



# **Pennsbury School District Fallsington, Pennsylvania Bucks County**

Financial Statements  
Year Ended June 30, 2021



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Philadelphia, PA 19103

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# PENNSBURY SCHOOL DISTRICT

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# PENNSBURY SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

**Board of School Directors  
Pennsbury School District  
Fallsington, Pennsylvania**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pennsbury School District, Fallsington, Pennsylvania as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Pennsbury School District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pennsbury School District, Fallsington, Pennsylvania as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### **Change in Accounting Principle**

As described in Note 15 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 84, "*Fiduciary Activities*". Our opinions are not modified with respect to that matter.

## **Report on Summarized Comparative Information**

The financial statements of Pennsbury School District as of and for the year ended June 30, 2020, were audited by other auditors whose report, dated December 1, 2020, expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedules of the District's proportionate share of the net pension liability - PSERS and pension plan contributions - PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability - PSERS and OPEB plan contributions – PSERS on pages 3 through 13 and 50 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pennsbury School District's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The combining and individual fund financial statements and 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 combining and individual fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2021, on our consideration of Pennsbury School District'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 Pennsbury School District's internal control over financial reporting and compliance.

**BBD, LLP**

**Philadelphia, Pennsylvania  
December 9, 2021**

# PENNSBURY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

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Management's discussion and analysis ("**MD&A**") of the financial performance of Pennsbury School District (the "**District**") provides an overview of the District's financial performance for fiscal year ended June 30, 2021. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

### DISTRICT PROFILE

The District consists of fourteen schools – ten elementary schools, three middle schools and a high school consisting of 10,015 students as of October 2021, including students attending Bucks County Technical High School and students placed outside of the District for special education services. The District is comprised of the Boroughs of Tullytown and Yardley and the Townships of Falls and Lower Makefield in Bucks County, Pennsylvania and covers 49 square miles. Geographically, the area is located in Bucks County which lies 20 miles north of Philadelphia, 10 miles west of Trenton and Princeton, New Jersey; and 65 miles southwest of New York, New York. During 2020-2021, there were approximately 1,590 full and part-time employees in the District, including 869 teachers, 47 administrators and 674 support staff.

The District's mission statement is "Recognizing our proud traditions and diverse community, the Pennsbury School District prepares all students to become creative, ethical and critical thinkers for lifelong success in a global society."

### FINANCIAL HIGHLIGHTS

- In December 2019, an outbreak of a novel strain of coronavirus ("**COVID-19**") was identified and has since spread worldwide including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. As a result, the District experienced disruptions and operated under virtual, hybrid and in-person learning models during 2020-2021 as conditions permitted.
- On a government-wide basis including all governmental activities and the business type activities, the liabilities and deferred inflows of resources of the District exceeded the assets and deferred outflows of resources resulting in a deficit in total net position at the close of the 2020-2021 fiscal year of \$350,398,605. During the 2020-2021 fiscal year, the District had a decrease in total net position of \$4,358,440. The net position of governmental activities decreased by \$4,043,824 and net position of the business-type activities decreased by \$314,616.
- The General Fund reported an increase in fund balance of \$83,498, bringing the cumulative balance to \$18,571,101 at the conclusion of the 2020-2021 fiscal year.
- At June 30, 2021, the General Fund fund balance includes \$1,178,024 committed to fund balance appropriation and unassigned amounts of \$16,488,283 or 7.39% of the \$223,048,902 2021-2022 General Fund expenditure budget. Guidelines prescribed by the Pennsylvania Department of Education allow a district to maintain a maximum General Fund fund balance of 8% of the following year's expenditure budget.
- The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. During 2020-2021, the Capital Projects Fund reported a decrease in fund balance of \$1,079,961 due to capital expenditures in excess of transfers from the General Fund and debt issuances. The remaining fund balance of \$5,188,890 as of June 30, 2021 is restricted for future capital expenditures.

# PENNSBURY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

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- The adopted 2020-2021 General Fund budget reflected a \$3,284,942 use of fund balance to balance the budget. The budget performed \$3,368,440 better than adopted, with an actual net positive change in fund balance of \$83,498. Actual revenues and other financing sources were more than budgeted amounts by \$2,353,217 and actual expenditures and other financing uses were less than budget by \$1,015,223.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

#### ***Governmental Activities***

Most of the District's basic services are included here, such as regular and special education, support services, maintenance, transportation and administration.

#### ***Business-Type Activities***

The District charges fees to cover the costs of its food services program.

The government-wide financial statements can be found on Pages 14 and 15 of this report.

### FUND FINANCIAL STATEMENTS

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

# PENNSBURY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

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### **Governmental Funds**

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

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

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

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

The governmental fund financial statements can be found on Pages 16 through 19 of this report.

### **Proprietary Funds**

The District maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Food Service Fund and Community Service and Aquatics Fund are reported as enterprise funds of the proprietary fund type.

The proprietary fund financial statements can be found on Pages 20 through 22 of this report.

### **Fiduciary Funds**

The District is the trustee, or fiduciary, for assets that belong to others, consisting of a trust for scholarships and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose and by those to whom the assets belong. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The fiduciary fund financial statements can be found on Pages 23 and 24 of this report.

### **Notes to the Financial Statements**

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

The notes to the financial statements can be found on Pages 25 through 49 of this report.

# PENNSBURY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the general fund, schedules of the District's proportionate share of the net pension liability-PSERS and pension plan contributions-PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability-PSERS and OPEB plan contributions-PSERS, as well as additional analysis which consists of combining and individual fund financial statements.

The required supplementary information and additional analysis can be found on Pages 50 through 57 of this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the District's financial condition. At the close of the 2020-2021 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$350,398,605. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2021 and 2020.

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
<b>ASSETS</b>						
Current assets	\$ 64,011,027	\$ 59,535,723	\$438,220	\$ 738,342	\$ 64,449,247	\$ 60,274,065
Noncurrent assets	104,826,002	111,791,988	341,898	370,772	105,167,900	112,162,760
<b>Total assets</b>	<u>168,837,029</u>	<u>171,327,711</u>	<u>\$780,118</u>	<u>\$1,109,114</u>	<u>169,617,147</u>	<u>172,436,825</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>58,832,378</u>	<u>53,320,396</u>	<u>-</u>	<u>-</u>	<u>58,832,378</u>	<u>53,320,396</u>
<b>LIABILITIES</b>						
Current liabilities	34,707,691	31,388,698	152,483	166,863	34,860,174	31,555,561
Noncurrent liabilities	530,858,477	518,224,360	-	-	530,858,477	518,224,360
<b>Total liabilities</b>	<u>565,566,168</u>	<u>549,613,058</u>	<u>152,483</u>	<u>166,863</u>	<u>565,718,651</u>	<u>549,779,921</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>13,129,479</u>	<u>22,017,465</u>	<u>-</u>	<u>-</u>	<u>13,129,479</u>	<u>22,017,465</u>
<b>NET POSITION (DEFICIT)</b>						
Net investment in capital assets	(46,866,270)	(45,001,720)	341,898	370,772	(46,524,372)	(44,630,948)
Restricted	7,100,327	5,145,722	-	-	7,100,327	5,145,722
Unrestricted (deficit)	<u>(311,260,297)</u>	<u>(307,126,418)</u>	<u>285,737</u>	<u>571,479</u>	<u>(310,974,560)</u>	<u>(306,554,939)</u>
<b>Total net position (deficit)</b>	<u>\$(351,026,240)</u>	<u>\$(346,982,416)</u>	<u>\$627,635</u>	<u>\$ 942,251</u>	<u>\$(350,398,605)</u>	<u>\$(346,040,165)</u>

The District's total assets as of June 30, 2021 were \$169,617,147 of which \$46,461,076 or 27.39% consisted of cash and investments and \$105,167,900 or 62.00% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2021 were \$565,718,651 of which \$157,587,993 or 27.86% consisted of general obligation debt used to acquire and construct capital assets and \$342,260,400 or 60.50% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$310,974,560. The District's unrestricted net position decreased by \$4,419,621 during 2020-2021 primarily due to the current year results of operations and the change in the District's actuarially determined other postemployment benefit liability and related deferred outflows and inflows.

A portion of the District's net position reflects its restricted net position which totaled \$7,100,327 as of June 30, 2021. The largest portions of the District's restricted net position related to amounts restricted through Board resolution for future capital expenditures and debt service maturities.

# PENNSBURY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2021, the District's net investment in capital assets decreased by \$1,893,424 because the capital assets were being depreciated faster than the debt used to acquire the capital assets was being repaid.

The following table presents condensed information for the *Statement of Activities* of the District for 2021 and 2020:

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
<b>REVENUES</b>						
<b>Program revenues</b>						
Charges for services	\$ 601,208	\$ 1,114,092	\$ 3,170	\$ 1,566,251	\$ 604,378	\$ 2,680,343
Operating grants and contributions	39,792,924	33,460,770	1,880,824	1,328,274	41,673,748	34,789,044
Capital grants and contributions	-	-	-	-	-	-
<b>General revenues</b>						
Property taxes levied for general purposes	152,426,648	152,496,627	-	-	152,426,648	152,496,627
Other taxes levied for general purposes	4,229,230	2,601,891	-	-	4,229,230	2,601,891
Grants and entitlements not restricted to specific programs	19,150,006	24,891,641	-	-	19,150,006	24,891,641
Investment earnings	73,859	1,339,991	10	-	73,869	1,339,991
Miscellaneous	175,851	403,098	794	-	176,645	403,098
<b>Total revenues</b>	<u>216,449,726</u>	<u>216,308,110</u>	<u>1,884,798</u>	<u>2,894,525</u>	<u>218,334,524</u>	<u>219,202,635</u>
<b>EXPENSES</b>						
Instruction	143,931,395	138,784,696	-	-	143,931,395	138,784,696
Instructional student support services	17,707,963	17,192,279	-	-	17,707,963	17,192,279
Administrative and financial support services	16,587,526	15,777,239	-	-	16,587,526	15,777,239
Operation and maintenance of plant services	17,839,219	15,950,263	-	-	17,839,219	15,950,263
Pupil transportation	8,730,771	9,193,430	-	-	8,730,771	9,193,430
Student activities	1,331,116	1,633,022	-	-	1,331,116	1,633,022
Community services	95,646	129,585	10,422	33,270	106,068	162,855
Interest and amortization expense related to noncurrent liabilities	4,701,180	5,260,924	-	-	4,701,180	5,260,924
Unallocated depreciation	9,599,684	9,776,218	-	-	9,599,684	9,776,218
Food service	-	-	2,158,042	2,867,087	2,158,042	2,867,087
<b>Total expenses</b>	<u>220,524,500</u>	<u>213,697,656</u>	<u>2,168,464</u>	<u>2,900,357</u>	<u>222,692,964</u>	<u>216,598,013</u>
<b>Change in net position before transfers</b>	(4,074,774)	2,610,454	(283,666)	(5,832)	(4,358,440)	2,604,622
<b>TRANSFERS</b>	<u>30,950</u>	<u>16,000</u>	<u>(30,950)</u>	<u>(16,000)</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION (DEFICIT)</b>	<u>\$ (4,043,824)</u>	<u>\$ 2,626,454</u>	<u>\$ (314,616)</u>	<u>\$ (21,832)</u>	<u>\$ (4,358,440)</u>	<u>\$ 2,604,622</u>

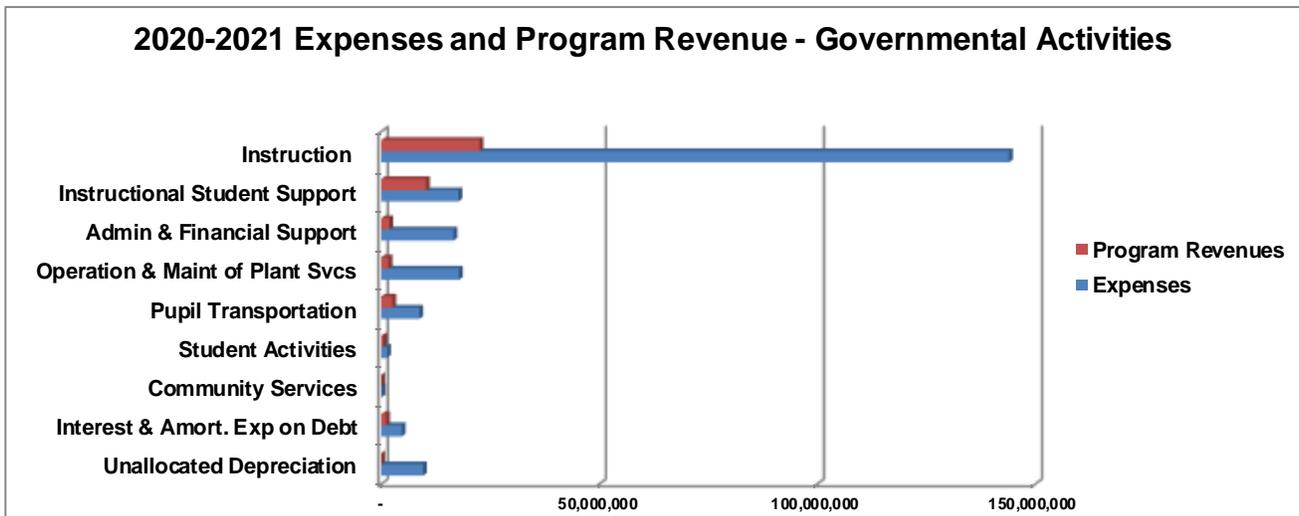
# PENNSBURY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

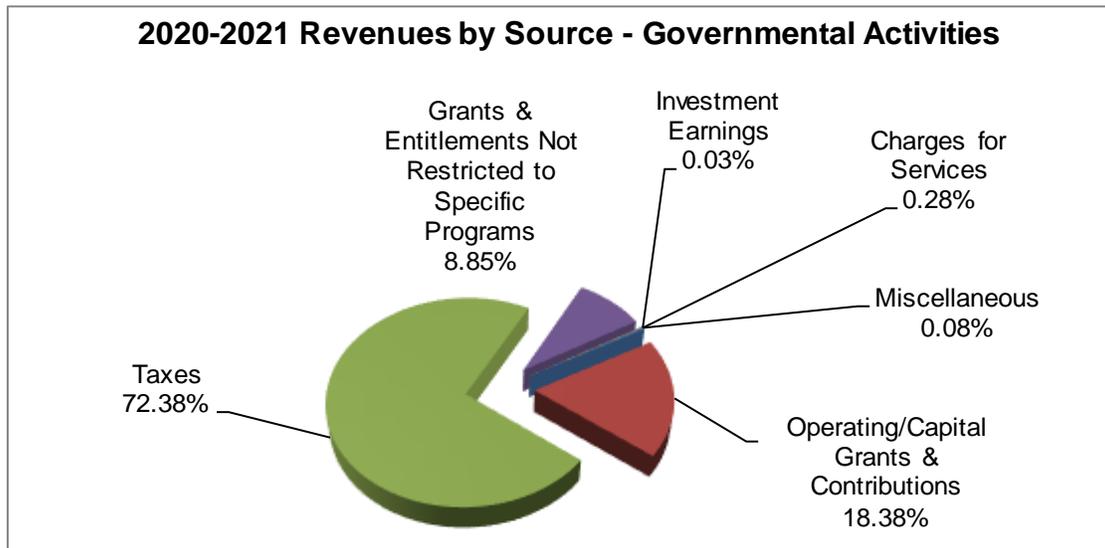
June 30, 2021

During 2020-2021 the District's financial position decreased by \$4,358,440, in part due to pension contributions, state-mandated programs and negotiated contracts. Management of the District continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors. In the governmental activities, the District's assessed property tax base drives the majority of the revenue generated. A majority of the District's property tax base is in the form of residential housing. Although the District is primarily a residential community, the District also has a property tax base derived from commercial facilities.

The *Statement of Activities* provides detail that focuses on how the District finances its services. The *Statement of Activities* compares the costs of the District functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph, all of the District's governmental activities are not self-supporting, raising enough program revenue to cover their costs, as most traditional governmental services are not.



To the degree that the District's functions or programs cost more than they raise, the *Statement of Activities* shows how the District chose to finance the difference through general revenues. The following chart shows that the District relies on tax revenues to finance its governmental activities.



**PENNSBURY SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

June 30, 2021

**GOVERNMENTAL FUNDS**

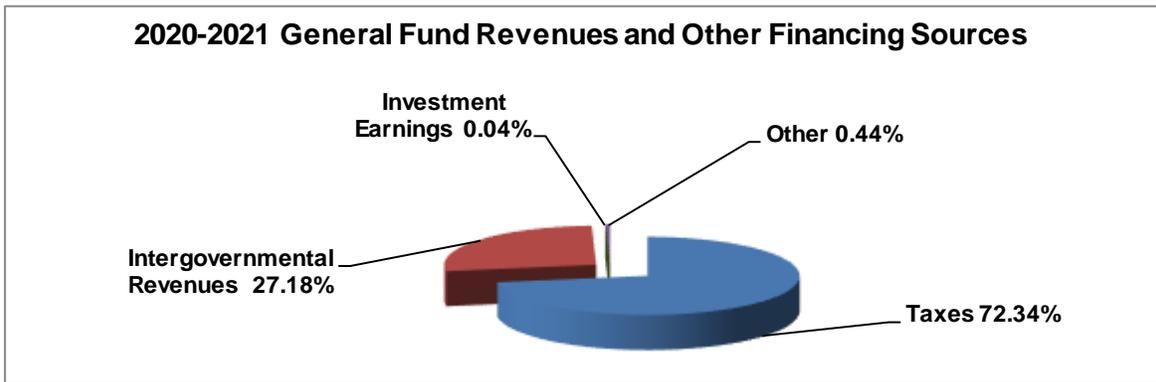
The governmental fund financial statements provide detailed information of the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2021, the District's governmental funds reported a combined fund balance of \$29,555,125 which is an increase of \$1,363,372 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2021 and 2020 and the total 2021 change in governmental fund balances.

	<u>2021</u>	<u>2020</u>	<u>Change</u>
General Fund	\$18,571,101	\$18,487,603	\$ 83,498
Capital Projects Fund	5,188,890	6,268,851	(1,079,961)
Debt Service Fund	5,000,198	2,500,000	2,500,198
Student Sponsored Activity Fund	<u>794,936</u>	<u>935,299</u>	<u>(140,363)</u>
	<u>\$29,555,125</u>	<u>\$28,191,753</u>	<u>\$ 1,363,372</u>

**GENERAL FUND**

The General Fund is the District's primary operating fund. At the conclusion of the 2020-2021 fiscal year, the General Fund fund balance was \$18,571,101 representing an increase of \$83,498 in relation to the prior year. The increase in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2020-2021 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 72.34% of General Fund revenues are derived from local taxes.



**General Fund Revenues and Other Financing Sources**

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$156,973,868	\$154,882,186	\$ 2,091,682	1.35
Intergovernmental revenues	58,986,509	56,440,445	2,546,064	4.51
Investment earnings	71,410	1,335,365	(1,263,955)	(94.65)
Other	<u>962,921</u>	<u>799,522</u>	<u>163,399</u>	<u>20.44</u>
	<u>\$216,994,708</u>	<u>\$213,457,518</u>	<u>\$ 3,537,190</u>	<u>1.66</u>

Net tax revenues increased by \$2,091,682 or 1.35% primarily due to a realty transfer tax increase of \$1,614,885. The following table summarizes the changes in the District's tax revenues for 2021 compared to 2020:

**PENNSBURY SCHOOL DISTRICT**

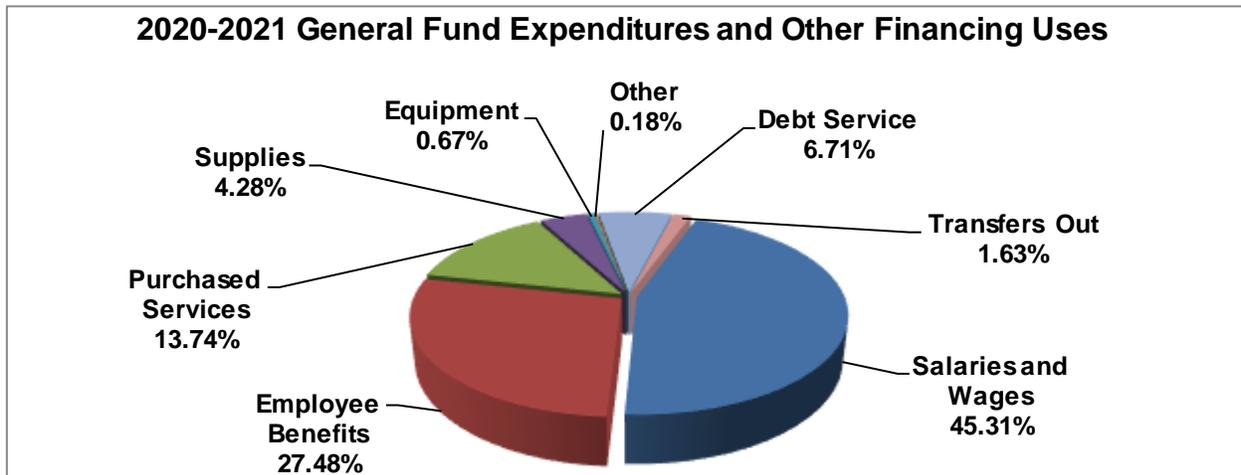
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Real estate	\$149,742,793	\$148,673,432	\$1,069,361	0.72
Interim tax	643,120	800,392	(157,272)	(19.65)
PURTA tax	147,466	135,013	12,453	9.22
Realty transfer tax	4,081,763	2,466,878	1,614,885	65.46
Delinquent taxes	<u>2,358,726</u>	<u>2,806,471</u>	<u>(447,745)</u>	<u>(15.95)</u>
	<u>\$156,973,868</u>	<u>\$154,882,186</u>	<u>\$2,091,682</u>	<u>1.35</u>

Intergovernmental revenues increased as a direct result of the federal COVID-19 relief funding received in 2020-2021.

Investment earnings decreased commensurate with decreased interest rates.



**General Fund Expenditures and Other Financing Uses**

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$ 98,281,497	\$ 98,151,317	\$ 130,180	0.13
Employee benefits	59,599,151	59,564,545	34,606	0.06
Purchased services	29,814,148	28,800,492	1,013,656	3.52
Supplies	9,285,206	6,927,043	2,358,163	34.04
Equipment	1,457,836	1,873,859	(416,023)	(22.20)
Other	401,184	426,243	(25,059)	(5.88)
Debt service	14,545,656	15,077,364	(531,708)	(3.53)
Transfers out	<u>3,526,532</u>	<u>2,520,352</u>	<u>1,006,180</u>	<u>39.92</u>
	<u>\$216,911,210</u>	<u>\$213,341,215</u>	<u>\$3,569,995</u>	<u>1.67</u>

Purchased services increased by \$1,013,656 or 3.52% in 2020-2021 compared to 2019-2010 as a result of an increase in tuition and contracted education services primarily related to special education and charter schools.

Supplies increased by \$2,358,163 as a result of an increase in curricular and technology purchases in 2020-2021 when compared to 2019-2020.

Transfers out in 2020-2021 and 2019-2020 represent transfers to the Capital Projects Fund and Debt Service Fund to subsidize capital expenditures and debt service.

# **PENNSBURY SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

June 30, 2021

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### **CAPITAL PROJECTS FUND**

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. During 2020-2021, the Capital Projects Fund reported a decrease in fund balance of \$1,079,961 due to capital expenditures in excess of proceeds received from general obligation and debt and transfers from the General Fund. The remaining fund balance of \$5,188,890 as of June 30, 2021 is restricted for future capital expenditures.

### **GENERAL FUND BUDGET INFORMATION**

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

The adopted 2020-2021 General Fund budget reflected a \$3,284,942 use of fund balance to balance the budget. The budget performed better than adopted and actual revenues exceeded expenditures by \$83,498. Major budgetary highlights for 2020-2021 were as follows.

- Local source revenues were \$1,111,575 more than budgeted primarily due to an unanticipated realty transfer tax receipt stemming from the sale over 1,800 acres of land formerly the US Steel property.
- State source revenues were \$1,098,054 less than budgeted due to less than anticipated pension subsidy as payroll costs were curtailed by disruptions caused by COVID-19.
- Federal source revenues were \$2,308,746 more than budgeted primarily due to COVID-19 funding.
- The original budget for student transportation expenditures was \$1,587,622 less than the final budget due to disruptions caused by COVID-19.
- Transfers out were \$3,000,000 due to a year end appropriation of excess revenues over and expenditures under budget to the Capital Projects and Debt Service funds.

### **BUSINESS-TYPE ACTIVITIES AND PROPRIETARY FUNDS**

During 2020-2021, the net position of the business-type activities decreased by \$314,616. The Food Service Fund net position decreased by \$273,254 and the other business-type activities net position decreased by \$41,362. As of June 30, 2021, the business-type activities net position was \$627,635. The Food Service Fund net position was \$623,883 and the other business-type activities net position was \$3,752.

### **CAPITAL ASSETS**

The District's investment in capital asset for its governmental and business-type activities as of June 30, 2021 amounted to \$105,167,900 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements and furniture and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was \$6,994,860 or 6.24%. The decrease was the result of current year depreciation expense and the net book value of disposed of capital assets in excess of current year capital additions. Current year capital additions were \$4,920,273 and depreciation expense and the net book value of disposed of capital assets was \$11,915,133. Major capital additions for the current fiscal year included the following:

# PENNSBURY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

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• Pennsbury High School roof replacement	\$1,992,033
• Administration Building lobby renovations	\$ 454,595
• 8 school buses	\$ 791,540

### NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$157,587,993 consisting of \$144,520,000 in bonds payable, bond premiums of \$13,160,029, and bond discounts of \$92,036. The entire amount is backed by the full faith and credit of the District. General obligation debt was issued to finance capital expenditures or to finance the refunding of prior obligation debt. The District's general obligation debt decreased by \$7,130,985 or 4.33% during the fiscal year.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The District's outstanding general obligation bonds totaling \$157,587,993 is within the current debt limitation of the District which was \$476,576,584 as of June 30, 2021.

The District maintains an Aa3 rating from Moody's.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in the Pennsylvania State Employee Retirement System ("**PSERS**"). The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$342,260,400 as of June 30, 2021. The District's net pension liability increased by \$17,261,400 or 5.31% during the fiscal year.

The District reports a liability for its other post-employment benefits ("**OPEB**") related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB obligation which totaled \$28,126,128 as of June 30, 2021. The District's OPEB liability increased by \$2,181,238 or 8.41% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for compensated absences and capital leases payable, which totaled \$2,883,956 as of June 30, 2021. These liabilities increased by \$322,464 or 12.59% during the fiscal year.

### FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time the financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District's enrollment for 2020-2021 was 9,932 and increased to 10,015 in the 2021-2022 school year, which includes students attending Bucks County Technical High School and students placed outside of the District for special education services.
- Continued growth in pension costs have been the major driver in Pennsbury's budget process. Over the past 10 years, the Public School Employees' Retirement System ("**PSERS**") employer contribution rate has increased more than 600% from 4.78% in 2009-2010 to 34.51% in 2020-2021. The employer contribution rate increased to 34.94% for the 2021-2022 school year.
- Professional/instructional employees of the School District are represented for purposes of collective bargaining by the Pennsbury Education Association ("**PEA**"), which is affiliated with the Pennsylvania State Education Association ("**PSEA**"). This agreement expired on June 30, 2021. In November 2021 the District entered into an agreement with the PEA retroactive to July 1, 2021 and is in effect through June 30, 2026.

# **PENNSBURY SCHOOL DISTRICT**

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED***

**June 30, 2021**

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- Education support professional employees of the School District are represented for purposes of collective bargaining by the Pennsbury Educational Support Professionals Association ("**PESPA**"), which is affiliated with the Pennsylvania State Education Association ("**PSEA**"). This agreement began on July 1, 2017 and runs through June 30, 2022. In October 2021 the District entered into an agreement with the PESPA effective July 1, 2022 through June 30, 2027.
- Non-represented employees are covered by compensation plans for administrators and support staff, respectively. The compensation plan for administrators expires on June 30, 2023, while the compensation plan for other staff expires on June 30, 2022.
- The District adopted a General Fund budget for 2021-2022 totaling \$223,048,902 that includes the use of \$1,178,024 of General Fund fund balance and a real estate tax rate of 174.073 mills, an increase of 2.35%.
- The District's twenty-year capital plan includes approximately \$343.7 million in planned projects.

### **CONTACTING THE DISTRICT FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Chief Financial Officer, Pennsbury School District, PO Box 338, 134 Yardley Avenue, Fallsington, PA 19058, or (215) 428-4114.

# PENNSBURY SCHOOL DISTRICT

## STATEMENT OF NET POSITION (DEFICIT)

June 30, 2021 with summarized comparative totals for 2020

	Governmental Activities	Business-type Activities	Totals	
			2021	2020
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 14,284,882	\$ 358,157	\$ 14,643,039	\$ 20,011,347
Investments	31,818,037	-	31,818,037	25,360,000
Taxes receivable	2,599,035	-	2,599,035	2,999,045
Internal balances	436,294	(436,294)	-	-
Due from other governments	13,568,421	420,856	13,989,277	9,751,291
Other receivables	399,564	34,732	434,296	-
Prepaid expenditures	881,768	-	881,768	1,108,764
Inventories	23,026	-	23,026	133,932
Other assets	-	60,769	60,769	909,686
<b>Total current assets</b>	<b>64,011,027</b>	<b>438,220</b>	<b>64,449,247</b>	<b>60,274,065</b>
<b>NONCURRENT ASSETS</b>				
Capital assets, net	104,826,002	341,898	105,167,900	112,162,760
<b>Total assets</b>	<b>168,837,029</b>	<b>780,118</b>	<b>169,617,147</b>	<b>172,436,825</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts on debt refunding	2,012,024	-	2,012,024	2,636,810
Deferred charges on proportionate share of OPEB - PSERS and single employer	4,955,014	-	4,955,014	3,790,586
Deferred charges on proportionate share of pension - PSERS	51,865,340	-	51,865,340	46,893,000
<b>Total deferred outflows of resources</b>	<b>58,832,378</b>	<b>-</b>	<b>58,832,378</b>	<b>53,320,396</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	3,739,795	3,026	3,742,821	3,073,952
Accrued salaries, payroll withholdings and benefits	26,700,415	-	26,700,415	23,964,554
Unearned revenue	72,068	17,725	89,793	92,286
Other current liabilities	1,979,421	131,732	2,111,153	2,097,848
Accrued interest	2,215,992	-	2,215,992	2,326,921
<b>Total current liabilities</b>	<b>34,707,691</b>	<b>152,483</b>	<b>34,860,174</b>	<b>31,555,561</b>
<b>NONCURRENT LIABILITIES</b>				
Due within one year	11,156,824	-	11,156,824	9,568,922
Due in more than one year	519,701,653	-	519,701,653	508,655,438
<b>Total noncurrent liabilities</b>	<b>530,858,477</b>	<b>-</b>	<b>530,858,477</b>	<b>518,224,360</b>
<b>Total liabilities</b>	<b>565,566,168</b>	<b>152,483</b>	<b>565,718,651</b>	<b>549,779,921</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred credits on proportionate share of OPEB - PSERS and single employer	1,238,479	-	1,238,479	1,561,465
Deferred credits on proportionate share of pension - PSERS	11,891,000	-	11,891,000	20,456,000
<b>Total deferred inflows of resources</b>	<b>13,129,479</b>	<b>-</b>	<b>13,129,479</b>	<b>22,017,465</b>
<b>NET POSITION (DEFICIT)</b>				
Net investment in capital assets	(46,866,270)	341,898	(46,524,372)	(44,630,948)
Restricted	7,100,327	-	7,100,327	5,145,722
Unrestricted (deficit)	(311,260,297)	285,737	(310,974,560)	(306,554,939)
<b>Total net position (deficit)</b>	<b>\$ (351,026,240)</b>	<b>\$ 627,635</b>	<b>\$ (350,398,605)</b>	<b>\$ (346,040,165)</b>

See accompanying notes

# PENNSBURY SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

Year ended June 30, 2021 with summarized comparative totals for 2020

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for	Operating Grants and	Capital Grants and	Governmental Activities	Business-type Activities	Totals	
		Services	Contributions	Contributions			2021	2020
<b>GOVERNMENTAL ACTIVITIES</b>								
Instruction	\$ 143,931,395	\$ 245,638	\$ 22,305,513	\$ -	\$ (121,380,244)	\$ -	\$ (121,380,244)	\$ (114,422,718)
Instructional student support	17,707,963	-	10,273,017	-	(7,434,946)	-	(7,434,946)	(14,874,620)
Administrative and financial support	16,587,526	-	1,828,815	-	(14,758,711)	-	(14,758,711)	(14,096,366)
Operation and maintenance of plant services	17,839,219	28,474	1,628,894	-	(16,181,851)	-	(16,181,851)	(14,297,259)
Pupil transportation	8,730,771	-	2,525,721	-	(6,205,050)	-	(6,205,050)	(6,516,729)
Student activities	1,331,116	327,096	97,205	-	(906,815)	-	(906,815)	(868,054)
Community services	95,646	-	-	-	(95,646)	-	(95,646)	(129,585)
Debt service	4,701,180	-	1,133,759	-	(3,567,421)	-	(3,567,421)	(4,141,245)
Unallocated depreciation	9,599,684	-	-	-	(9,599,684)	-	(9,599,684)	(9,776,218)
<b>Total governmental activities</b>	<u>220,524,500</u>	<u>601,208</u>	<u>39,792,924</u>	<u>-</u>	<u>(180,130,368)</u>	<u>-</u>	<u>(180,130,368)</u>	<u>(179,122,794)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>								
Food service	2,158,042	3,170	1,880,824	-	-	(274,048)	(274,048)	(30,615)
Community services	10,422	-	-	-	-	(10,422)	(10,422)	24,783
<b>Total business-type activities</b>	<u>2,168,464</u>	<u>3,170</u>	<u>1,880,824</u>	<u>-</u>	<u>-</u>	<u>(284,470)</u>	<u>(284,470)</u>	<u>(5,832)</u>
<b>Total primary government</b>	<u>\$ 222,692,964</u>	<u>\$ 604,378</u>	<u>\$ 41,673,748</u>	<u>\$ -</u>	<u>(180,130,368)</u>	<u>(284,470)</u>	<u>(180,414,838)</u>	<u>(179,128,626)</u>
<b>GENERAL REVENUES</b>								
Property taxes levied for general purposes					152,426,648	-	152,426,648	152,496,627
Other taxes levied for general purposes					4,229,230	-	4,229,230	2,601,891
Grants and entitlements not restricted to specific programs					19,150,006	-	19,150,006	24,891,641
Investment earnings					73,859	10	73,869	1,339,991
Miscellaneous					175,851	794	176,645	403,098
<b>TRANSFERS</b>					30,950	(30,950)	-	-
<b>Total general revenues and transfers</b>					<u>176,086,544</u>	<u>(30,146)</u>	<u>176,056,398</u>	<u>181,733,248</u>
<b>CHANGE IN NET POSITION (DEFICIT)</b>					(4,043,824)	(314,616)	(4,358,440)	2,604,622
<b>NET POSITION (DEFICIT)</b>								
Beginning of year					(346,982,416)	942,251	(346,040,165)	(348,644,787)
<b>End of year</b>					<u>\$ (351,026,240)</u>	<u>\$ 627,635</u>	<u>\$ (350,398,605)</u>	<u>\$ (346,040,165)</u>

See accompanying notes

# PENNSBURY SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2021 with summarized comparative totals for 2020

	Major Funds				Totals	
	General	Capital	Debt	Student	2021	2020
	Fund	Projects	Service	Sponsored		
<b>ASSETS</b>						
Cash and cash equivalents	\$ 5,175,585	\$ 5,814,163	\$ 2,500,198	\$ 794,936	\$ 14,284,882	\$ 18,319,084
Investments	31,818,037	-	-	-	31,818,037	25,360,000
Taxes receivable	2,599,035	-	-	-	2,599,035	2,999,045
Due from other funds	436,294	500,000	2,500,000	-	3,436,294	3,734,883
Due from other governments	13,568,421	-	-	-	13,568,421	9,652,714
Other receivables	399,564	-	-	-	399,564	1,034,137
Inventories	23,026	-	-	-	23,026	26,174
Prepaid expenses	881,768	-	-	-	881,768	909,686
<b>Total assets</b>	<b>\$ 54,901,730</b>	<b>\$ 6,314,163</b>	<b>\$ 5,000,198</b>	<b>\$ 794,936</b>	<b>\$ 67,011,027</b>	<b>\$ 62,035,723</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 2,614,522	\$ 1,125,273	\$ -	\$ -	\$ 3,739,795	\$ 2,941,939
Due to other funds	3,000,000	-	-	-	3,000,000	2,500,000
Unearned revenue	72,068	-	-	-	72,068	57,436
Accrued salaries, payroll withholdings and benefits	26,700,415	-	-	-	26,700,415	23,964,554
Other payables	1,979,421	-	-	-	1,979,421	2,097,848
<b>Total liabilities</b>	<b>34,366,426</b>	<b>1,125,273</b>	<b>-</b>	<b>-</b>	<b>35,491,699</b>	<b>31,561,777</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues - property taxes	1,964,203	-	-	-	1,964,203	2,282,193
<b>FUND BALANCES</b>						
Nonspendable						
Inventories	23,026	-	-	-	23,026	26,174
Prepaid expenses	881,768	-	-	-	881,768	909,686
Restricted for						
Capital projects	-	5,188,890	-	-	5,188,890	6,268,851
Debt service	-	-	5,000,198	-	5,000,198	2,500,000
Student activities	-	-	-	794,936	794,936	935,299
Committed to						
Fund balance appropriation	1,178,024	-	-	-	1,178,024	4,586,836
Unassigned	16,488,283	-	-	-	16,488,283	12,964,907
<b>Total fund balances</b>	<b>18,571,101</b>	<b>5,188,890</b>	<b>5,000,198</b>	<b>794,936</b>	<b>29,555,125</b>	<b>28,191,753</b>
<b>Total liabilities and fund balances</b>	<b>\$ 54,901,730</b>	<b>\$ 6,314,163</b>	<b>\$ 5,000,198</b>	<b>\$ 794,936</b>	<b>\$ 67,011,027</b>	<b>\$ 62,035,723</b>

See accompanying notes

# PENNSBURY SCHOOL DISTRICT

## RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION (DEFICIT)

June 30, 2021

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<b>TOTAL GOVERNMENTAL FUND BALANCES</b>	\$ 29,555,125
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	104,826,002
Deferred outflows of resources for deferred amounts on debt refunding are currently expended in the governmental funds, whereas they are capitalized and amortized over the life of the respective debt in the government-wide statement of net position (deficit).	2,012,024
Deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	43,690,875
Some of the District's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources on the governmental funds balance sheet.	1,964,203
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(530,858,477)
Accrued interest payable on long-term liabilities is included in the statement of net position (deficit), but is excluded from the governmental funds balance sheet until due and payable.	<u>(2,215,992)</u>
<b>NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES</b>	<u><b>\$(351,026,240)</b></u>

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See accompanying notes

**PENNSBURY SCHOOL DISTRICT**

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

**Year ended June 30, 2021 with summarized comparative totals for 2020**

	<u>Major Funds</u>				<u>Totals</u>	
	<u>General</u>	<u>Capital</u>	<u>Debt</u>	<u>Student</u>	<u>2021</u>	<u>2020</u>
	<u>Fund</u>	<u>Projects</u>	<u>Service</u>	<u>Sponsored</u>		
<b>REVENUES</b>						
Local sources	\$ 157,977,250	\$ 3,195	\$ 198	\$ 327,096	\$ 158,307,739	\$ 157,668,587
State sources	51,611,339	-	-	-	51,611,339	53,567,420
Federal sources	7,375,169	-	-	-	7,375,169	4,873,025
<b>Total revenues</b>	<u>216,963,758</u>	<u>3,195</u>	<u>198</u>	<u>327,096</u>	<u>217,294,247</u>	<u>216,109,032</u>
<b>EXPENDITURES</b>						
Current						
Instruction	140,678,020	-	-	-	140,678,020	137,941,593
Support services	57,238,886	1,320,720	140,272	-	58,699,878	56,687,875
Operation of noninstructional services	922,116	-	-	467,459	1,389,575	1,748,322
Facilities acquisition, construction and improvement services	-	3,286,834	-	-	3,286,834	2,385,508
Debt service	14,545,656	-	-	-	14,545,656	15,250,128
<b>Total expenditures</b>	<u>213,384,678</u>	<u>4,607,554</u>	<u>140,272</u>	<u>467,459</u>	<u>218,599,963</u>	<u>214,013,426</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>3,579,080</u>	<u>(4,604,359)</u>	<u>(140,074)</u>	<u>(140,363)</u>	<u>(1,305,716)</u>	<u>2,095,606</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Refund of prior year receipts	(526,532)	-	-	-	(526,532)	(20,352)
Issuance of debt	-	2,500,000	-	-	2,500,000	-
Issuance of debt - refunding	-	-	21,975,000	-	21,975,000	12,590,000
Payment of debt - refunding	-	-	(26,610,210)	-	(26,610,210)	(14,028,173)
Bond premiums	-	524,398	4,775,482	-	5,299,880	1,610,937
Transfers in	30,950	500,000	2,500,000	-	3,030,950	2,516,000
Transfers out	(3,000,000)	-	-	-	(3,000,000)	(2,500,000)
Compensation for/sale of fixed assets	-	-	-	-	-	3,098
<b>Total other financing sources (uses)</b>	<u>(3,495,582)</u>	<u>3,524,398</u>	<u>2,640,272</u>	<u>-</u>	<u>2,669,088</u>	<u>171,510</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>83,498</u>	<u>(1,079,961)</u>	<u>2,500,198</u>	<u>(140,363)</u>	<u>1,363,372</u>	<u>2,267,116</u>
<b>FUND BALANCES</b>						
Beginning of year	<u>18,487,603</u>	<u>6,268,851</u>	<u>2,500,000</u>	<u>935,299</u>	<u>28,191,753</u>	<u>25,924,637</u>
<b>End of year</b>	<u>\$ 18,571,101</u>	<u>\$ 5,188,890</u>	<u>\$ 5,000,198</u>	<u>\$ 794,936</u>	<u>\$ 29,555,125</u>	<u>\$ 28,191,753</u>

**See accompanying notes**

# PENNSBURY SCHOOL DISTRICT

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

Year ended June 30, 2021

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**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ 1,363,372

Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay expenditures	\$ 4,896,739	
Net book value of disposed capital assets	(143,883)	
Depreciation expense	<u>(11,718,842)</u>	(6,965,986)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources decreased by this amount in the current period.

Deferred inflows of resources June 30, 2020	(2,282,193)	
Deferred inflows of resources June 30, 2021	<u>1,964,203</u>	(317,990)

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

Issuance of debt	(24,475,000)	
Proceeds from bond premiums	(5,299,880)	
Repayment of bonds payable	34,935,000	
Repayment of capital lease payable	80,879	
Amortization of discounts, premiums and deferred amounts on debt refunding	<u>1,346,079</u>	6,587,078

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

Current year change in accrued interest payable	110,929	
Current year change in compensated absences	(403,343)	
Current year change in net pension liability - PSERS and deferred outflows and inflows	1,241	
Current year change in OPEB liability - single employer and deferred outflows and inflows	(695,065)	
Current year change in net OPEB liability - PSERS and deferred outflows and inflows	<u>(3,724,060)</u>	<u>(4,710,298)</u>

**CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES** \$ (4,043,824)

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See accompanying notes

**PENNSBURY SCHOOL DISTRICT**

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**

June 30, 2021 with summarized comparative totals for 2020

	<u>Major Fund</u>		<u>Totals</u>	
	<u>Food Service</u>	<u>Other</u>	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 354,405	\$ 3,752	\$ 358,157	\$ 1,692,263
Due from other governments	420,856	-	420,856	98,577
Other receivables	34,732	-	34,732	74,627
Inventories	60,769	-	60,769	107,758
<b>Total current assets</b>	<u>870,762</u>	<u>3,752</u>	<u>874,514</u>	<u>1,973,225</u>
<b>NONCURRENT ASSETS</b>				
Capital assets, net	<u>341,898</u>	<u>-</u>	<u>341,898</u>	<u>370,772</u>
<b>Total assets</b>	<u>1,212,660</u>	<u>3,752</u>	<u>1,216,412</u>	<u>2,343,997</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
Due to other funds	436,294	-	436,294	1,234,883
Accounts payable	3,026	-	3,026	2,572
Unearned revenue	17,725	-	17,725	34,850
Other current liabilities	<u>131,732</u>	<u>-</u>	<u>131,732</u>	<u>129,441</u>
<b>Total liabilities</b>	<u>588,777</u>	<u>-</u>	<u>588,777</u>	<u>1,401,746</u>
<b>NET POSITION</b>				
Net investment in capital assets	341,898	-	341,898	370,772
Unrestricted	<u>281,985</u>	<u>3,752</u>	<u>285,737</u>	<u>571,479</u>
<b>Total net position</b>	<u>\$ 623,883</u>	<u>\$ 3,752</u>	<u>\$ 627,635</u>	<u>\$ 942,251</u>

See accompanying notes

# PENNSBURY SCHOOL DISTRICT

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

June 30, 2021 with summarized comparative totals for 2020

	<u>Major Fund</u>		<u>Totals</u>	
	<u>Food Service</u>	<u>Other</u>	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 3,170	\$ -	\$ 3,170	\$ 1,571,558
<b>OPERATING EXPENSES</b>				
Salaries and wages	780,248	-	780,248	1,045,643
Employee benefits	148,617	-	148,617	190,653
Purchased professional and technical services	988	1,248	2,236	3,567
Purchased property services	50,094	-	50,094	68,646
Other purchased services	219,833	-	219,833	232,354
Supplies	905,854	-	905,854	1,289,265
Depreciation	52,408	-	52,408	62,549
Other operating expenses	-	-	-	7,680
<b>Total operating expenses</b>	<u>2,158,042</u>	<u>1,248</u>	<u>2,159,290</u>	<u>2,900,357</u>
<b>Operating loss</b>	<u>(2,154,872)</u>	<u>(1,248)</u>	<u>(2,156,120)</u>	<u>(1,328,799)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Earnings on investments	-	10	10	393
Refund of prior year receipts	794	(9,174)	(8,380)	-
State sources	63,829	-	63,829	1,251,150
Federal sources	1,816,995	-	1,816,995	71,424
<b>Total nonoperating revenues</b>	<u>1,881,618</u>	<u>(9,164)</u>	<u>1,872,454</u>	<u>1,322,967</u>
<b>Change in net position before transfers</b>	<u>(273,254)</u>	<u>(10,412)</u>	<u>(283,666)</u>	<u>(5,832)</u>
<b>TRANSFERS</b>	<u>-</u>	<u>(30,950)</u>	<u>(30,950)</u>	<u>(16,000)</u>
<b>CHANGE IN NET POSITION</b>	<u>(273,254)</u>	<u>(41,362)</u>	<u>(314,616)</u>	<u>(21,832)</u>
<b>NET POSITION</b>				
Beginning of year	<u>897,137</u>	<u>45,114</u>	<u>942,251</u>	<u>942,251</u>
<b>End of year</b>	<u>\$ 623,883</u>	<u>\$ 3,752</u>	<u>\$ 627,635</u>	<u>\$ 920,419</u>

See accompanying notes

# PENNSBURY SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2021 with summarized comparative totals for 2020

	<u>Major Fund</u>		<u>Totals</u>	
	<u>Food Service</u>	<u>Other</u>	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from charges for services	\$ 43,065	\$ -	\$ 43,065	\$ 1,555,028
Cash payments to employees for services	(928,865)	-	(928,865)	(1,236,296)
Cash payments to supplies for goods and services	(1,764,532)	(33,309)	(1,797,841)	(653,728)
<b>Net cash used for operating activities</b>	<u>(2,650,332)</u>	<u>(33,309)</u>	<u>(2,683,641)</u>	<u>(334,996)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to other funds	-	(30,950)	(30,950)	(16,000)
Refund of prior year receipts	794	(9,174)	(8,380)	-
State sources	52,042	-	52,042	71,424
Federal sources	1,360,347	-	1,360,347	1,177,369
<b>Net cash provided by (used for) noncapital financing activities</b>	<u>1,413,183</u>	<u>(40,124)</u>	<u>1,373,059</u>	<u>1,232,793</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(23,534)	-	(23,534)	(12,213)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Earnings on investments	-	10	10	393
<b>Net increase (decrease) in cash</b>	(1,260,683)	(73,423)	(1,334,106)	885,977
<b>CASH</b>				
Beginning of year	1,615,088	77,175	1,692,263	806,286
<b>Ending of year</b>	<u>\$ 354,405</u>	<u>\$ 3,752</u>	<u>\$ 358,157</u>	<u>\$ 1,692,263</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating loss	\$ (2,154,872)	\$ (1,248)	\$ (2,156,120)	\$ (1,328,799)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities</b>				
Depreciation	52,408	-	52,408	62,549
Donated commodities used	146,156	-	146,156	202,459
(Increase) decrease in				
Other receivables	39,895	-	39,895	(24,601)
Inventories	46,989	-	46,989	(43,779)
Due from other funds	(766,528)	-	(766,528)	
Prepaid expenses	-	-	-	366,107
Increase (decrease) in				
Accounts payable	454	(32,061)	(31,607)	(4,680)
Due to other funds	-	-	-	341,931
Unearned revenue	(17,125)	-	(17,125)	1,849
Other current liabilities	2,291	-	2,291	91,968
<b>Net cash used by operating activities</b>	<u>\$ (2,650,332)</u>	<u>\$ (33,309)</u>	<u>\$ (2,683,641)</u>	<u>\$ (334,996)</u>
<b>SUPPLEMENTAL DISCLOSURE</b>				
<b>Noncash noncapital financing activity</b>				
USDA donated commodities	\$ 146,156	\$ -	\$ 146,156	\$ 202,459

See accompanying notes

**PENNSBURY SCHOOL DISTRICT**

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**

**June 30, 2021 with summarized comparative totals for 2020**

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	<u>Scholarship Fund</u>	<u>Custodial Fund</u>	<u>Totals</u>	
			<u>2021</u>	<u>2020</u>
<b>ASSETS</b>				
Cash	<u>\$ 28,709</u>	<u>\$ 173,662</u>	<u>\$ 202,371</u>	<u>\$ 226,795</u>
<b>NET POSITION</b>				
Net position held in trust for scholarships	28,709	-	28,709	34,353
Restricted for student activities	<u>-</u>	<u>173,662</u>	<u>173,662</u>	<u>192,442</u>
<b>Total fund balances</b>	<u>28,709</u>	<u>173,662</u>	<u>202,371</u>	<u>226,795</u>
<b>Total liabilities and fund balances</b>	<u>\$ 28,709</u>	<u>\$ 173,662</u>	<u>\$ 202,371</u>	<u>\$ 226,795</u>

**PENNSBURY SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS**

Year ended June 30, 2021 with summarized comparative totals for 2020

	<u>Scholarship Fund</u>	<u>Custodial Fund</u>	<u>Totals</u>	
			<u>2021</u>	<u>2020</u>
<b>ADDITIONS</b>				
Contributions	\$ 10,600	\$ -	\$ 10,600	\$ 11,000
Receipts from student groups	-	173,389	173,389	226,024
Investment earnings	<u>6</u>	<u>-</u>	<u>6</u>	<u>350</u>
<b>Total additions</b>	10,606	173,389	183,995	237,374
<b>DEDUCTIONS</b>				
Scholarships awarded	16,250	-	16,250	5,000
Student activities disbursements	<u>-</u>	<u>192,169</u>	<u>192,169</u>	<u>237,054</u>
<b>Total deductions</b>	<u>16,250</u>	<u>192,169</u>	<u>208,419</u>	<u>242,054</u>
<b>CHANGE IN NET POSITION</b>	(5,644)	(18,780)	(24,424)	(4,680)
<b>NET POSITION</b>				
Beginning of year	<u>34,353</u>	<u>192,442</u>	<u>226,795</u>	<u>231,475</u>
<b>End of year</b>	<u>\$ 28,709</u>	<u>\$ 173,662</u>	<u>\$ 202,371</u>	<u>\$ 226,795</u>

# PENNSBURY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Pennsbury School District (the "**District**") operates ten elementary schools, three middle schools and one high school to provide education and related services to the residents in the Boroughs of Tullytown and Yardley and the Townships of Falls and Lower Makefield. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the second class. The District operates under a locally elected nine-member board form of government (the "**School Board**").

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

#### **Reporting Entity**

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

#### **Basis of Presentation**

##### ***Government-Wide Financial Statements***

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

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

The government-wide statement of net position (deficit) presents the financial position of the District which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the District is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position (deficit) is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

# PENNSBURY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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The government-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

### ***Fund Financial Statements***

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

### ***Governmental Funds***

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable and expected to be paid within one year from the balance sheet date. The District reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for financial resources restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of long-term principal, interest and other related costs.

In addition, the District reports the following nonmajor governmental fund:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The Student Sponsored Activity Fund is the District's Special Revenue Fund.

### ***Revenue Recognition***

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

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# PENNSBURY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### ***Expenditure Recognition***

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred if expected to be paid within one year from the balance sheet date. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

### ***Proprietary Funds***

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District reports the following proprietary funds:

The Food Service Fund accounts for the revenues and costs of providing meals to students during the school year.

The Community Service Fund and Aquatics Fund are used to account for operations that are financed and operated in a manner similar to private business enterprises. The funds account for all revenues and costs and expenses of the community service program.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's proprietary funds are charges for services. Operating expenses for the District's proprietary funds include payroll, employee benefits, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

### ***Fiduciary Funds***

Fiduciary funds reporting focuses on net assets and changes in net assets and are accounted for using the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. The private-purpose trust fund accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to particular students as described by donor stipulations. Custodial funds are used to account for assets held on behalf of individuals and/or governmental units and are, therefore, not available to support the District's own programs. The District has one custodial consisting of funds held on behalf of the students.

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

### **Investments**

Investments are stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded at cost, which approximates fair value.

# PENNSBURY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### **Fair Value Measurements of Assets and Liabilities**

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the District. Unobservable inputs reflect the District's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

**Level 1** – Valuations based on quoted prices in active markets for identical assets or liabilities that the District has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

**Level 2** – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

**Level 3** – Valuations based on inputs that are unobservable, that is, inputs that reflect the District's own assumptions.

### **Interfund Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

### **Property Taxes**

Taxes are levied on July 1 and are payable in the following periods:

July 1 – August 31	- Discount period, 2% of gross levy
September 1 – October 31	- Face period
November 1 to collection	- Penalty period, 10% of gross levy
January 15	- Lien date

The County Board of Assessments determines assessed valuations of property, and the District's taxes are billed and collected by local elected tax collectors. The tax on real estate for public school purposes for fiscal 2020-2021 was 170.076 mills (\$170.076 for \$1,000 of assessed valuation). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

Taxpayers within the District have the option of paying in three installments. These installments have the following due dates:

Installment One	- August 31
Installment Two	- September 30
Installment Three	- October 31

The discount (two percent) is not applicable to installment payments; however, the penalty (10 percent) will be added if second and third installments are paid subsequent to the due dates.

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# PENNSBURY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### **Prepaid Items and Inventories**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements.

All inventories are valued at the lower of cost (first-in, first-out method) or market.

### **Unearned Revenues**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

### **Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$2,500 or purchased with general obligation debt. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: land improvements – 20 years, buildings and improvements – 20 years, furniture and equipment – 5-20 years and vehicles – 8 years.

### **Impairment of Long-Lived Assets**

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2021.

### **Compensated Absences**

District policies permit employees to accumulate earned but unused vacation and sick days. The liability for these compensated absences is recorded as a non-current liability in the government-wide financial statements. A liability for these amounts is recorded in the governmental funds financial statements only to the extent they have matured, for example, as a result of employee resignations and retirements.

### **Long-Term Obligations**

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds. Deferred amounts on refunding are recorded as a deferred outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources and uses. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures except for refundings paid from proceeds which are reported as other financing costs.

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# PENNSBURY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### **Fund Equity**

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The District reports the following fund balance classifications:

#### ***Nonspendable***

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

#### ***Restricted***

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

#### ***Committed***

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority, the School Board. Committed amounts cannot be used for any other purpose unless the School Board removes those constraints by taking the same type of formal action (e.g., resolution).

#### ***Assigned***

Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Business Administrator or (b) an appointed body (e.g., finance committee) or (c) an official to which the District has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

#### ***Unassigned***

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

Restricted resources are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the School Board. The District does reserve the right to first reduce unassigned fund balance to defer the use of restricted resources. In the event of that unassigned fund balance becomes zero, then assigned and committed fund balance will be used in that order.

### **Comparative Data**

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

# PENNSBURY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Implementation of New Accounting Pronouncements

Effective July 1, 2020, the District adopted the provisions of GASB Statement No.84 "*Fiduciary Activities*" GASB Statement No. 90 "*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*"; GASB Statement No. 93 "*Replacement of Interbank Offered Rates*"; GASB Statement No. 95, "*Postponements of Effective Dates of Certain Authoritative Guidance*" and GASB Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*".

GASB Statement No. 84 improved guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. As a result of the implementation Statement No. 84 the District reported restricted net position and changes in fiduciary net position for its Student Activities Fund for the year ended June 30, 2021. In addition, student activities that did meet the criteria to be reported as a Fiduciary Fund were reclassified as a Special Revenue Fund.

GASB Statement No. 90 improved the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defined a majority equity interest and specified that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The implementation of GASB Statement No. 90 had no impact on the financial statements of the District for the year ended June 30, 2021.

GASB Statement No. 93 addresses those and other accounting and financial implications that result from the replacement from IBOR by (1) providing exceptions for certain hedging derivatives to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) clarifying that the uncertainty related to the continued availability of IBOR's does not, by itself affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) identifying a secured overnight financing rate and the effective federal funds rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap and; (6) clarifying the definition of a reference rate, as it is used in GASB Statement 53 "*Accounting and Financial Reporting for Derivative Instruments*". The implementation of GASB Statement No. 93 had no impact on the District's financial statements for the year ended June 30, 2021.

GASB Statement No. 95 provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in statements that first became effective or are scheduled to be effective for periods beginning after June 15, 2018, and later. See references to GASB Statement No. 95 within the various pronouncements above to determine the impact on each individual statement. The implementation of GASB Statement No. 95 by the District postponed the implementation of GASB Statement No. 84 until year ended June 30, 2021 as described above and the implementation of GASB Statement No 87 until year ended June 30, 2022 as described below.

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# PENNSBURY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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The objectives of GASB Statement No. 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 had no impact on the financial statements of the District for the year ended June 30, 2021.

### **New Accounting Pronouncements**

GASB Statement No. 87, "*Leases*" will be effective for the District for the year ended June 30, 2022. The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

GASB Statement No. 89, "*Accounting for Interest Cost Incurred Before the End of a Construction Period*", will be effective for the District for the year ended June 30, 2022. The objectives of GASB Statement No. 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 establishes accounting required for interest cost incurred before the end of a construction period. Such interest costs includes all interest that previously was accounted for in accordance with the requirements of GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*", which are superseded by GASB Statement No. 89. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with government fund accounting principles.

GASB Statement No. 91, "*Conduit Debt Obligations*" will be effective for the District for the year ended June 30, 2022. GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

GASB Statement No. 92, "*Omnibus 2020*" will be effective for the District for the year ended June 30, 2022. GASB Statement No. 92 addresses a variety of topics to enhance comparability in accounting and financial reporting and improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

# PENNSBURY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements" will be effective for the District for the year ended June 30, 2023. GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements ("**PPP**"s). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

GASB Statement No. 96, "Subscription-Based Information Technology Arrangements" will be effective for the District for the year ended June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("**SBITA**"s) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

### (2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Budgetary Information

An annual budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for the Capital Projects fund.

The District is required to publish notice by advertisement at least once in two newspapers of general circulation in the municipalities in which it is located, and within 20 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative offices of the District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least 10 days prior to when final action on adoption is taken by the School Board.

After the legal adoption of the budget, the School Board is required to file a copy of the budget with the Pennsylvania Department of Education by July 31. Additional copies of the budget also are required to be filed with the House Education Committee and the Senate Education Committee by September 15.

Legal budgetary control is maintained at the sub-function/major object level. The School Board may make transfers of funds appropriated in any particular item of expenditure by legislative action in accordance with Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without approval from the School Board. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

### (3) DEPOSITS AND INVESTMENTS

State statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds.

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# PENNSBURY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2021, the carrying amount of the District's deposits was \$14,845,410 and the bank balance was \$16,230,148. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,983,103 was collateralized by the District's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds. The remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund ("**PSDLAF**") and the Pennsylvania Local Government Investment Trust ("**PLGIT**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF and PLGIT act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, are rated by a nationally recognized statistical rating organization and are subject to independent annual audit. As of June 30, 2021, PSDLAF and PLGIT were rated as AAA by a nationally recognized statistical rating agency.

### Investments

At June 30, 2021, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>11 – 15</u>
Certificates of deposit	\$ 2,228,000	\$ 741,000	\$ 1,487,000	\$ -	\$ -
PSDLAF collateralized investment pools	<u>29,590,037</u>	<u>29,590,037</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$31,818,037</u>	<u>\$30,331,037</u>	<u>\$1,487,000</u>	<u>\$ -</u>	<u>\$ -</u>

PSDLAF collateralized investment pools are fully collateralized by U.S. government agency and treasury obligations and certificates of deposit. PSDLAF collateralized investment pools were valued using Level 2 inputs.

### Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral that is in the possession of an outside party. The collateral for all of the District's investments are held by the pledging bank's agent in the District's name. The District had no investments subject to custodial credit risk as of June 30, 2021.

### Interest Rate Risk

The District's investment policy limits investment maturities in accordance with state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates.

### Credit Risk

The District's investment policy limits its investments that are not backed by the "full faith and credit" of the federal or state government to those with the highest credit rating available for such investments issued by a recognized statistical rating organization.

**PENNSBURY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2021

**(4) CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 2,028,233	\$ -	\$ -	\$ 2,028,233
Capital assets being depreciated				
Land improvements	8,655,002	56,702	-	8,711,704
Buildings and improvements	250,744,486	3,067,692	-	253,812,178
Furniture and equipment	<u>50,751,031</u>	<u>1,772,345</u>	<u>(1,405,846)</u>	<u>51,117,530</u>
<b>Total capital assets being depreciated</b>	<u>310,150,519</u>	<u>4,896,739</u>	<u>(1,405,846)</u>	<u>313,641,412</u>
Less accumulated depreciation for				
Land improvements	(7,122,334)	(203,758)	-	(7,326,092)
Buildings and improvements	(148,097,963)	(10,145,570)	-	(158,243,533)
Furniture and equipment	<u>(45,166,467)</u>	<u>(1,369,514)</u>	<u>1,261,963</u>	<u>(45,274,018)</u>
<b>Total accumulated depreciation</b>	<u>(200,386,764)</u>	<u>(11,718,842)</u>	<u>1,261,963</u>	<u>(210,843,643)</u>
<b>Total capital assets being depreciated, net</b>	<u>109,763,755</u>	<u>(6,822,103)</u>	<u>(143,883)</u>	<u>102,797,769</u>
<b>Governmental activities, net</b>	<u>\$ 111,791,988</u>	<u>\$ (6,822,103)</u>	<u>\$ -</u>	<u>\$ 104,826,002</u>
<b>Business-type activities</b>				
Furniture and equipment	\$ 2,386,287	\$ 23,534	\$ -	\$ 2,409,821
Less accumulated depreciation	<u>(2,015,515)</u>	<u>(52,408)</u>	<u>-</u>	<u>(2,067,923)</u>
<b>Business-type activities, net</b>	<u>\$ 370,772</u>	<u>\$ (28,874)</u>	<u>\$ -</u>	<u>\$ 341,898</u>

Depreciation expense was charged to functions/programs of the District as follows:

<b>Governmental activities</b>	
Instruction	\$ 107,764
Instructional student support	329,245
Administrative and financial support services	50,782
Operation and maintenance of plant services	901,544
Pupil transportation	709,391
Student activities	20,432
Unallocated	<u>9,599,684</u>
<b>Total depreciation expense – governmental activities</b>	<u>\$11,718,842</u>
<b>Business-type activities</b>	
Food service	<u>\$ 52,408</u>

**(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2021 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 436,294	Food Service Fund	\$ 436,294
Capital Projects Fund	500,000	General Fund	500,000
Debt Service Fund	<u>2,500,000</u>	General Fund	<u>2,500,000</u>
	<u>\$3,436,294</u>		<u>\$3,436,294</u>

**PENNSBURY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

Interfund balances between funds represent temporary loans recorded at year-end as the result of a final allocation of expenses.

A summary of interfund transfers for the year ended June 30, 2021 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	\$ 30,950	Other Enterprise Funds	\$ 30,950
Capital Projects Fund	500,000	General Fund	500,000
Debt Service Fund	<u>2,500,000</u>	General Fund	<u>2,500,000</u>
	<u>\$3,030,950</u>		<u>\$3,030,950</u>

Transfers from the General Fund to the Capital Projects Fund and Debt Service Fund represent transfers to subsidize capital expenditures and debt service maturities.

**(6) NONCURRENT LIABILITIES**

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2021:

	<u>Balance July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>	<u>Amount Due Within One Year</u>
<b>Governmental activities</b>					
<b>General obligation debt</b>					
Bonds payable	\$154,980,000	\$24,475,000	\$34,935,000	\$144,520,000	\$ 9,310,000
Bond premiums	9,840,015	5,299,880	1,979,866	13,160,029	1,594,831
Bond discounts	<u>(101,037)</u>	<u>-</u>	<u>(9,001)</u>	<u>(92,036)</u>	<u>(9,001)</u>
<b>Total general obligation debt</b>	<u>164,718,978</u>	<u>29,774,880</u>	<u>36,905,865</u>	<u>157,587,993</u>	<u>10,895,830</u>
<b>Other noncurrent liabilities</b>					
Compensated absences	2,480,613	403,343	-	2,883,956	260,994
Capital leases payable	80,879	-	80,879	-	-
OPEB liability	11,169,890	2,428,619	487,064	13,111,445	-
Net OPEB liability – PSERS	14,775,000	239,683	-	15,014,683	-
Net pension liability – PSERS	<u>324,999,000</u>	<u>17,261,400</u>	<u>-</u>	<u>342,260,400</u>	<u>-</u>
<b>Total other noncurrent liabilities</b>	<u>353,505,382</u>	<u>20,333,045</u>	<u>567,943</u>	<u>373,270,484</u>	<u>260,994</u>
<b>Total noncurrent liabilities</b>	<u>\$518,224,360</u>	<u>\$50,107,925</u>	<u>\$37,473,808</u>	<u>\$530,858,477</u>	<u>\$11,156,824</u>

Noncurrent liabilities for governmental activities are generally liquidated by the General Fund.

**(7) GENERAL OBLIGATION DEBT**

General obligation debt is a direct obligation of the District for which full faith and credit are pledged and is payable from unrestricted local sources. The District has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

General obligation debt outstanding as of June 30, 2021 consisted of the following:

**PENNSBURY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2021

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
<b>General obligation bonds</b>				
Series of 2012	0.400% - 5.000%	\$31,730,000	08/01/2025	\$ 19,945,000
Series of 2016	0.750% - 5.000%	\$31,190,000	01/15/2022	6,040,000
Series of 2016A	0.630% - 5.000%	\$29,640,000	10/01/2036	27,730,000
Series of 2017	0.925% - 3.500%	\$ 9,680,000	07/15/2031	9,200,000
Series of 2017A	0.950% - 3.000%	\$ 9,555,000	10/01/2036	8,385,000
Series of 2018	1.700% - 3.250%	\$ 8,555,000	08/01/2033	8,420,000
Series of 2018A	1.900% - 4.000%	\$19,385,000	08/01/2023	19,365,000
Series of 2019	2.000% - 4.000%	\$ 9,275,000	08/01/2034	8,880,000
Series of 2019A	2.000% - 4.000%	\$12,590,000	08/01/2029	12,080,000
Series of 2020	3.000% - 5.000%	\$21,975,000	08/01/2030	21,975,000
Series of 2020A	2.000% - 5.000%	\$ 2,500,000	08/01/2040	2,500,000
<b>Total general obligation debt</b>				<b><u>\$144,520,000</u></b>

Annual debt service requirements to maturity on these obligations are as follows:

<u>Year ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2022	\$ 9,310,000	\$ 5,903,903	\$ 15,213,903
2023	10,350,000	5,290,684	15,640,684
2024	10,735,000	5,053,412	15,788,412
2025	10,430,000	5,210,067	15,640,067
2026	10,905,000	4,376,667	15,281,667
2027-2031	52,135,000	14,468,168	66,603,168
2032-2036	36,045,000	4,873,325	40,918,325
2037	4,610,000	384,875	4,994,875
	<u>\$144,520,000</u>	<u>\$45,561,101</u>	<u>\$190,081,101</u>

**Series of 2020 General Obligation Bonds**

On November 24, 2020, the District issued \$21,975,000 of general obligation bonds, Series of 2020, the proceeds from which were used to currently refund all of the District's outstanding general obligation bonds, Series of 2015, general obligation bonds, Series A of 2015 and general obligation bonds, Series B of 2015 and to pay the cost of issuing the bonds. The District currently refunded the general obligation bonds, to reduce future debt service payments by \$2,082,334.

**Series A of 2020 General Obligation Bonds**

On November 24, 2020, the District issued \$2,500,000 of general obligation bonds, Series A of 2020, the proceeds from which will be used to finance the costs of various capital improvements of the School District and to pay the cost of issuing the bonds.

**(8) PENSION PLAN**

**Plan Description**

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

# PENNSBURY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### **Benefits Provided**

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year credited service; (b) age 60 with 30 more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

### **Contributions**

#### **Member Contributions**

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

Members who joined PSERS on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

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

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

#### **Employer Contributions**

The District's contractually required contribution rate for fiscal year ended June 30, 2021 was 33.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the District were \$32,947,340 for the year ended June 30, 2021.

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# PENNSBURY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

At June 30, 2021, the District reported a liability of \$342,260,400 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.6951 percent, which was an increase of 0.0004 percent from its proportion measured as of June 30, 2019. As of June 30, 2021, the net pension liability is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2021, the District recognized pension expense of \$32,514,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual experience	\$ 895,000	\$ 8,203,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	15,042,000	-
Changes in proportions	2,981,000	3,688,000
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	<u>32,947,340</u>	<u>-</u>
	<u>\$51,865,340</u>	<u>\$11,891,000</u>

\$32,947,340 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### Year ended June 30,

2021	\$(2,941,000)
2022	999,000
2023	4,500,000
2024	<u>4,469,000</u>
	<u>\$ 7,027,000</u>

#### Actuarial Assumptions

The total pension liability as of June 30, 2020 was determined by rolling forward PSERS's total pension liability as the June 30, 2019 actuarial valuation to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

**PENNSBURY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial valuation experience study that was performed for the five year period ending June 30, 2015.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	15.00 %	5.60%
Private equity	15.00 %	7.20%
Fixed income	36.00 %	1.10%
Commodities	8.00 %	1.80%
Absolute return	10.00 %	2.50%
Infrastructure/MLPs	6.00 %	5.70%
Real estate	10.00 %	5.50%
Risk parity	8.00 %	3.30%
Cash	6.00 %	(1.0%)
Financing (LIBOR)	<u>(14.00)%</u>	<u>(0.7%)</u>
	<u>100.00 %</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

**Discount Rate**

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

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

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

	<u>1% Decrease</u> <u>6.25%</u>	<u>Current Discount Rate</u> <u>7.25%</u>	<u>1% Increase</u> <u>8.25%</u>
District's proportionate share of the net pension liability	<u>\$423,448,435</u>	<u>\$342,260,400</u>	<u>\$273,482,792</u>

# PENNSBURY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### Pension Plan Fiduciary Net Position

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

## (9) OTHER POST-EMPLOYMENT BENEFITS

### Single-Employer Defined Benefit OPEB Plan

The District's other post-employment benefits ("**OPEB**") include a single-employer defined benefit plan that provides medical and life insurance to eligible retirees, spouses and dependents. The School Board has the authority to establish and amend benefit provisions. The OPEB Plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

### OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2019:

Active employees	1,420
Retired participants	<u>748</u>
Total	<u>2,168</u>

### Funding Policy

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

### OPEB Liability

The District's OPEB liability has been measured as of June 30, 2020. The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, and by rolling forward the liabilities from the July 1, 2019 actuarial valuation through the measurement date. The OPEB liability is \$13,111,445, all of which is unfunded. As of June 30, 2021, the OPEB liability is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

The District's change in its OPEB liability for the year ended June 30, 2021 was as follows:

<b>Balances as of July 1, 2020</b>	\$11,169,890
<b>Changes for the year:</b>	
Service cost	576,620
Interest	390,946
Changes in assumptions	1,461,053
Benefit payments	(487,064)
Administrative expense	<u>-</u>
<b>Net changes</b>	<u>1,941,555</u>
<b>Balance as of June 30, 2021</b>	<u>\$13,111,445</u>

### OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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For the year ended June 30, 2021, the District recognized OPEB expense of \$1,263,687. At June 30, 2021, the District had deferred inflows or resources and deferred outflows of resources related to the OPEB plan from the following sources:

**PENNSBURY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2021

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$1,095,736	\$437,178
Changes of assumptions	1,446,732	87,301
Net difference between projected and actual investment earnings	<u>568,622</u>	<u>-</u>
	<u>\$3,111,090</u>	<u>\$524,479</u>

The \$568,622 amount reported in deferred outflows of resources resulting from the District's benefit payments subsequent to the measurement date will be recognized as a reduction in next year's total OPEB liability. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Year ended June 30,**

2022	\$ 296,121
2023	296,121
2024	296,121
2025	296,121
2026	296,124
Thereafter	<u>537,381</u>
	<u>\$2,017,989</u>

**Sensitivity of the OPEB Liability to Change in Healthcare Cost Trend Rates**

The following presents the OPEB liability for June 30, 2021, calculated using current healthcare cost trends as well as what the OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	<u>\$8,713,184</u>	<u>\$13,111,445</u>	<u>\$14,494,158</u>

**Sensitivity of the OPEB Liability to Changes in the Discount Rate**

The following presents the OPEB liability of the District calculated using the discount rate of 2.21%, as well as what the net OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>1.21%</u>	<u>2.21%</u>	<u>3.21%</u>
OPEB Liability	<u>\$14,362,489</u>	<u>\$13,111,445</u>	<u>\$11,993,793</u>

**Actuarial Methods and Significant Assumptions**

The OPEB Liability as of June 30, 2021, was determined by rolling forward the OPEB Liability as of June 1, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal
- Mortality rates were based on the Pri.H-2012 total dataset mortality table projected using scale MP-2019.
- Discount rate – 2.21% – Bond Buyers 20-Bond Index. The discount rate changed from 3.50% to 2.21%.

# PENNSBURY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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- Inflation rate – 3.00%
- Investment return – Investment return was not utilized in this valuation since there are no assets.
- Salary increase – 3.50%
- Assumed healthcare cost trends – Health care trend rates are assumed to be 6.50% through June 30, 2022 and declining 0.5% each year to a low of 4.50% as of June 30, 2030 and thereafter.

### **Cost Sharing Multiple-Employer Defined Benefit OPEB Plan**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of PSERS and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **Plan Description**

PSERS provides health insurance premium assistance which, is a governmental cost sharing multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

Retirees of PSERS can participate in the health insurance premium assistance program if they satisfy the following criteria:

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

### **Benefits Provided**

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees

### **Employer Contributions**

The District's contractually required contribution rate for the fiscal year ended June 30, 2021 was 0.82% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$801,924 for the year ended June 30, 2021.

**PENNSBURY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2021

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

At June 30, 2021, the District reported a liability of \$15,014,683 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.6949 percent, which was an increase of 0.0002 percent from its proportion measured as of June 30, 2019. As of June 30, 2021, the net OPEB liability is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2021, the District recognized OPEB expense of \$753,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 138,000	\$ -
Changes in assumptions	612,000	329,000
Net difference between projected and actual investment earnings	26,000	-
Changes in proportions	266,000	385,000
Contributions subsequent to the measurement date	<u>801,924</u>	<u>-</u>
	<u>\$1,843,924</u>	<u>\$714,000</u>

\$801,924 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Year ended June 30,**

2021	\$ 39,000
2022	35,000
2023	32,000
2024	67,000
2025	107,000
Thereafter	<u>48,000</u>
	<u>\$328,000</u>

**Actuarial Assumptions**

The OPEB liability as of June 30, 2020, was determined by rolling forward the PSERS' OPEB liability as of June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal - level % of pay
- Investment return – 2.66% - Standard & Poors 20 year municipal bond rate
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.

# PENNSBURY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

Participation rate:

- Eligible retirees will elect to participate pre age 65 at 50%
- Eligible retirees will elect to participate post age 65 at 70%

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five-year period June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- Cost method - amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 combined healthy annuitant tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 combined disabled tables with age set back 7 years for males and 3 years for females and disabled annuitants. (A unisex table based on the RP-2000 combined healthy annuitant tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year.

<u>OPEB – Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	50.30%	(1.00%)
US core fixed income	46.50%	(0.10%)
Non-US developed fixed	3.20%	(0.10%)
	<u>100.00%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

### **Discount Rate**

The discount rate used to measure the OPEB liability was 2.66%. Under the OPEB plan's funding policy, contributions are structured for short term funding of health insurance premium assistance. The funding policy sets contribution rates necessary to assure solvency of health insurance premium assistance through the third fiscal year after the actuarial valuation date. The health insurance premium assistance account is funded to establish reserves that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the OPEB plan is considered a "pay-as-you-go" plan. A discount rate of 2.66% which represents the Standard & Poors 20 year municipal bond rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

**PENNSBURY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2021

**Sensitivity of District's Proportionate Share of the Net OPEB Liability to Change in Healthcare Cost Trend Rates**

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual health insurance premium assistance. As of June 30, 2020, retirees health insurance premium assistance benefits are not subject to future healthcare cost increases. The healthcare insurance premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the net OPEB liability for June 30, 2020, calculated using current healthcare cost trends as well as what net OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	<u>\$15,012,759</u>	<u>\$15,014,683</u>	<u>\$15,016,219</u>

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability, calculated using the discount rate of 2.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or 1-percentage-point higher (3.66%) than the current rate:

	<u>1% Decrease 1.66%</u>	<u>Current Discount Rate 2.66%</u>	<u>1% Increase 3.66%</u>
District's proportionate share of the net OPEB liability	<u>\$17,119,056</u>	<u>\$15,014,683</u>	<u>\$13,272,083</u>

**OPEB Plan Fiduciary Net Position**

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

**(10) OPERATING LEASES**

**Lessee**

The District leases technology equipment expiring at various dates through August 2022. Rent expense was \$538,166 for 2020-2021.

Future minimum lease payments under these agreements are as follows:

2022	\$276,931
2023	<u>276,931</u>
	<u>\$553,862</u>

**(11) JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION**

**Bucks County Technical High School**

The District and five other Bucks County school districts participate in the Bucks County Technical High School (the "**BCTHS**"). The BCTHS provides vocational-technical training and education to students of the participating school districts. The BCTHS is controlled by a joint board comprised of representative school board members of the participating school districts. District oversight of the BCTHS operations is the responsibility of the joint board. The District's share of operating costs for the BCTHS fluctuates based on the District's percentage of enrollment. The District share of operating costs for 2020-2021 was \$5,241,617.

# PENNSBURY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### Bucks County Technical School Authority

The District and five other Bucks County school districts also participate in a joint venture for the operation of the Bucks County Technical School Authority (the "**Authority**"). The Authority oversees acquiring, holding, constructing, improving and maintaining the BCTHS school buildings. The Authority is controlled by a joint board comprised of representative school board members of the participating school districts in the BCTHS. During 2019-2020, the District did not have any financial transactions with the Authority.

Both the BCTHS and the Authority prepare financial statements that are available to the public from their administrative offices located at 610 Wistar Road, Fairless Hills, PA 19030.

### Bucks County Intermediate Unit

The District and the other Bucks County school districts are participating members of the Bucks County Intermediate Unit (the "**BCIU**"). The BCIU is a regional educational service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating district. The School Board of each participating district must approve the annual operating budget of the BCIU but the participating districts have no ongoing fiduciary interest or responsibility to the BCIU. The BCIU is a self-sustaining organization that provides a broad array of services to participating districts which include: curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services and state and federal liaison services.

## (12) CONTINGENCIES AND COMMITMENTS

### Government Grants and Awards

The District receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

### Litigation

The District is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

## (13) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. For insured programs, there were no significant reductions in insurance coverages during 2020-2021. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The District and other participating Pennsylvania school districts and educational agencies participate in the School District Insurance Consortium ("**SDIC**"), which is a voluntary trust. The District and the other participating members pay premiums to SDIC for the purpose of seeking prevention or lessening of claims due to injuries of employees of the participating members and pooling workers' compensation and occupational disease insurance risks, reserves claims and losses and providing self-insurance and reinsurance thereof. It is the intent of the participating members of SDIC that the SDIC will utilize funds contributed by the participating members, which shall be held in trust by SDIC, to provide self-insurance and reimbursements to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance. As of June 30, 2021, the District is not aware of any additional assessments relating to SDIC.

# PENNSBURY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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The District insures for employee health care on a cost-plus basis. The District also has commercial insurance for health care claims that exceed \$300,000 on any one individual in any one plan year.

Liabilities for health care cost are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The claims liability is calculated based on management's judgement of reasonable reserves for payment lags and catastrophic events. The claims liability is reported as part of other payables in the General Fund.

The following tables represents the changes in the program's claims liability for the year ended June 30, 2021:

	<u>2021</u>	<u>2020</u>
Insurance claims liability – beginning of year	\$ 1,926,000	\$ 2,600,796
Current year insurance claims and changes in estimates	18,680,873	17,703,044
Insurance claims paid	<u>(18,805,873)</u>	<u>(18,377,840)</u>
Insurance claims liability – end of year	<u>\$ 1,801,000</u>	<u>\$ 1,926,000</u>

### (14) EARLY RETIREMENT INCENTIVE PLAN

In addition to the pension benefits described in Note 8, the District provided early retirement incentives to all professional and administrative employees who met specific age and year of service requirements through June 30, 2003. The benefits were adopted as part of the employment contracts negotiated between the unions and the School Board. The benefits offered are cash bonus payments to be applied to health insurance coverage. For the fiscal year ended June 30, 2021, there were no participants, and there was no expense related to the benefits.

### (15) PRIOR PERIOD RESTATEMENT

As a result of the implementation of GASB Statement No. 84 "*Fiduciary Activities*", the District made a prior period adjustment to record net position for its Custodial Fund within it's fiduciary activities and to reclass student activities that do not meet the criteria of a Custodial Fund to its Student Sponsored Activity Fund, which is reported as a nonmajor governmental fund.

These prior period adjustments and its effect of net position at July 1, 2020 was an increase in Custodial Fund net position of \$192,442 and an increase in the fund balance of the Student Sponsored Activity Fund of \$935,299. Prior to the implementation of GASB Statement No. 84, custodial fund assets equaled liabilities and did not involve measurement of results of operations.

### (16) SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 9, 2021, the date on which the financial statements were available to be issued. Except as noted below, no material subsequent events have occurred since June 30, 2021 that required recognition or disclosure in the financial statements.

On November 4, 2021, the District issued general obligation bonds, Series of 2022, in the amount of \$26,975,000 the proceeds from which were used to (1) refund the District's outstanding General Obligation Bond, Series of 2012; (2) refund the District's outstanding General Obligation Bond, Series of 2017; and (3) and to pay the costs and expenses of issuing the Bonds. The District refunded the general obligation bonds to reduce the debt service payments by 2,649,226.

# PENNSBURY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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In October 2021, the District entered into a collective bargaining agreement with the Pennsbury Educational Support Professionals Association ("**PESPA**"), which is affiliated with the Pennsylvania State Education Association ("**PSEA**"). This agreement began July 1, 2017 and runs through June 30, 2027.

In November 2021, the District entered into a collective bargaining agreement with the Pennsbury Education Association ("**PEA**"), which is affiliated with the PSEA. This agreement began retroactive to July 1, 2021 and is in effect through June 30, 2026.

**REQUIRED SUPPLEMENTARY INFORMATION**

# PENNSBURY SCHOOL DISTRICT

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 156,865,675	\$ 156,865,675	\$ 157,977,250	\$ 1,111,575
State sources	52,709,393	52,709,393	51,611,339	(1,098,054)
Federal sources	5,066,423	5,066,423	7,375,169	2,308,746
<b>Total revenues</b>	<u>214,641,491</u>	<u>214,641,491</u>	<u>216,963,758</u>	<u>2,322,267</u>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Regular programs	90,256,964	90,321,297	88,983,911	1,337,386
Special programs	41,715,433	43,877,664	42,588,789	1,288,875
Vocational programs	7,690,144	7,572,095	7,569,373	2,722
Other instructional programs	1,366,206	1,009,514	707,095	302,419
Nonpublic school programs	18,000	20,339	2,338	18,001
Pre-kindergarten	748,586	829,110	826,514	2,596
<b>Total instruction</b>	<u>141,795,333</u>	<u>143,630,019</u>	<u>140,678,020</u>	<u>2,951,999</u>
<b>Support services</b>				
Pupil support services	9,421,987	9,429,114	9,408,688	20,426
Instructional staff services	4,333,977	4,329,944	4,163,640	166,304
Administrative services	10,535,638	10,089,591	9,857,917	231,674
Pupil health	3,320,711	3,293,677	3,277,154	16,523
Business services	2,197,240	2,096,316	2,079,119	17,197
Operation and maintenance of plant services	15,726,601	16,310,221	16,207,574	102,647
Student transportation services	9,481,205	7,893,583	7,889,687	3,896
Support services - central	4,338,819	4,404,865	4,235,839	169,026
Other support services	121,000	119,268	119,268	-
<b>Total support services</b>	<u>59,477,178</u>	<u>57,966,579</u>	<u>57,238,886</u>	<u>727,693</u>
<b>Operation of noninstructional services</b>				
Student activities	1,262,832	832,102	826,470	5,632
Community services	188,348	192,125	95,646	96,479
<b>Total operation of non-instructional services</b>	<u>1,451,180</u>	<u>1,024,227</u>	<u>922,116</u>	<u>102,111</u>
<b>Debt service</b>	<u>15,202,742</u>	<u>15,072,188</u>	<u>14,545,656</u>	<u>526,532</u>
<b>Total expenditures</b>	<u>217,926,433</u>	<u>217,693,013</u>	<u>213,384,678</u>	<u>4,308,335</u>
<b>Excess (deficiencies) of revenues over (under) expenditures</b>	<u>(3,284,942)</u>	<u>(3,051,522)</u>	<u>3,579,080</u>	<u>6,630,602</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refund of prior year expenditures	-	-	(526,532)	(526,532)
Transfers in	-	-	30,950	30,950
Transfers out	-	-	(3,000,000)	(3,000,000)
Budgetary reserve	-	(233,420)	-	233,420
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(233,420)</u>	<u>(3,495,582)</u>	<u>(3,262,162)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (3,284,942)</u>	<u>\$ (3,284,942)</u>	<u>83,498</u>	<u>\$ 3,368,440</u>
<b>FUND BALANCE</b>				
Beginning of year			18,487,603	
<b>End of year</b>			<u>\$ 18,571,101</u>	

**PENNSBURY SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - PSERS**

Year ended June 30

	<b>Measurement Date</b>						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.6951%	0.6947%	0.6918%	0.7234%	0.6997%	0.7155%	0.6992%
District's proportionate share of the net pension liability	\$ 342,260,400	\$ 324,999,000	\$ 332,098,000	\$ 357,276,000	\$ 346,749,000	\$ 309,921,000	\$ 276,748,000
District's covered-employee payroll	\$ 97,532,620	\$ 100,631,428	\$ 93,132,568	\$ 96,309,585	\$ 90,617,743	\$ 92,062,317	\$ 89,224,414
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	350.92%	322.96%	356.59%	370.97%	382.65%	336.64%	310.17%
Plan fiduciary net position as a percentage of the total pension liability	54.32%	55.66%	54.00%	51.84%	50.14%	45.64%	57.24%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**PENNSBURY SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS**

**Year ended June 30**

	<b>Measurement Date</b>						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 32,472,906	\$ 33,868,000	\$ 33,571,000	\$ 32,135,000	\$ 27,245,000	\$ 22,858,000	\$ 18,259,000
Contributions in relation to the contractually required contribution	<u>32,472,906</u>	<u>33,868,000</u>	<u>33,571,000</u>	<u>32,135,000</u>	<u>27,245,000</u>	<u>22,858,000</u>	<u>18,259,000</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 97,532,620	\$ 101,522,024	\$ 100,631,428	\$ 93,132,568	\$ 96,309,585	\$ 90,617,743	\$ 92,062,317
Contributions as a percentage of covered-employee payroll	33.29%	33.36%	33.36%	34.50%	28.29%	25.22%	19.83%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**PENNSBURY SCHOOL DISTRICT**

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY - SINGLE EMPLOYER PLAN**

Year ended June 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>TOTAL OPEB LIABILITY</b>				
Service cost	\$ 576,620	\$ 583,861	\$ 566,965	\$ 579,956
Interest on total OPEB liability	390,946	281,565	291,485	237,451
Changes of benefit terms	-	-	-	(13,741)
Difference between expected and actual experience	-	1,460,982	-	(786,922)
Changes of assumptions	1,461,053	(116,401)	36,474	259,192
Benefit payments	<u>(487,064)</u>	<u>(488,608)</u>	<u>(419,104)</u>	<u>(566,224)</u>
<b>Net change in total OPEB liability</b>	1,941,555	1,721,399	475,820	(290,288)
<b>Total OPEB liability, beginning</b>	<u>11,169,890</u>	<u>9,448,491</u>	<u>8,972,671</u>	<u>9,262,959</u>
<b>Total OPEB liability, ending</b>	<u>\$ 13,111,445</u>	<u>\$ 11,169,890</u>	<u>\$ 9,448,491</u>	<u>\$ 8,972,671</u>
<b>Fiduciary net position as a % of total OPEB liability</b>	0.00%	0.00%	0.00%	0.00%
<b>Covered payroll</b>	\$ 96,479,650	\$ 93,217,053	\$ 88,406,612	\$ 88,406,612
<b>Net OPEB liability as a % of covered payroll</b>	13.59%	11.98%	10.69%	10.15%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**PENNSBURY SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -PSERS**

**Year ended June 30**

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	<b>Measurement Date</b>			
	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
District's proportion of the net OPEB liability	0.6949%	0.6947%	0.6918%	0.7234%
District's proportionate share of the net OPEB liability	\$ 15,014,683	\$ 14,775,000	\$ 14,424,000	\$ 14,739,000
District's covered-employee payroll	\$ 97,532,620	\$ 100,631,428	\$ 93,132,568	\$ 96,309,585
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15.39%	14.68%	15.49%	15.30%
Plan fiduciary net position as a percentage of the total OPEB liability	5.69%	5.56%	5.56%	5.73%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**PENNSBURY SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS**

**Year ended June 30**

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	<b>Measurement Date</b>			
	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Contractually required contribution	\$ 818,057	\$ 843,000	\$ 833,000	\$ 775,000
Contributions in relation to the contractually required contribution	<u>818,057</u>	<u>843,000</u>	<u>833,000</u>	<u>775,000</u>
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	\$ 97,532,620	\$ 101,522,024	\$ 100,631,428	\$ 93,132,568
Contributions as a percentage of covered-employee payroll	0.84%	0.83%	0.83%	0.83%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS**

**PENNSBURY SCHOOL DISTRICT**

**COMBINING BALANCE SHEET - CAPITAL PROJECTS FUND**

June 30, 2021

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	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 805,193	\$ 5,008,970	\$ 5,814,163
Due from other funds	<u>500,000</u>	<u>-</u>	<u>500,000</u>
<b>Total assets</b>	<u>\$ 1,305,193</u>	<u>\$ 5,008,970</u>	<u>\$ 6,314,163</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ <u>-</u>	<u>\$ 1,125,273</u>	<u>\$ 1,125,273</u>
 <b>FUND BALANCES</b>			
Restricted for			
Capital projects	<u>1,305,193</u>	<u>3,883,697</u>	<u>5,188,890</u>
<b>Total fund balances</b>	<u>1,305,193</u>	<u>3,883,697</u>	<u>5,188,890</u>
 <b>Total liabilities and fund balances</b>	 <u>\$ 1,305,193</u>	 <u>\$ 5,008,970</u>	 <u>\$ 6,314,163</u>

**PENNSBURY SCHOOL DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - CAPITAL PROJECTS FUND**

Year ended June 30, 2021

	<b>Capital Reserve Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
<b>REVENUES</b>			
Local sources	\$ 2,439	\$ 756	\$ 3,195
<b>EXPENDITURES</b>			
Current			
Support services	791,540	529,180	1,320,720
Facilities acquisition, construction and improvement services	<u>116,129</u>	<u>3,170,705</u>	<u>3,286,834</u>
<b>Total expenditures</b>	<u>907,669</u>	<u>3,699,885</u>	<u>4,607,554</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(905,230)</u>	<u>(3,699,129)</u>	<u>(4,604,359)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of debt	-	2,500,000	2,500,000
Bond premiums	-	524,398	524,398
Transfers in	<u>500,000</u>	<u>-</u>	<u>500,000</u>
<b>Total other financing sources (uses)</b>	<u>500,000</u>	<u>3,024,398</u>	<u>3,524,398</u>
<b>NET CHANGE IN FUND BALANCES</b>	(405,230)	(674,731)	(1,079,961)
<b>FUND BALANCES</b>			
Beginning of year	<u>1,710,423</u>	<u>4,558,428</u>	<u>6,268,851</u>
<b>End of year</b>	<u>\$ 1,305,193</u>	<u>\$ 3,883,697</u>	<u>\$ 5,188,890</u>

**SINGLE AUDIT**

**PENNSBURY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year ended June 30, 2021**

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2021</u>	<u>Passed Through to Subrecipients</u>
<b>U.S. Department of Education</b>											
<b>Passed-Through the Pennsylvania Department of Education</b>											
Title I - Improving Basic Programs	I	84.010	013-190331	07/01/18 - 09/30/20	\$ 848,240	\$ -	\$ (1,425)	\$ 1,425	\$ 1,425	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-200331	07/01/19 - 09/30/20	840,114	452,332	232,639	219,693	219,693	-	-
Title I - Improving Basic Programs	I	84.010	013-210331	07/01/20 - 09/30/21	715,000	495,000	-	504,431	504,431	9,431	-
Total CFDA #84.010						947,332	231,214	725,549	725,549	9,431	-
Title II - Improving Teacher Quality	I	84.367	020-200331	07/01/19 - 09/30/20	201,163	92,436	92,436	-	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-210331	07/01/20 - 09/30/21	183,711	56,889	-	87,236	87,236	30,347	-
Total CFDA #84.367						149,325	92,436	87,236	87,236	30,347	-
Title III - Language Instruction LEP/Immigrant Students	I	84.365	010-190331	07/01/18 - 09/30/20	31,243	8,927	7,158	1,769	1,769	-	-
Title III - Language Instruction LEP/Immigrant Students	I	84.365	010-200331	07/01/19 - 09/30/20	41,342	6,360	(15,901)	8,910	8,910	(13,351)	-
Title III - Language Instruction LEP/Immigrant Students	I	84.365	010-210331	07/01/20 - 09/30/21	47,127	14,501	-	-	-	(14,501)	-
Total CFDA #84.365						29,788	(8,743)	10,679	10,679	(27,852)	-
Title IV - Student Support & Academic Enrichment Grants	I	84.424	144-190331	07/01/18 - 09/30/21	52,121	3,723	(10,391)	-	-	(14,114)	-
Title IV - Student Support & Academic Enrichment Grants	I	84.424	144-200331	07/01/19 - 09/30/20	63,486	34,185	(26,905)	54,861	54,861	(6,229)	-
Title IV - Student Support & Academic Enrichment Grants	I	84.424	144-210331	07/01/20 - 09/30/21	63,257	34,061	-	13,002	13,002	(21,059)	-
Total CFDA #84.424						71,969	(37,296)	67,863	67,863	(41,402)	-
Education Stabilization Fund - ESSER I	I	84.425	200-200331	03/13/20 - 09/30/21	685,077	252,397	-	685,077	685,077	432,680	-
Education Stabilization Fund - ESSER II	I	84.425	200-210331	03/13/20 - 09/30/23	2,614,384	-	-	980,122	980,122	980,122	-
COVID-19 SECIM	I	84.425	252-200331	03/13/20 - 09/30/21	41,580	41,580	-	41,580	41,580	-	-
<b>Passed Through the Pennsylvania Commission on Crime and Delinquency</b>											
Elementary and Secondary School Emergency Relief	I	84.425	2020-ES-01 35513	03/13/20 - 09/30/22	296,716	295,114	-	295,114	295,114	-	-
Total CFDA #84.425						589,091	-	2,001,893	2,001,893	1,412,802	-

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**Continued on next page**

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2021</u>	<u>Passed Through to Subrecipients</u>
<b>Passed Through the Lancaster-Lebanon I.U.</b>											
MTSS Cohort Series	I	84.027	062-180033	07/01/17 - 06/30/18	10,000	6,314	6,314	-	-	-	-
<b>Passed Through the Bucks County I.U.</b>											
I.D.E.A. - Part B, Section 619	I	84.173	131-200022	07/01/20 - 06/30/21	7,038	-	-	7,038	7,038	7,038	-
I.D.E.A. - Part B, Section 611	I	84.027	062-210022	07/01/20 - 06/30/21	2,237,416	51,636	-	2,289,053	2,289,053	2,237,417	-
<b>Total U.S. Department of Education</b>						<b>1,845,455</b>	<b>283,925</b>	<b>5,189,311</b>	<b>5,189,311</b>	<b>3,627,781</b>	<b>-</b>
<b>U.S. Department of Treasury</b>											
<b>Passed-Through the Pennsylvania Department of Education</b>											
COVID-19 Pre-K and HSSAP	I	21.019	161-190018	03/13/20 - 12/31/20	25,740	25,740	-	25,740	25,740	-	-
<b>Passed Through the Bucks County I.U.</b>											
COVID Relief Fund	I	21.019	N/A	03/13/20 - 12/31/20	500,853	500,853	-	500,853	500,853	-	-
<b>Passed Through the Pennsylvania Commission on Crime and Delinquency</b>											
COVID Relief Fund School Safety and Security	I	21.019	2020-CS-01 33531	03/01/20 - 10/30/20	533,857	533,857	-	533,857	533,857	-	-
Total CFDA #21.019						<b>1,060,450</b>	<b>-</b>	<b>1,060,450</b>	<b>1,060,450</b>	<b>-</b>	<b>-</b>
<b>Total U.S. Department of Treasury</b>						<b>1,060,450</b>	<b>-</b>	<b>1,060,450</b>	<b>1,060,450</b>	<b>-</b>	<b>-</b>
<b>U.S. Department of Defense</b>											
Air Force Junior ROTC Program	D	12.357	PA-20171	07/01/19 - 06/30/20	59,735	6,030	6,030	-	-	-	-
Air Force Junior ROTC Program	D	12.357	PA-20171	07/01/20 - 06/30/21	63,112	55,065	-	68,992	68,992	13,927	-
<b>Total U.S. Department of Defense</b>						<b>61,095</b>	<b>6,030</b>	<b>68,992</b>	<b>68,992</b>	<b>13,927</b>	<b>-</b>
<b>U.S. Department of Public Welfare</b>											
<b>Passed Through the Pennsylvania Department of Health and Human Services</b>											
Medical Assistance Program	I	93.778	N/A	07/01/20 - 06/30/21	-	73,369	-	73,369	73,369	-	-
<b>Total U.S. Department of Public Welfare</b>						<b>73,369</b>	<b>-</b>	<b>73,369</b>	<b>73,369</b>	<b>-</b>	<b>-</b>

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2021</u>	<u>Passed Through to Subrecipients</u>
<b><u>U.S. Department of Agriculture</u></b>											
<b><u>Passed-Through the Pennsylvania Department of Education</u></b>											
School Breakfast Program	I	10.553	N/A	07/01/19 - 06/30/20	N/A	36,758	36,758	-	-	-	-
School Breakfast Program	I	10.553	N/A	07/01/20 - 06/30/21	N/A	<u>368,537</u>	<u>-</u>	<u>463,662</u>	<u>463,662</u>	<u>95,125</u>	<u>-</u>
Total CFDA #10.553						<u>405,295</u>	<u>36,758</u>	<u>463,662</u>	<u>463,662</u>	<u>95,125</u>	<u>-</u>
Summer Food	I	10.559	N/A	07/01/19 - 06/30/20	N/A	-	-	-	-	-	-
Summer Food	I	10.559	N/A	07/01/20 - 06/30/21	N/A	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total CFDA #10.559						<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
National School Lunch Program	I	10.555	N/A	07/01/19 - 06/30/20	N/A	58,144	58,144	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/20 - 06/30/21	N/A	<u>896,908</u>	<u>-</u>	<u>1,207,176</u>	<u>1,207,176</u>	<u>310,268</u>	<u>-</u>
<b><u>Passed-Through the Pennsylvania Department of Agriculture</u></b>											
National School Lunch Program - Commodities	I	10.555	N/A	07/01/20 - 06/30/21	N/A	<u>129,031</u>	<u>(34,850)</u>	<u>146,156</u>	<u>146,156</u>	<u>(17,725)</u>	<u>-</u>
Total CFDA #10.555						<u>1,084,083</u>	<u>23,294</u>	<u>1,353,332</u>	<u>1,353,332</u>	<u>292,543</u>	<u>-</u>
<b>Total U.S. Department of Agriculture</b>						<u>1,489,378</u>	<u>60,052</u>	<u>1,816,994</u>	<u>1,816,994</u>	<u>387,668</u>	<u>-</u>
<b>Total Federal Awards</b>						<u>\$ 4,529,747</u>	<u>\$ 350,007</u>	<u>\$ 8,209,116</u>	<u>\$ 8,209,116</u>	<u>\$ 4,029,376</u>	<u>\$ -</u>
Special Education Cluster (IDEA) (CFDA's #84.027 and #84.173)						<u>\$ 51,636</u>	<u>\$ -</u>	<u>\$ 2,296,091</u>	<u>\$ 2,296,091</u>	<u>\$ 2,244,455</u>	<u>\$ -</u>
Child Nutrition Cluster (CFDA's #10.553, #10.555 and #10.559)						<u>\$ 1,489,378</u>	<u>\$ 60,052</u>	<u>\$ 1,816,994</u>	<u>\$ 1,816,994</u>	<u>\$ 387,668</u>	<u>\$ -</u>

**Source Codes**

D - Direct Funding

I - Indirect Funding

# **PENNSBURY SCHOOL DISTRICT**

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2021**

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### **(1) FEDERAL EXPENDITURES**

The Schedule of Expenditures of Federal Awards reflects federal expenditures for all individual grants which were active during the fiscal year.

### **(2) BASIS OF ACCOUNTING**

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note 3. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

### **(3) NONMONETARY FEDERAL AWARDS – DONATED FOOD**

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards under CFDA #10.555 USDA Commodities represent federal surplus food consumed by the District during the 2020-2021 fiscal year.

### **(4) ACCESS PROGRAM**

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2021 was \$983,047.

### **(5) INDIRECT COSTS**

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

**PENNSBURY SCHOOL DISTRICT**

***SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS***

**Year ended June 30, 2021**

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There were no audit findings for the year ended June 30, 2020.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Board of School Directors  
Pennsbury School District  
Fallsington, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pennsbury School District, Fallsington, Pennsylvania, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Pennsbury School District's basic financial statements, and have issued our report thereon dated December 9, 2021.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Pennsbury School District'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 Pennsbury School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Pennsbury School District'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 Pennsbury School District'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.

**BBD, LLP**

**Philadelphia, Pennsylvania  
December 9, 2021**



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

**Board of School Directors  
Pennsbury School District  
Fallsington, Pennsylvania**

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

We have audited Pennsbury School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Pennsbury School District's major federal programs for the year ended June 30, 2021. Pennsbury School District's major federal programs are 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 each of Pennsbury School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("**Uniform Guidance**"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pennsbury School District'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 each major federal program. However, our audit does not provide a legal determination of Pennsbury School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Pennsbury School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### ***Report on Internal Control over Compliance***

Management of Pennsbury School District 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 Pennsbury School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pennsbury School District'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**BBD, LLP**

**Philadelphia, Pennsylvania  
December 9, 2021**

# **PENNSBURY SCHOOL DISTRICT**

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

**Year ended June 30, 2021**

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### **SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Pennsbury School District were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of Pennsbury School District are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Pennsbury School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Pennsbury School District expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs were:
  - Education Stabilization Fund – CFDA Number 84.425
  - Coronavirus Relief Fund – CFDA Number 21.019
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Pennsbury School District did qualify as a low-risk auditee.

### **FINDINGS—FINANCIAL STATEMENT AUDIT**

None

### **FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None