to establish accounting and financial reporting standards related to governments that extend or receive financial guarantees for the obligations of another organization without directly receiving equal or approximately equal value in exchange. The College's implementation of Statement No. 70 did not have a significant impact on its financial statements.

New Accounting Pronouncements

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27.* Statement No. 68 requires that cost-sharing employers recognize a liability for its proportionate share of the net pension liability of all employers for benefits provided through the pension plan. Statement No. 68 also requires additional footnotes disclosure and required supplementary information. The College is required to adopt Statement No. 68 for the fiscal year ending June 30, 2015.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations.* The objective of this Statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. It also improved the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. To the extent applicable, the College is required to adopt Statement No. 69 for the fiscal year ending June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The College is required to adopt Statement No. 71 for its fiscal year 2015 financial statements.

College management is in the process of analyzing these pending changes in accounting principles and the impact they will have on the financial reporting process.

3. Cash, Investments and Deposits with Bond Trustee

Cash and investments as of June 30 are classified in the accompanying financial statements as follows:

	2014	2013
Statement of net position:		
Cash and cash equivalents	$ 28,980,044	$ 30,085,873
Investments	22,450,585	18,445,798
Cash and investments held with bond trustee	34,588,052	-
Total	$ 86,018,681	$ 48,531,671

The College's investment policy is to optimize its return, through investments of it cash balances in such a way to minimize non-invested balances and maximize return on investments. The objectives shall include legality, safety, liquidity, yield, and diversification. Financial instruments used to achieve the College's stated objective will include money market funds, certificates of deposit and Board approved equities. In all cases, collateralization of principal and interest must be provided by the organization providing investment services.

The College views its funds in three broad categories.

1. **Short-term (Temporary) Investments -** fixed income investments which have a date to maturity of twelve (12) months or less. The portfolio will have an average effective duration of six (6) months or less. The short-term portfolio shall be maintained at a level sufficient to fund the College's operations plus an amount to cover an emergency. Cash flow forecasts should be maintained and updated on an ongoing basis.

2. **Mid-term Investments -** fixed income investments which have a date to maturity of 10 years of less, The portfolio will have an average effective duration of 5 years of less.

3. **Long-term investments -** equity and fixed income investments, which are intended to be held for a period greater than 5 years.

Safety of principal and liquidity are the top priorities for the investment of the College's short-term funds. Liquidity and total return are the top priorities for the College's mid-term funds. Within those guidelines, income optimization is pursued. Total Return is the top priority for the College's long-term funds. Long-term funds may be invested in a wider range of assets in order to produce higher returns while managing risk to principal over a long-term investment horizon through a diversified asset allocation approach.

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreement rather than provisions of the College's investment policy.

The carrying amount of the College's deposits was $28,980,044 and $30,085,873 as of June 30, 2014 and 2013, respectively. The bank balance totaled $29,795,989 and $31,980,121 as of June 30, 2014 and 2013, respectively. The difference represents outstanding checks payable and normal reconciling items.

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The College does not have a deposit policy for custodial credit risk. Commonwealth of Pennsylvania Act 72 of 1971, as amended, allows banking institutions to satisfy the collateralization requirement by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. Such pooled collateral is pledged with the financial institutions trust department.

The bank balance of the College's cash deposits is categorized as follows to give an indication of the level of risk assumed by the College at June 30:

	2014	2013
Insured	$ 500,000	$ 500,000
Collateralized,		
Collateral held by pledging bank's trust department not in the College's name	29,295,989	31,480,121
Total	$ 29,795,989	$ 31,980,121

Investments consist of the following as of June 30, 2014 and 2013:

	2014	2013
U.S. Treasury and agency obligations	$ 6,259,089	$ 1,395,798
Certificates of deposit	502,004	17,050,000
Corporate bonds	6,407,634	-
Equity mutual funds	7,429,712	-
Inflation hedges and real assets	756,179	-
Fixed income mutual funds	1,095,967	-
Total	$ 22,450,585	$ 18,445,798

The College's investments are subject to custodial credit risk, credit risk, concentration of credit risk and interest rate risk. Each one of these risks is discussed in more detail below.

The College's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the College and are held by either the counterparty or the counterparty's trust department or agent but not in the College's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover the sale of the investment or collateral securities that are in the possession of the outside party. As of June 30, 2014 and 2013, the College's investments are either, insured, registered, or held by the College's investment custodian in the College's name.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. GASB 40 requires that disclosure be made as to the credit rating of all fixed income securities except obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's, Fitch or Standard and Poors ("S&P").

Concentration of credit risk is the risk associated with the amount of investments the College has with any one issuer that exceed five percent or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The College's investment policy provides limitations pertaining to the diversification of the investment portfolio. The College views its funds in three broad categories: Short-term, Mid-term and Long-term investments. Safety of principal and liquidity are the top priorities for the investment of the College's short and mid-term funds. Long-term funds may be invested in a wider range of assets in order to produce higher returns while still minimizing risk to principal. The investment policy remains conservative, limiting equity investments to well-capitalized companies and approximately 35% of the value of long-term funds.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's investment policy provides limitations in the maturities and composition of the various types of investments as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

The following tables summarize S&P ratings and investment maturities as of June 30, 2014 and 2013:

Investment Type	2014 Market Value
Fixed income:	
Treasuries	$ 5,002,198
Government agencies	1,256,891
Corporate bonds	6,407,634
Mutual funds	1,095,967
CD's	502,004
Total fixed income	14,264,694
Equity mutual funds:	
U.S. large-cap	3,355,074
U.S. mid-cap	520,931
U.S. small cap	820,239
Developed international	2,103,268
International small-cap	428,764
Emerging markets	201,436
Total equities	7,429,712
Inflation hedges and real assets	756,179
Total investments	$ 22,450,585

Fixed Income Maturity Schedule	Market Value
1 year	$ 257,825
1 - 5 years	8,926,583
5 - 10 years	4,061,125
10 + years	1,019,161

Fixed Income Rating	Market Value
* Government and agencies	$ 6,259,089
AAA	100,705
AA	831,918
A	1,566,989
Less than A	3,878,075
Not rated	1,627,918

* Government and agency bonds have an implied rate of AA+

Investment Type	S&P Rating	June 30, 2013 Investment Maturities (in Years) Fair Value	Less than 1	1 to 2	Greater than 2
Certificates of deposit	Not rated	$ 17,050,000	$ 3,931,000	$ 3,784,000	$ 9,335,000
U.S. government agency	AA+	1,395,796	302,103	-	1,093,694
Total		$ 18,445,796	$ 4,233,103	$ 3,784,000	$ 10,428,694

Deposits with bond trustee include restricted funds held by board-approved trustees. Deposits with bond trustees are carried in the financial statements at fair value, as determined by quoted market prices, and consist primarily of U.S. Treasury securities. As of June 30, 2014, deposits held by bond trustees include the following (there were no such deposits at June 30, 2013):

	2014
Cash and cash equivalents	$ 3,147,536
U.S. government agencies	31,440,516
Total	$ 34,588,052

The College's securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the College and are held by either the counterparty or the counterparty's trust department or agent but not in the College's name.

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

4. Investments - Component Unit

The following table represents the composition of investments stated at fair value by type of securities as of June 30, 2014 and 2013:

	2014	2013
Money market funds	$ -	$ 403,134
Corporate obligations	-	1,004,785
Government bonds	216,911	1,137,150
Mutual funds fixed income	2,417,498	-
Global/foreign fixed income	-	55,495
Common stock:		
Consumer discretionary	368,550	407,101
Consumer staples	219,352	443,668
Energy	269,865	471,732
Financials	313,893	394,444
Real estate	-	146,585
Healthcare	401,120	443,819
Industrial	274,670	714,841
Information technology	495,871	372,470
Materials	99,772	265,082
Telecommunications services	51,680	125,167
Utilities	25,074	191,526
Unclassified	17,806	-
Total common stock	5,172,062	6,576,999
Exchange traded funds equities	515,034	-
Mutual funds equities	1,591,989	58,439
Other equities	5,207	-
Mutual funds alternative investments	452,108	-
Total	$ 7,736,400	$ 6,635,438

5. Pledges Receivable - Component Unit

The Foundation has recorded the following unconditional promises to give as pledges receivable as of June 30, 2014 and 2013:

	2014	2013
Receivable in less than one year	$ 195,222	$ 104,800
Receivable in one to five years	428,950	121,048
Total	624,172	225,848
Unamortized discount	(28,197)	(4,912)
Allowance for doubtful pledges	(31,209)	(8,000)
Total	$ 564,766	$ 212,936

Pledges receivable are charged to bad debt expense as they are deemed uncollectible based on a periodic review of the accounts. An allowance for doubtful pledges is estimated based on historical bad debt expense and a review of pledges receivable at year end.

6. Capital Assets

Of the total capital assets having a cost basis of $148,861,713 at June 30, 2014, the College's main campus facilities, with an original cost basis of $19,382,878 are leased to the College by the County. Ownership of the facilities was transferred to the County during fiscal year 1990 after completion of its lease agreement with the Montgomery County Community College Authority, which was dissolved upon completion of the lease agreement. The lease with the County expires in the year 2044 and the annual rental commencing with the year ended June 30, 1990 is $1.

In accordance with the Community College Act of 1963, library books are only considered capital expenditures during the first five years after establishment.

Capital assets activity for the year ended June 30, 2014 consisted of the following:

	Balance June 30, 2013	Additions	Retirement and Adjustments	Balance June 30, 2014
Non-depreciable assets:				
Land	$ 1,607,467	$ -	$ -	$ 1,607,467
Works of art	4,191	-	-	4,191
Construction in progress	123,439	2,194,514	(224,378)	2,093,575
Total non-depreciable assets	1,735,097	2,194,514	(224,378)	3,705,233
Depreciable assets:				
Building	67,137,043	-	-	67,137,043
Building improvements	49,271,350	297,531	(113,023)	49,455,858
Leasehold improvements	187,040	39,779	-	226,819
Land improvements	8,807,801	-	-	8,807,801
Equipment	19,076,220	857,307	(496,601)	19,436,926
Infrastructure	85,788	6,245	-	92,033
Total depreciable assets	144,565,242	1,200,862	(609,624)	145,156,480
Less accumulated depreciation	(40,343,149)	(5,107,160)	448,072	(45,002,237)
Net	$ 105,957,190	$ (1,711,784)	$ (385,930)	$ 103,859,476

Capital assets activity for the year ended June 30, 2013 consisted of the following:

	Balance June 30, 2012	Additions	Retirements and Adjustments	Balance June 30, 2013
Non-depreciable assets:				
Land	$ 1,607,467	$ -	$ -	$ 1,607,467
Works of art	4,191	-	-	4,191
Construction in progress	1,722,051	2,996,547	(4,595,159)	123,439
Total non-depreciable assets	3,333,709	2,996,547	(4,595,159)	1,735,097
Depreciable assets:				
Building	66,908,569	228,474	-	67,137,043
Building improvements	44,544,837	666,270	4,060,243	49,271,350
Leasehold improvements	-	125	186,915	187,040
Land improvements	8,808,701	400	(1,300)	8,807,801
Equipment	17,520,020	1,830,931	(274,731)	19,076,220
Infrastructure	49,846	35,942	-	85,788
Total depreciable assets	137,831,973	2,762,142	3,971,127	144,565,242
Less accumulated depreciation	(35,784,596)	(5,086,323)	527,770	(40,343,149)
Net	$ 105,381,086	$ 672,366	$ (96,262)	$ 105,957,190

7. Note Agreements and Authority Bond Issues

2013 Series Bond

On September 19, 2013, the Authority issued College Revenue Bonds and Refunding Bonds, Series 2013. The College and Commonwealth of Pennsylvania also entered into a note agreement of $51,605,000, whereby the College will repay the Commonwealth principal and interest in amounts and rates that correspond to the Commonwealth's sinking fund requirements for the bonds payable. The final maturity of the bonds and note is May 1, 2038.

Proceeds of $34,600,000 from the bond issue will be used in the design, renovation and remodel of the Health, Sciences and Wellness Center. The balance of the proceeds will be used in the advance refunding of a portion of the Authority's Revenue Bonds, Series 2005. This advance refunding reduced the College's total debt-service payments over the next 12 years by approximately $491,000 resulting in a net economic gain of approximately $467,000.

2009 Loan Agreement

On April 17, 2009, the State Public School Building Authority (Commonwealth of Pennsylvania) (the “Authority”) and the College entered into a loan agreement for $3,000,000. The proceeds of the 2009 agreement were used in the construction of the Children’s Center at the Blue Bell Campus and a parking lot on the Pottstown Campus. Proceeds from the 2009 loan agreement were disbursed to the College after the College submitted a written requisition to the Authority outlining project costs. The College received $3,000,000 in note proceeds in fiscal year 2010. The loan was paid in full in fiscal year 2014.

2008 Series Bond

On June 4, 2008, the Authority issued Community College Revenue Bonds, Series 2008. The College and Commonwealth of Pennsylvania also entered into a note agreement of $38,790,000 whereby the College will repay the Commonwealth principal and interest in amounts and rates that correspond to the Commonwealth's sinking fund requirements for the bonds payable. The final maturity of the bonds and note is May 1, 2028.

Proceeds of $24,243,750 from the bond issue were used in the renovation, construction, development and furnishings of College Hall. The balance of the proceeds, $14,546,250, were used in the renovation, construction, development and furnishings of Parkhouse Hall.

2005 Series Bond

On June 15, 2005, the Authority issued College Revenue Bonds, Series 2005. The College and Commonwealth of Pennsylvania also entered into a note agreement of $19,015,000 whereby the College will repay the Commonwealth principal and interest in amounts and rates that correspond to the Commonwealth's sinking fund requirements for the bonds payable. The final maturity of the bonds and note is May 1, 2025, however the College has the option to redeem the portions maturing on or after May 1, 2016, in whole or in part, or on or after May 1, 2015 at a redemption price of 100% plus accrued interest. With the exception of $1,360,000, the College exercised the option to advance refund these bonds.

Proceeds of $16,230,000 from the bond issue have been used in the design, construction, development and furnishings of the new Advanced Technology Center. The balance of the proceeds, $2,785,000, were used in the design, renovations to, expansion, and equipping of the Art Barn. The total cost of the Art Barn project was approximately $7.4 million.

1999 Series Bond

On March 18, 1999, the Authority issued College Revenue Refunding Bonds, Series 1999. The College and the Commonwealth of Pennsylvania also entered into a note agreement for $11,500,000 whereby the College will repay the Commonwealth principal and interest in amounts and rates that correspond to the Commonwealth's sinking fund requirements for the bonds payable. The bonds were repaid on May 1, 2014.

The proceeds from the 1999 series bond issue were used to refund $9,970,000 of principal and interest thereon (maturities subsequent to 2004) of the Series A 1994 bond issue. The remaining proceeds were used to pay off two installment loans with the Commonwealth of Pennsylvania in the amount of $757,930.

The following is a summary of outstanding debt as of June 30:

	2014					
	Interest Rate	Balance July 1, 2013	Additions	Payments/ Settlements	Balance June 30, 2014	Current Portion
1999 Notes payable	3.25-5.5%	$ 1,275,000	$ -	$ (1,275,000)	$ -	$ -
2005 Notes payable	5%	19,015,000	-	(17,655,000)	1,360,000	1,360,000
2008 Notes payable	3-5%	31,595,000	-	(1,540,000)	30,055,000	1,585,000
2013 Notes payable	2-5.5%	-	51,605,000	(590,000)	51,015,000	1,015,000
5 Year loan	2.25%	588,315	-	(588,315)	-	-
Bond premiums		2,190,374	2,569,744	(990,351)	3,769,767	238,888
Total		$ 54,663,689	$ 54,174,744	$ (22,638,666)	$ 86,199,767	$ 4,198,888

	2013					
	Interest Rate	Balance July 1, 2012	Additions	Payments/ Settlements	Balance June 30, 2013	Current Portion
1999 Notes payable	3.25-5.5%	$ 2,485,000	$ -	$ (1,210,000)	$ 1,275,000	$ 1,275,000
2005 Notes payable	5%	19,015,000	-	-	19,015,000	-
2008 Notes payable	3-5%	33,090,000	-	(1,495,000)	31,595,000	1,540,000
5 Year loan	2.25%	1,202,463	-	(614,148)	588,315	588,315
Bond premiums		2,368,311	-	(177,937)	2,190,374	177,938
Total		$ 58,160,774	$ -	$ (3,497,085)	$ 54,663,689	$ 3,581,253

Principal maturities of the notes are due as follows:

	Principal	Interest	Total
Year ending June 30:			
2015	$ 3,960,000	$ 3,910,269	$ 7,870,269
2016	4,115,000	3,758,569	7,873,569
2017	4,250,000	3,593,969	7,843,969
2018	4,430,000	3,416,094	7,846,094
2019	4,640,000	3,212,494	7,852,494
2020-2024	26,820,000	12,401,219	39,221,219
2025-2029	20,980,000	6,139,413	27,119,413
2030-2034	8,990,000	2,432,550	11,422,550
2035-2038	4,245,000	543,500	4,788,500
Total	$ 82,430,000	$ 39,408,077	$ 121,838,077

The Series A 1994 Bonds with maturities subsequent to 2004 are considered defeased, since all future debt service payments on these bonds will be paid from an irrevocable trust by an escrow agent. The trusts invest exclusively in government securities. Accordingly, $9,970,000 of the 1994 Series A Bonds are considered defeased and are not reflected in the statement of net position. At June 30, 2014 and 2013, $-0- and $1,270,000 of defeased bonds related to the 1994 bond issue are outstanding.

A deferred outflows of resources was recorded as an asset on the statement of net position for the difference between the reacquisition price and the net carrying amount of the advance refunded 2005 debt. The resulting deferred outflow of resources is amortized over the remaining life of the 2005 debt. Total amortization expense was $64,408 for the year ended June 30, 2014.

8. Long Term Liabilities

Long term liability activity for years ended June 30, 2014 and 2013 was as follows:

	Balance July 1, 2013	Additions	Payments/ Settlements	Balance June 30, 2014	Current Portion
Notes payable and related premiums	$ 54,663,689	$ 54,174,744	$ (22,638,666)	$ 86,199,767	$ 4,198,888
Lease obligations	4,810,426	112,533	(300,024)	4,622,935	273,625
Postemployment benefits	8,268,464	2,993,124	(1,228,311)	10,033,277	-
Total	$ 67,742,579	$ 57,280,401	$ (24,167,001)	$ 100,855,979	$ 4,472,513

	Balance July 1, 2012	Additions	Payments/ Settlements	Balance June 30, 2013	Current Portion
Notes payable and related premiums	$ 58,160,774	$ -	$ (3,497,085)	$ 54,663,689	$ 3,581,253
Lease obligations	4,349,276	635,034	(173,884)	4,810,426	286,755
Postemployment benefits	6,028,660	3,394,119	(1,154,315)	8,268,464	-
Total	$ 68,538,710	$ 4,029,153	$ (4,825,284)	$ 67,742,579	$ 3,868,008

9. Pension Plans

Employees of the College are required to enroll in one of three available retirement plans immediately upon employment. The Pennsylvania State Employees' Retirement Systems (“SERS”) and the Public School Employees' Retirement System (“PSERS”) each administer a cost-sharing, multiple employer defined benefit plan. The Teachers Insurance and Annuity Association/College Retirement and Equity Fund (“TIAA/CREF”) administers a multiple employer defined contribution plan.

SERS was established by the Commonwealth to provide pension benefits for employees of state government and certain other organizations. SERS provides retirement, death, and disability benefits. Participants in SERS may receive retirement benefits after satisfying age and length of service requirements. The retirement benefit is calculated using a formula based on Class of Service, years of Credited Service, salary and age. Employer and employee contribution rates are established by statute. Employees who participate in SERS, dependent upon membership class, are required to make a contribution equal to 5.00% or 9.30% of their gross pay. Participating employer contributions for SERS are based upon an actuarially determined percentage of gross pay that is necessary to provide SERS with assets sufficient to meet the benefits to be paid to members. The College contribution rate at June 30, 2014, 2013 and 2012 was 13.77%, 10.51% and 6.99%, respectively, of gross pay. According to the Commonwealth Retirement Code, all obligations of the SERS will be assumed by the Commonwealth should SERS terminate. The contribution to SERS for the years ended June 30, 2014, 2013 and 2012 was $128,223, $97,389 and $67,043, respectively. As of June 30, 2014, 2013 and 2012 this consisted of $38,640, $37,543 and $35,562 from employees and $89,583, $59,846 and $31,481, respectively, from the College.

The SERS plan issues an 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 Commonwealth of Pennsylvania State Employees' Retirement System, P. O. Box 1147, Harrisburg, PA 17108.

PSERS was established under the provisions of P.L.1043, No. 343 to provide allowances and other benefits, including death, disability, and health care benefits to members. Participants in PSERS may receive monthly retirement benefits after satisfying age and length of service requirements. PSERS basic formula to calculate retirement benefits is based on a pension multiplier, credited years of service, and final average salary. The contribution policy is set by the Pennsylvania Public School Employees' Retirement Code and requires contributions by active members, employers and Commonwealth. PSERS has four membership classes, Class T-C, Class T-D, Class T-E, and Class T-F. The membership class, in part, determines member contribution rate as well as hire date. The membership class rates range from 5.25% to 10.3%. The contributions required of the employer and the Commonwealth are based upon an actuarial valuation, using the "entry age normal" method, computed as a percentage of the total compensation of all active members during the period for which the amount is determined. The PSERS plan 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 Bureau of Fiscal Control, Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0125.

The College and Commonwealth contribution rates at June 30, 2014, 2013 and 2012, respectively, were 8.46%, 6.18% and 4.33% for both the College and the Commonwealth. The contribution to PSERS for the years ended June 30, 2014, 2013, and 2012 was $185,786, $153,586 and $125,062, respectively. This consisted of $86,298, $72,003 and $48,979 from the College and $99,488, $81,583 and $76,083 from employees for June 30, 2014, 2013 and 2012, respectively.

TIAA/CREF is an option to employees who wish to participate in a program whose benefits depend solely on amounts contributed plus investment earnings. Employer and employee contribution rates are established by statute. Each employee who elects to participate in this plan is required to make contributions equal to 5.00% of total annual compensation. The College contribution rate at June 30, 2014, 2013 and 2012 was 11%, of each enrolled employee's total annual compensation. Beyond that salary-based contribution, the College bears no responsibility for any liabilities, funded or unfunded, of TIAA/CREF. Contributions are immediately and fully vested. The total contribution to TIAA/CREF for the years ended June 30, 2014, 2013 and 2012 was $7,409,378, $7,142,603, and $6,888,833. This consisted of $4,022,749, $3,886,508, and $3,783,181 from the College and $3,386,629, $3,256,095, and $3,105,652, from employees for June 30, 2014, 2013, and 2012, respectively.

10. Leases

The College has certain equipment under noncancelable operating leases. The College also leases computer equipment and energy savings equipment which are classified as capital leases. These leases expire at various dates through 2031.

Capital leases included in capital assets at June 30 is as follows:

	2014	2013
Computer equipment	$ 660,283	$ 660,283
Energy savings equipment	4,000,429	4,015,345
Culinary arts equipment	635,034	635,034
Accumulated amortization	(865,869)	(575,484)
Total	$ 4,429,877	$ 4,735,178

The following is a schedule of future minimum lease payments for capital leases and operating leases as of June 30, 2014:

	Capital Leases	Operating Leases
Year ending June 30:		
2015	$ 404,746	$ 1,547,991
2016	413,789	1,730,569
2017	409,835	1,800,756
2018	392,891	1,705,815
2019	635,618	1,676,089
2020-2024	1,855,264	8,407,572
2025-2029	1,544,331	4,152,821
2030-2034	-	1,368,331
Total minimum lease payments	5,656,474	$ 22,389,944
Less amounts representing interest	1,033,539	
Present value of net minimum lease payments	4,622,935	
Current obligations	273,625	
Total	$ 4,349,310	

Rental expense under operating leases totaled $1,414,854 and $1,299,212 in 2014 and 2013, respectively.

11. Postemployment Benefits

Plan Description

The College sponsors a postemployment plan for benefits other than pensions. Benefits provided from the plan include retiree medical, prescription drugs, dental and life insurance. Eligible college retirees may continue health care coverage through the College. However, the College's contribution depends on an employee's hire date, age and service at retirement. The plan is a single employer plan administered by the College. The College pays premiums for medical, prescription drugs, dental and life insurance on behalf of eligible retirees at age 62 for life if hired prior to January 1, 1999. Employees hired subsequent to January 1, 1999, the College pays premiums for medical prescription drugs, dental and life insurance at age 62. When the retiree becomes eligible for Medicare, the retiree is responsible for the full cost.

Funding Policy

The contribution requirements of plan members and the College are established and may be amended by the College's Board of Trustees. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid to fund the health care benefits provided to current retirees. The College paid premiums of $1,636,792 and $1,455,774 for the fiscal years ending June 30, 2014 and 2013, respectively. Total retiree contributions made by plan members were $408,481 and $301,459 for the fiscal years ending June 30, 2014 and 2013, respectively.

Annual OPEB Cost and Net OPEB Obligation

The College'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 45. The ARC represents a level of funds 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 College's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the College's net OPEB obligation:

Annual required contribution	$ 2,916,240
Interest on net OPEB obligation	372,081
Adjustment to annual required contribution	(295,197)
Annual OPEB cost (expense)	2,993,124
Contributions made	1,228,311
Increase in net OPEB obligation	1,764,813
Net OPEB obligation at July 1, 2013	8,268,464
Net OPEB obligation at June 30, 2014	$ 10,033,277

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

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	$ 2,993,124	41.0%	$ 10,033,277
June 30, 2013	3,394,119	34.0%	8,268,464
June 30, 2012	2,885,490	53.2%	6,028,660

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability ("AAL")	$ 52,632,250
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	$ 52,632,250
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	33,917,358
UAAL as a percentage of covered payroll	155%

Actuarial valuations of an ongoing plan 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 the health care cost trend. Actuarial 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.

Actuarial Methods and Assumptions

The calculations are based on the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of cost sharing between the employer and plan members. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the efforts 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, 2014, actuarial valuation date, the projected unit credit method was used. The actuarial assumptions included a 4.5% discount rate, and an annual health care costs trend rate of 8.0% initially, reduced by decrements to an ultimate rate of 5% after five years. The unfunded actuarial accrued liability is being amortized using a 30 year amortization level percentage of compensation.

12. Government Appropriations and Tuition

Under the provisions of the Community College Act of Pennsylvania of 1963 and subsequent legislation, operating funds are provided by the Commonwealth, local sponsors, and the student community. Capital funds (plant funds) are provided primarily by the Commonwealth and the local sponsor.

Appropriations from the Commonwealth are subject to audit. For the audit years 2002 through 2005, all field work has been completed and exceptions noted by the State. Collectively, the College has recorded a liability in the amount of $152,692 at June 30, 2014 and $147,419 at June 30, 2013. This liability is included in appropriations refundable in the statement of net position.

13. Capitalized Interest

For the years ended June 30, 2014 and 2013 the College incurred interest expense of $3,485,910 and $2,749,043 of which $1,249,678 was capitalized in 2014 and nothing was capitalized in 2013.

14. Tuition Equalization

Under the provision of the Pennsylvania Code for Community Colleges, tuition revenue charged to students is limited to one-third of operating expenses of the College. "Tuition equalization" amount represents the accumulation of tuition charges to students in excess of one-third of the operating expenses of the College over time and is only to be used in a manner that will directly benefit the students. At June 30, 2014 and 2013, the tuition equalization was $31,772,529 and $26,330,974, respectively. This amount is included in the unrestricted net position of the College.

15. Commitments and Contingencies

Compensated Absences

The College recorded a liability for compensated absences in the amount of $1,491,072 and $1,495,509 as of June 30, 2014 and 2013, respectively, which is included in accrued expenses in the accompanying statement of net position. The liability is calculated based upon employees' accrued vacation leave as of year-end, as well as an estimated vested amount for accrued sick leave for employees' covered by union contract. Payments to retiring union employees covered by contract is $40 per day for a maximum of 125 days or $5,000.

Litigation

The College is a party to various legal actions arising in the ordinary course of business. While it is not possible, at this time, to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the College's financial position.

Grants

The College receives support from Federal and State of Pennsylvania grant programs, primarily student financial assistance. Entitlements to the resources requires compliance with terms of the grant agreements and applicable regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. As of June 30, 2014 and 2013, the College estimates that adjustments, if any, as a result of such audits would not have a material adverse effect on the College's financial statements.

Construction Contracts

The College entered into architectural contracts during fiscal year 2014. As of the end of fiscal year 2014, the College has commitments outstanding in the amount of $499,800. This contract is linked to the design, renovation and remodel of the Health, Science and Wellness Center.

It is anticipated that the College will soon enter into construction contracts for the design, renovation and remodel of the Science Center. Funding for the Science Center project will be allocated from an anticipated College 2014 bond issuance.

16. Effect of Adoption of GASB Statement No. 65

The College adopted GASB Statement No. 65 for its fiscal year ended June 30, 2014, which requires that the effects be applied to the earliest period presented. The changes within the Authority's June 30, 2013 assets and net position are as follows:

Total assets, as previously reported, at June 30, 2013	$ 163,313,902
Debt issuance costs, net	(684,623)
Restated total assets at June 30, 2013	$ 162,629,279
Net position, as previously reported, at July 1, 2012	$ 89,441,243
Effect of adoption of GASB No. 65	(744,547)
Restated net position at July 1, 2012	$ 88,696,696
Decrease in net position, as previously reported, for the year ended June 30, 2013	$ (4,586,280)
Reduction of depreciation and amortization	59,924
Restated decrease in net position for the year ended June 30, 2013	$ (4,526,356)

17. Voluntary Retirement Incentive Plan

During 2014, the College offered a voluntary retirement incentive opportunity for regular full-time Faculty and Support Staff members who met certain criteria and voluntarily chose to retire. Retirement must occur between December 31, 2014 and August 31, 2015. Participants who met all plan requirements will have the option of receiving either an incentive payment, payable in a lump sum, or in equal bi-weekly installments equal to one year of the participant's annual base pay as of June 30, 2014. Participants will also receive a matching contribution to TIAA-CREF from the College for the one year salary payment, as long as they make the individual contribution required under the plan. During the year ended June 30, 2014, the College recorded a liability of approximately $4,020,000 for payments to those participants. The liability is included in accrued employee incentive and other payables on the statement of net assets.

Schedule of Funding Progress for The Postemployment Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ([B-A]/C)
July 1, 2010	$0	$45,653,877	$45,653,877	0%	$30,146,254	151%
July 1, 2011	$0	47,108,786	47,108,786	0%	$30,929,576	152%
July 1, 2012	$0	43,918,192	43,918,192	0%	$31,695,031	143%
July 1, 2013	$0	52,165,094	52,165,094	0%	$33,237,517	157%
July 1, 2014	$0	52,632,250	52,632,250	0%	$33,917,358	155%

Schedule of Employer Contributions

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	$3,113,249	49.4%	$2,959,493
2011	3,171,888	45.8%	4,679,178
2012	2,885,490	53.2%	6,028,660
2013	3,394,119	34.0%	8,268,464
2014	2,993,124	41.0%	10,033,277

Montgomery County Community College

Schedule of Expenditures of Federal Awards
June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Education				
Student Financial Assistance Cluster:				
Federal Direct Loans - Plus	D	84.268	N/A	$ 30,259
Federal Direct Loans - Subsidized	D	84.268	N/A	9,606,823
Federal Direct Loans - Unsubsidized	D	84.268	N/A	10,917,628
Federal Supplemental Educational Opportunity Grants	D	84.007	N/A	210,580
Federal Work Study Program	D	84.033	N/A	124,688
Federal Pell Grant Program	D	84.063	N/A	13,304,580
Total Student Financial Assistance Cluster				34,194,558
TRIO Upward Bound	D	84.047A	N/A	291,921
Passed-through Commonwealth of Pennsylvania				
Department of Education:				
Title II-C (Perkins Allocated Occupational and Technological Program) US Department of Labor Funds	I	84.048	381-12-2007	604,931
Total U.S. Department of Education				35,091,410

See notes to schedule of expenditures of federal awards

Montgomery County Community College

Schedule of Expenditures of Federal Awards
June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Health and Human Services				
Passed-through by Commonwealth of Pennsylvania Department of Public Welfare:				
Keys-TANF-SNAP Grant	I	93.558	0712	$ 167,613
National Endowment for the Arts				
Passed-through by Mid Atlantic Arts Foundation:				
Mid Atlantic Arts Foundation Tours	I	45.025	24311	1,800
Mid Atlantic Arts Foundation Arts Connect Center	I	45.025	24263	6,625
Total National Endowment for the Arts				8,425
National Endowment for the Humanities				
America's Music: A Film History of Our Popular Music from Blues to Bluegrass to Broadway	D	45.164	LB-50036-12	1,466
National Aeronautics & Space Administration				
Passed-through by Dickenson College,				
Cooling the Liberal Arts Curriculum	I	43.AAA	NASA/LEARY-4	2,909

See notes to schedule of expenditures of federal awards

Montgomery County Community College

Schedule of Expenditures of Federal Awards
June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
National Science Foundation				
S-STEM Scholarships Science Technology Engineering Math	D	47.076	N/A	$ 354
NSF NE Biomanufacturing Center & Collaborative	D	47.076	N/A	5,025
NSF The NBC2: Growing a Regional and National Bioeconomy, One Locale at a Time	D	47.076	DUE-1204974	858,176
Total National Science Foundation				863,555
U.S. Department of Labor				
Passed-through by Montgomery County Department of Economic and Workforce Development:				
Workforce Investment Act Cluster:				
Workforce Investment Act: MCWIB Skill Training	I	17.258	213-104	9,461
Workforce Investment Act: MCWIB Skill Training	I	17.260	213-104	47,596
Workforce Investment Act: MCWIB Business Leadership	I	17.258	213-103	4,749
MCWIB Computer Training	I	17.258	213-102	11,776
MCWIB Youth Services Training Assessment	I	17.258	213-106	205,000
MCWIB In School Youth	I	17.259	Y213-149	15,270
MCWIB GED/Employability	I	17.260	213-101	82,934
MCWIB Gateway to College MOU #516017	I	17.259	MOU	17,550
Total passed-through by Montgomery County Department of Economic and Workforce Development				394,336
Passed-through by Community College of Pennsylvania Department of Labor and Industry Bureau of Workforce Development Partnership				
Trade Adjustment Assistance	I	17.245	TAA-0167-8 & TAA-0167-11	134,104
Passed-through by Community College of Philadelphia				
TAACCCT	I	17.282	TC - 22519 - 11 - 60 - A - 42	450,629
Passed-through by Forsyth Technical Community College				
Consortium for Bioscience Credentials	I	17.282	TC - 23761 - 12 - 60 - A - 37	334,644
TAACCCT 2 Prior Learning Assessment	D	17.282	TC - 23851 - 12 - 60 - A - 42	476,201
Total U.S. Department of Labor				1,789,914

See notes to schedule of expenditures of federal awards

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Agriculture				
Passed-through by Commonwealth of Pennsylvania Department of Public Welfare Bureau of Employment and Training Programs				
KEYS-SNAP	I	10.561	0712	$ 6,259
U.S. Department of Commerce				
Passed-through by The Collegiate Consortium for Workforce and Economic Development,				
Collegiate Consortium - Veterans Success Center	I	11.307	N/A	2,065
Total expenditures of federal awards				$ 37,933,616

Source Code:
D - Direct funding
I - Indirect funding

See notes to schedule of expenditures of federal awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activities of Montgomery County Community College (the "College") under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position or cash flows of the College.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions,* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Student Financial Assistance Loan Programs

The total loan granted under the Federal Direct Loan Program, which were not made by the College but were received by its students, were $20,554,710 for the year ended June 30, 2014.

BAKER TILLY

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

Board of Trustees
Montgomery County Community College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Montgomery County Community College (the "College") and its discretely presented component unit, a component unit of the County of Montgomery, Pennsylvania, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 12, 2014. In our report, an emphasis of a matter paragraph was included, as more fully disclosed in Notes 2 and 16 to the financial statements, to address the College's adoption of the new accounting principle. Our opinion was not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Baker Tilly Virchow Krause, LLP

Philadelphia, Pennsylvania
December 12, 2014

formerly
PARENTEBEARD

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1650 Market St, Ste 4500
Philadelphia, PA 19103-7341
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Independent Auditors' Report on Compliance for the Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Board of Trustees
Montgomery County Community College

Report on Compliance for Each Major Federal Program

We have audited Montgomery County Community College's (the "College") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2014. The College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the College's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Philadelphia, Pennsylvania
December 12, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	______ yes	X no
• Significant deficiency(ies) identified?	______ yes	X none reported
Noncompliance material to financial statements noted?	______ yes	X no

Federal Awards

Internal control over the major federal program:		
• Material weakness(es) identified?	______ yes	X no
• Significant deficiency(ies) identified?	______ yes	X none reported
Type of auditor's report issued on compliance for the major federal program:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	______ yes	X no

Identification of the major federal program:

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

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000	
Auditee qualified as low-risk auditee?	X yes	______ no

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

Section IV - Summary Schedule of Prior Year Audit Findings

Not applicable.

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APPENDIX C

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

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STATE PUBLIC SCHOOL BUILDING AUTHORITY
(Commonwealth of Pennsylvania)
College Revenue Bonds
(Montgomery County Community College)
Series of 2015

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") made this 11th day of August, 2015, by and among Montgomery County Community College (the "College") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), in connection with the issuance and sale by the State Public School Building Authority of its $51,640,000 College Revenue Bonds (Montgomery County Community College), Series of 2015 (the "Series 2015 Bonds").

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by College for the benefit of the Beneficial Owners (as herein defined) of the Series 2015 Bonds and in order to assist the Participating Underwriter (as herein defined) in complying with the Rule (as herein defined).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture (as herein defined), which apply to any capitalized terms used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by College pursuant to the Rule and this Disclosure Agreement.

"Beneficial Owner" shall mean any person who: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2015 Bonds (including persons holding Series 2015 Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Series 2015 Bonds for federal income tax purposes.

"Commonwealth" shall mean the Commonwealth of Pennsylvania.

"Dissemination Agent" shall mean any Dissemination Agent designated in writing by College and which has filed with College a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access System maintained by the MSRB at http://emma.msrb.org, which serves as the sole nationally recognized municipal securities information repository under the Rule.

"Fiscal Year" shall mean any period of twelve (12) consecutive months adopted by College as its fiscal year for financial reporting purposes and shall initially mean the period beginning on July 1 of each calendar year and ending on June 30 of the next calendar year.

"Indenture" shall mean the Trust Indenture, dated as of August 1, 2015, between the Issuer and the Trustee, and any supplements thereto.

"Issuer" shall mean the State Public School Building Authority, its successors and assigns.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board, or any successor thereto.

"Official Statement" shall mean the Official Statement of the Issuer relating to the Series 2015 Bonds.

"Participating Underwriter" shall mean the original underwriter of the Series 2015 Bonds.

"Repository" shall mean EMMA or any successor repository as may be designated by the Rule.

"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.

"Trustee" shall mean The Bank of New York Mellon Trust Company, N.A., its successors and assigns.

SECTION 3. Provision of Annual Reports.

(a) Not later than 180 days after the end of each Fiscal Year, commencing with Fiscal Year ending June 30, 2016 the College shall provide to the MSRB an Annual Report consistent with the requirements of Section 4 of this Disclosure Agreement. 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 Agreement; provided however, that if audited financial statements are unavailable, unaudited financial statements may be submitted as long as such audited financial statements are furnished when available.

(b) The College shall also:

(i) determine each year prior to the date for providing the Annual Report the address of the MSRB; and

(ii) if the College is unable to provide to the MSRB via EMMA, or such other entity as shall then be required under the Rule an Annual Report (or the audited financial statements which were to be separately submitted) by the date required in subsection (a), send a notice to the MSRB via EMMA, or such other entity as shall then be required under the Rule in substantially the form attached as Exhibit A.

SECTION 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) If audited financial statements of the College are not yet available, the unaudited financial statements of the College, and when audited financial statements are available, the audited financial statements of the College, both such types of financial statements prepared in accordance with generally accepted accounting principles, as in effect from time to time. Such audited financial statements shall be accompanied by an audit report resulting from an audit conducted by an independent certified public accountant or firm of independent public accountants in conformity with generally acceptable accounting principles.

(b) If the accounting principles changed from the previous Fiscal Year, a description (as required by Section 8 of this Disclosure Agreement) of the impact of the change to the extent not included in the audited financial statements (including the notes thereto).

(c) A statement indicating that the Fiscal Year has not changed, or, if the fiscal year has changed, a statement indicating the new Fiscal Year.

(d) An update of the information set forth in the following subsections of "APPENDIX A – CERTAIN INFORMATION REGARDING MONTGOMERY COUNTY COMMUNITY COLLEGE" to the Official Statement: "Enrollment;" "Student Fees and Competition;" "Student Financial Aid."

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the College is an "obligated person" (as defined by the Rule), which have been filed in accordance with the Rule and the other rules of the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB via EMMA, or such other platform as provided for by the MSRB or otherwise as may be then required under the Rule. The College shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Series 2015 Bonds:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draw 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, or a Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2015 Bonds, or other events affecting the tax status of the Series 2015 Bonds;

(vii) Modifications to rights of the holders of the Series 2015 Bonds, if material;

(viii) Bond Calls, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution or sale of property securing repayment of the Series 2015 Bonds, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership, or a similar proceeding by an obligated person;

(xiii) Consummation of a merger, consolidation, acquisition involving an obligated person, or sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) Appointment of an additional or successor trustee, or the change in name of a trustee, if material.

Upon the occurrence of an event listed in this Section 5, the College shall file, or cause the Dissemination Agent to file, a notice of such occurrence with the MSRB via EMMA in a timely manner not in excess of ten (10) business days after the occurrence of such event.

SECTION 6. Termination of Reporting Obligation. The College's obligations under this Disclosure Agreement shall terminate upon the defeasance (within the meaning of the Rule), prior redemption or payment in full of all of the Series 2015 Bonds. If the College's obligations are assumed in full by some other entity, such Person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the College.

SECTION 7. Dissemination Agent. The College may, from time to time, appoint a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and the College may, from time to time, discharge the Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not a designated Dissemination Agent, the College shall be the Dissemination Agent.

SECTION 8. Amendment. The College and the Trustee may amend this Disclosure Agreement, but no such amendment shall be executed and effective unless: (a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the College or a change in identity, nature or status of the Trustee; (b) the Disclosure Agreement, as modified by amendment, would have been the written undertaking contemplated by the Rule at the time of original issuance of the Series 2015 Bonds, taking into account any amendments or interpretations of the Rule; and (c) the amendment does not materially impair the interests of the owners of the Series 2015 Bonds. Evidence of compliance with the foregoing conditions shall be satisfied by delivery to the Issuer and the Trustee of an opinion of counsel having recognized skill and experience in the issuance of municipal securities and federal securities law to the effect that the amendment satisfies the conditions set forth in the preceding sentence. Notice of any amendment shall be filed by the College with the MSRB via EMMA, or such other entity as may then be required by the Rule, at the time of filing the annual updated operating information of the College, and shall also be sent to each owner of the Series 2015 Bonds that requests such information and has filed its name and address with the College for the purpose of receiving such notices.

In the event that this Disclosure Agreement is materially amended or any provision of the Disclosure Agreement is waived, a notice of a Listed Event pursuant to Section 5(a)(vii) hereof shall explain, in narrative form, the reasons for the amendment or waiver and the impact, if any, of the change in the type of operating data or financial information being provided in the applicable Annual Report. If an amendment or waiver is made in this Disclosure Agreement which allows for a change in the accounting principles to be used in preparing financial statements, the applicable Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and impact of the change in the accounting principles on the presentation of the financial information. A notice of the change in the accounting principles shall be deemed to be material and shall be sent to the MSRB via EMMA, or such other entity as may then be required by the Rule.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the College from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the College chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the College shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the College to comply with any provision of this Disclosure Agreement, the Participating Underwriter or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the College to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed a "default" or an "Event of Default" under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of any party to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement.

SECTION 12. Indemnification of Issuer. The Issuer shall have no responsibility or liability for the College's filing obligations under this Disclosure Agreement or the contents of such filings.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the College, the Participating Underwriter, the Dissemination Agent, if any, and Beneficial Owners from time to time of the Series 2015 Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 15. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania and the Rule.

SECTION 16. Severability. In case any one or more of the provisions of this Disclosure Agreement shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Disclosure Agreement, but this Disclosure Agreement shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

IN WITNESS WHEREOF, the parties hereto have caused this Continuing Disclosure Agreement to be duly executed as of the date first above written.

MONTGOMERY COUNTY COMMUNITY COLLEGE

By: ________________________________
Name: ______________________________
Title: ______________________________

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

By: ________________________________
Name: ______________________________
Title: ______________________________

(Signature Page of Continuing Disclosure Agreement)

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: State Public School Building Authority

Name of Bond Issue: $___________ State Public School Building Authority College Revenue Bonds (Montgomery County Community College), Series of 2015

CUSIP Number: _________________

Date of Issuance: _______________, 2015

NOTICE IS HEREBY GIVEN that Montgomery County Community College ("College") has not provided an Annual Report due with respect to the above-named Series of 2015 Bonds as required by its Continuing Disclosure Agreement, dated _____________ __, 2015. The College anticipates that the Annual Report will be filed by ______________________.

This notice is based on the best information available at the time of dissemination. Any questions regarding this notice should be directed to __________________.

Dated:__________ ___, 2015

MONTGOMERY COUNTY COMMUNITY COLLEGE

By:____
Authorized Officer

EXHIBIT B

NOTICE TO MSRB
OF THE OCCURRENCE OF [INSERT THE LISTED EVENT]

Relating to

$51,640,000
STATE PUBLIC SCHOOL BUILDING AUTHORITY
(Commonwealth of Pennsylvania)
College Revenue Bonds
(Montgomery County Community College)
Series of 2015

CUSIP NUMBER __________

Notice is hereby given that [insert the Listed Event] has occurred. [Describe circumstances leading up to the event, action being taken and anticipated impact.]

This notice is based on the best information available at the time of dissemination and is not guaranteed as to accuracy or completeness. Any questions regarding this notice should be directed to [insert instructions for presenting securities, if applicable].

[Notice of the Listed Events described in Section 5(a)(ix) shall include the following:

> Montgomery County Community College hereby expressly reserves the right to redeem such refunded or defeased bonds prior to their stated maturity date in accordance with the optional/extraordinary redemption provisions of said defeased bonds.

OR

> Montgomery County Community College hereby covenants not to exercise any optional or extraordinary redemption provisions under the Indenture; however, the sinking fund provision will survive the defeasance.

AND

> The Bonds have been defeased to [maturity/the first call date, which is __________]. This notice does not constitute a notice of redemption and no bonds should be delivered to Montgomery County Community College or the Trustee as a result of this mailing. A Notice of Redemption instructing you where to submit your certificates for payment will be mailed _______ to _______ days prior to the redemption date.]

Dated:______________________

MONTGOMERY COUNTY COMMUNITY COLLEGE

By:____
Authorized Officer

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

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[FORM OF OPINION OF BOND COUNSEL]

______________, 2015

$51,640,000
STATE PUBLIC SCHOOL BUILDING AUTHORITY
(Commonwealth of Pennsylvania)
College Revenue Bonds
(Montgomery County Community College)
Series of 2015

To the Purchasers of the Above-Entitled Bonds:

We have acted as Bond Counsel in connection with the issuance and sale by the State Public School Building Authority (the “Authority”) of $51,640,000 aggregate principal amount of the Authority’s College Revenue Bonds (Montgomery County Community College), Series of 2015 (the “2015 Bonds”), being issued under the provisions of the State Public School Building Authority Act of 1947, P.L. 1217, as supplemented and amended (the “Act”), and pursuant to a Trust Indenture dated as of August 1, 2015 (the “Indenture”) by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

The 2015 Bonds are being issued at the request of Montgomery County Community College (the “College”) to provide funds for a project consisting of: (i) improvements, renovations, upgrades and additions to spaces formerly housing Health Sciences programs into general purpose classrooms or additional lab spaces to support growing STEM programming and meet current pedagogical methods for instruction in the sciences; (ii) improvements, renovations, upgrades and additions to the theater, including, without limitation, an addition to the backstage area for ADA compliance and improved support facilities, renovations to restrooms for code and ADA compliance, renovations and updates to the HVAC system and controls, energy-efficient lighting and other furnishings, fixtures and equipment (items (i) and (ii) are collectively referred to as the “Improvements”); (iii) the funding of capitalized interest on some or all of the bonds issued to finance the Improvements; (iv) the acquisition of the North Hall property, located on the College’s West Campus; (v) the advance refunding of a portion of the Authority’s College Revenue Bonds (Montgomery County Community College Project), Series of 2008; and (vi) the costs of issuance of the 2015 Bonds (collectively, the “Project”).

The proceeds of the 2015 Bonds are being loaned by the Authority to the College pursuant to a Loan Agreement dated as of August 1, 2015 (the “Loan Agreement”) between the Authority and the College, pursuant to which the College is required to make payments in an amount sufficient to pay, among other things, the principal of and interest on the 2015 Bonds. To evidence its obligations under the Loan Agreement, the College is delivering to the Authority its General Obligation Note (the “2015 Note”). The Authority has assigned its interest in the Loan Agreement (except its rights to receive certain administrative fees and expenses and except for its rights of indemnification) and the 2015 Note to the Trustee as security for the 2015 Bonds.

As Bond Counsel to the Authority, we have examined a record of the proceedings of the Authority relating to the issuance of the 2015 Bonds, including original counterparts or certified copies of the Indenture, the Loan Agreement, and such and other materials as we have deemed necessary and appropriate to render the opinion set forth herein. In rendering such opinion, we have examined and relied upon (i) the opinion of counsel to the Authority with respect to the due organization and existence of the Authority, the authorization, execution and delivery of the documents to which the Authority is a party and the valid and binding effect thereof on the Authority; and (ii) the opinion of counsel to the College with respect to the due authorization, execution and delivery by the College of the Loan Agreement and the 2015 Note and the valid and binding effect of the Loan Agreement and the 2015 Note on the College.

The Authority and the College have made certain factual representations in the Indenture and the Loan Agreement and certain certificates delivered on the date hereof that are material to the opinions expressed herein, including representations as to the reasonable expectations of the College and the Authority on the date hereof as to the use of the proceeds of the 2015 Bonds. We have not undertaken to verify these factual representations by independent investigation. We have further relied upon covenants of the Authority and the College set forth in the Indenture and the Loan Agreement, respectively, wherein the Authority and the College agree continually 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 2015 Bonds. Except as set forth in paragraph 5 below, our opinions are 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 validly existing under the laws of the Commonwealth of Pennsylvania with full power and authority to undertake the Project, to execute and deliver the Indenture and the Loan Agreement, and to issue and sell the 2015 Bonds.

2. The Indenture and the Loan Agreement have been duly authorized, executed and delivered by the Authority and the covenants of the Authority therein are legal, valid and binding obligations of the Authority enforceable against the Authority in accordance with their terms, except as the rights created thereunder and the enforcement thereof may be limited by bankruptcy, insolvency and other laws and equitable principles affecting the enforcement of creditors' rights generally.

3. The issuance and sale of the 2015 Bonds have been duly authorized by the Authority and the 2015 Bonds have been duly executed and delivered by the Authority and based on the assumption as to execution and authentication stated above, such 2015 Bonds are valid, binding and enforceable obligations of the Authority and are entitled to the benefit and security of the Indenture, except as the rights created thereunder and the enforcement thereof may be limited by bankruptcy, insolvency and other laws and equitable principles affecting the enforcement of creditors' rights generally.

4. Under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof, the 2015 Bonds and the interest thereon are free from taxation for state and local purposes within the Commonwealth of Pennsylvania, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2015 Bonds, or the interest thereon.

5. Interest on the 2015 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion set forth in the preceding sentence is subject to the condition that the Authority and the College comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2015 Bonds in order that interest thereon continues to be excluded from gross income for purposes of federal income taxation. Failure to comply with certain of such requirements could cause the interest on the 2015 Bonds to be includable in gross income retroactive to the date of issuance of the 2015 Bonds. The Authority and the College have covenanted to comply with all such requirements.

Interest on the 2015 Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum taxes; however, we call to your attention that under the Code, to the extent that interest on the 2015 Bonds is a component of a corporate holder’s “adjusted current earnings,” a portion of that interest may be subject to the corporate alternative minimum tax. We express no opinion regarding other federal tax consequences relating to the 2015 Bonds or the receipt of interest thereon.

We do not express any opinion herein on the adequacy or accuracy of the preliminary or final Official Statement prepared in respect of the 2015 Bonds, or as to any other matter not set forth herein.

We call to your attention that the 2015 Bonds are limited obligations of the Authority, payable only out of certain revenues of the Authority and certain other moneys available therefor as provided in the Indenture, and the 2015 Bonds do not pledge the credit or taxing power of the Commonwealth of Pennsylvania, or any political subdivision, agency or instrumentality thereof, nor shall the Commonwealth of Pennsylvania, or any political subdivision, agency or instrumentality thereof be liable for the payment of the principal of or interest on the 2015 Bonds. The Authority has no taxing power.

Very truly yours,

Montgomery County
Community College