



Pennsbury School District
Fallsington, Pennsylvania
Bucks County

Financial Statements
Year Ended June 30, 2022



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PENNSBURY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

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, 2022, 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.

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, 2022, 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.

Basis for Opinions

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 of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pennsbury School District, Fallsington, Pennsylvania, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements, Pennsbury School District adopted new accounting guidance, GASB Statement No. 87, "*Leases*". Our opinions are not modified with respect to that matter.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pennsbury School District, Fallsington, Pennsylvania's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pennsbury School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pennsbury School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

The financial statements of Pennsbury School District as of and for the year ended June 30, 2021, were audited by other auditors whose report, dated December 9, 2021, 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, 2021, 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 4 through 14 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.

Supplementary 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 February 27, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pennsbury School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pennsbury School District's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
February 27, 2023**

PENNSBURY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

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, 2022. 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 9,500 students as of October 2022, 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 2021-2022, there were approximately 1,429 full and part-time employees in the District, including 869 teachers, 47 administrators and 513 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

- 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 2021-2022 fiscal year of \$328,680,369. During the 2021-2022 fiscal year, the District had an increase in total net position of \$21,718,236. The net position of governmental activities increased by \$19,883,707 and net position of the business-type activities increased by \$1,834,529.
- The General Fund reported an increase in fund balance of \$180,648, bringing the cumulative balance to \$18,751,101 at the conclusion of the 2021-2022 fiscal year.
- At June 30, 2022, the General Fund fund balance includes \$1,500,081 which is considered nonspendable, \$1,237,284 committed to fund balance appropriation and unassigned amounts of \$16,014,384 or 6.84% of the \$234,082,381 2022-2023 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 2021-2022, the Capital Projects Fund reported an increase in fund balance of \$10,531,353 due to transfers from the General Fund and debt issuances in excess of capital expenditures. The remaining fund balance of \$15,720,243 as of June 30, 2022 is restricted for future capital expenditures.
- The adopted 2021-2022 General Fund budget reflected a \$1,178,024 use of fund balance to balance the budget. The budget performed \$1,358,672 better than adopted, with an actual net positive change in fund balance of \$180,648. Actual revenues and other financing sources were more than budgeted amounts by \$5,708,827 and actual expenditures and other financing uses were more than budget by \$4,350,155.

PENNSBURY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

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 15 and 16 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.

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.

PENNSBURY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

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 17 through 20 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 Services Fund are reported as enterprise funds of the proprietary fund type.

The proprietary fund financial statements can be found on Pages 21 through 23 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 24 and 25 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 26 through 49 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the general fund, 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.

PENNSBURY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

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 2021-2022 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$328,680,369. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2022 and 2021.

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current assets	\$ 78,252,813	\$ 64,011,027	\$2,487,336	\$438,220	\$ 80,740,149	\$ 64,449,247
Noncurrent assets	<u>100,538,643</u>	<u>104,826,002</u>	<u>296,223</u>	<u>341,898</u>	<u>100,834,866</u>	<u>105,167,900</u>
Total assets	<u>178,791,456</u>	<u>168,837,029</u>	<u>2,783,559</u>	<u>780,118</u>	<u>181,575,015</u>	<u>169,617,147</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>57,680,239</u>	<u>58,832,378</u>	-	-	<u>57,680,239</u>	<u>58,832,378</u>
LIABILITIES						
Current liabilities	36,645,725	34,707,691	321,395	152,483	36,967,120	34,860,174
Noncurrent liabilities	<u>479,535,010</u>	<u>530,858,477</u>	-	-	<u>479,535,010</u>	<u>530,858,477</u>
Total liabilities	<u>516,180,735</u>	<u>565,566,168</u>	<u>321,395</u>	<u>152,483</u>	<u>516,502,130</u>	<u>565,718,651</u>
DEFERRED INFLOWS OF RESOURCES	<u>51,433,493</u>	<u>13,129,479</u>	-	-	<u>51,433,493</u>	<u>13,129,479</u>
NET POSITION (DEFICIT)						
Net investment in capital assets	(45,370,102)	(46,866,270)	296,223	341,898	(45,073,879)	(46,524,372)
Restricted	7,766,028	7,100,327	-	-	7,766,028	7,100,327
Unrestricted (deficit)	<u>(293,538,459)</u>	<u>(311,260,297)</u>	<u>2,165,941</u>	<u>285,737</u>	<u>(291,372,518)</u>	<u>(310,974,560)</u>
Total net position (deficit)	<u>\$(331,142,533)</u>	<u>\$(351,026,240)</u>	<u>\$2,462,164</u>	<u>\$627,635</u>	<u>\$(328,680,369)</u>	<u>\$(350,398,605)</u>

The District's total assets as of June 30, 2022 were \$181,575,015 of which \$63,730,239 or 35.10% consisted of cash and investments and \$100,834,866 or 55.53% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2022 were \$516,502,130 of which \$162,755,364 or 31.51% consisted of general obligation debt used to acquire and construct capital assets and \$283,619,891 or 54.91% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$291,372,518. The District's unrestricted net position increased by \$19,602,042 during 2021-2022 primarily due to the current year results of operations and the change in the District's actuarially determined net pension liability and related deferred outflows and inflows of resources.

A portion of the District's net position reflects its restricted net position which totaled \$7,766,028 as of June 30, 2022. 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.

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, 2022, the District's net investment in capital assets increased by \$1,450,493 because the debt used to acquire the capital assets was being repaid faster than the capital assets were being depreciated.

PENNSBURY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

The following table presents condensed information for the *Statement of Activities* of the District for 2022 and 2021:

	Governmental Activities		Business-Type Activities		Totals	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
REVENUES						
Program revenues						
Charges for services	\$ 1,173,369	\$ 601,208	\$ 354,794	\$ 3,170	\$ 1,528,163	\$ 604,378
Operating grants and contributions	43,709,216	39,792,924	5,489,127	1,880,824	49,198,343	41,673,748
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes levied for general purposes	157,284,451	152,426,648	-	-	157,284,451	152,426,648
Other taxes levied for general purposes	5,190,200	4,229,230	-	-	5,190,200	4,229,230
Grants and entitlements not restricted to specific programs	19,563,614	19,150,006	-	-	19,563,614	19,150,006
Investment earnings	78,532	73,859	2	10	78,534	73,869
Miscellaneous	<u>1,186,319</u>	<u>175,851</u>	<u>-</u>	<u>794</u>	<u>1,186,319</u>	<u>176,645</u>
Total revenues	<u>228,185,701</u>	<u>216,449,726</u>	<u>5,843,923</u>	<u>1,884,798</u>	<u>234,029,624</u>	<u>218,334,524</u>
EXPENSES						
Instruction	133,938,186	143,931,395	-	-	133,938,186	143,931,395
Instructional student support services	16,663,145	17,707,963	-	-	16,663,145	17,707,963
Administrative and financial support services	16,941,393	16,587,526	-	-	16,941,393	16,587,526
Operation and maintenance of plant services	15,868,695	17,839,219	-	-	15,868,695	17,839,219
Pupil transportation	8,865,286	8,730,771	-	-	8,865,286	8,730,771
Student activities	1,634,504	1,331,116	-	-	1,634,504	1,331,116
Community services	197,286	95,646	15,127	10,422	212,413	106,068
Interest and amortization expense related to noncurrent liabilities	4,391,108	4,701,180	-	-	4,391,108	4,701,180
Unallocated depreciation	9,802,391	9,599,684	-	-	9,802,391	9,599,684
Food service	<u>-</u>	<u>-</u>	<u>3,994,267</u>	<u>2,158,042</u>	<u>3,994,267</u>	<u>2,158,042</u>
Total expenses	<u>208,301,994</u>	<u>220,524,500</u>	<u>4,009,394</u>	<u>2,168,464</u>	<u>212,311,388</u>	<u>222,692,964</u>
Change in net position before transfers	19,883,707	(4,074,774)	1,834,529	(283,666)	21,718,236	(4,358,440)
TRANSFERS	<u>-</u>	<u>30,950</u>	<u>-</u>	<u>(30,950)</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION (DEFICIT)	<u>\$ 19,883,707</u>	<u>\$ (4,043,824)</u>	<u>\$1,834,529</u>	<u>\$ (314,616)</u>	<u>\$ 21,718,236</u>	<u>\$ (4,358,440)</u>

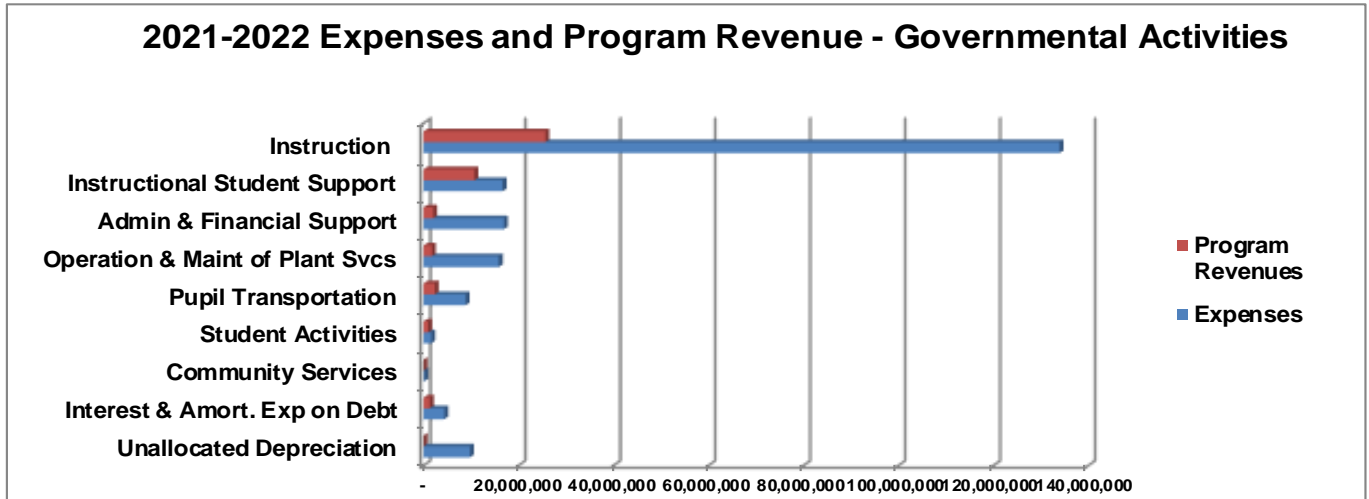
Overall, the District's financial position has been improving but challenges such as increased medical costs, pension contributions, state-mandated programs and negotiated contracts have a potential to offset these gains in future fiscal years. Management of the District continues to aggressively implement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

PENNSBURY SCHOOL DISTRICT

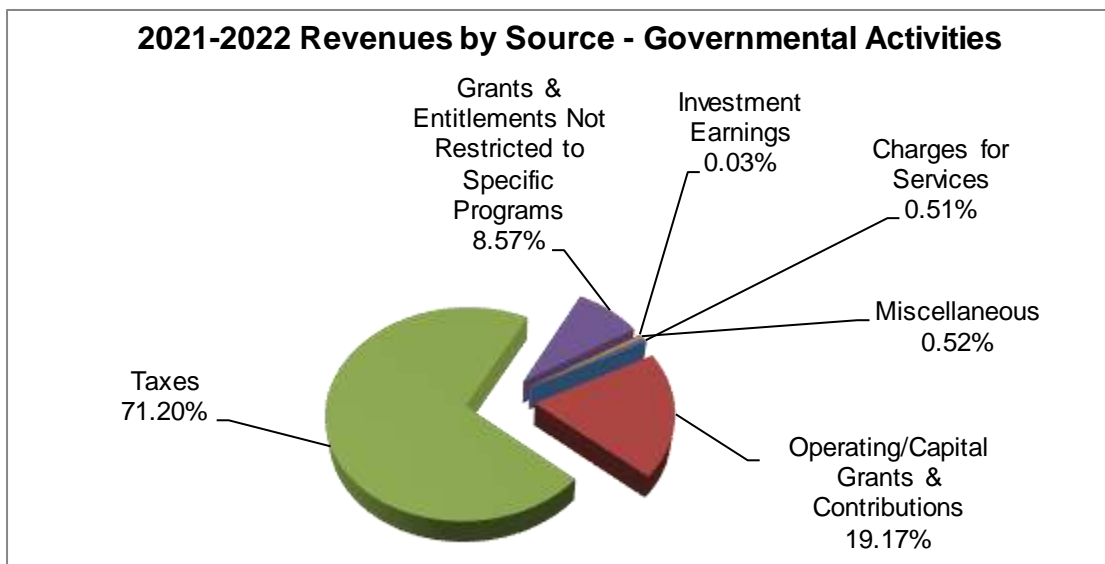
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

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.



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, 2022, the District's governmental funds reported a combined fund balance of \$41,633,878 which is an increase of \$12,078,753 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2022 and 2021 and the total 2022 change in governmental fund balances.

PENNSBURY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

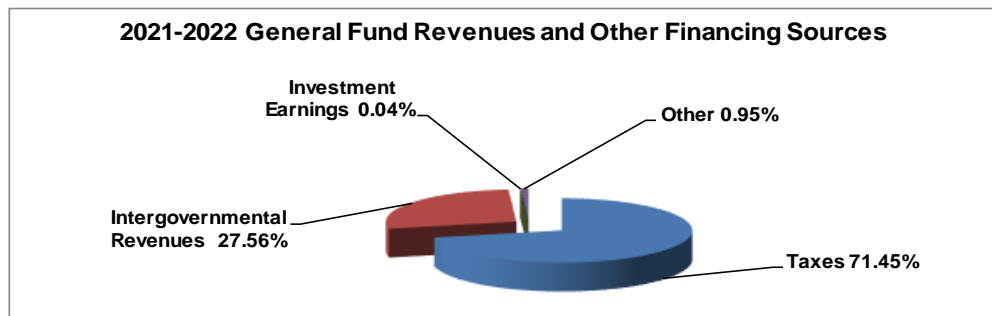
June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>Change</u>
General Fund	\$18,751,749	\$18,571,101	\$ 180,648
Capital Projects Fund	15,720,243	5,188,890	10,531,353
Debt Service Fund	6,255,970	5,000,198	1,255,772
Student Sponsored Activity Fund	<u>905,916</u>	<u>794,936</u>	<u>110,980</u>
	<u>\$41,633,878</u>	<u>\$29,555,125</u>	<u>\$12,078,753</u>

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2021-2022 fiscal year, the General Fund fund balance was \$18,751,749 representing an increase of \$180,648 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 2021-2022 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 71.45% of General Fund revenues are derived from local taxes.



General Fund Revenues and Other Financing Sources

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$162,599,264	\$156,973,868	\$ 5,625,396	3.58
Intergovernmental revenues	62,742,000	58,986,509	3,755,491	6.37
Investment earnings	77,048	71,410	5,638	7.90
Other	<u>2,161,392</u>	<u>962,921</u>	<u>1,198,471</u>	<u>124.46</u>
	<u>\$227,579,704</u>	<u>\$216,994,708</u>	<u>\$10,584,996</u>	<u>4.88</u>

Net tax revenues increased by \$5,625,396 or 3.58% due to several factors. This increase was caused by a millage increase of 2.36% in 2021-2022, and an increase in collections for realty transfer taxes and delinquent real estate taxes.

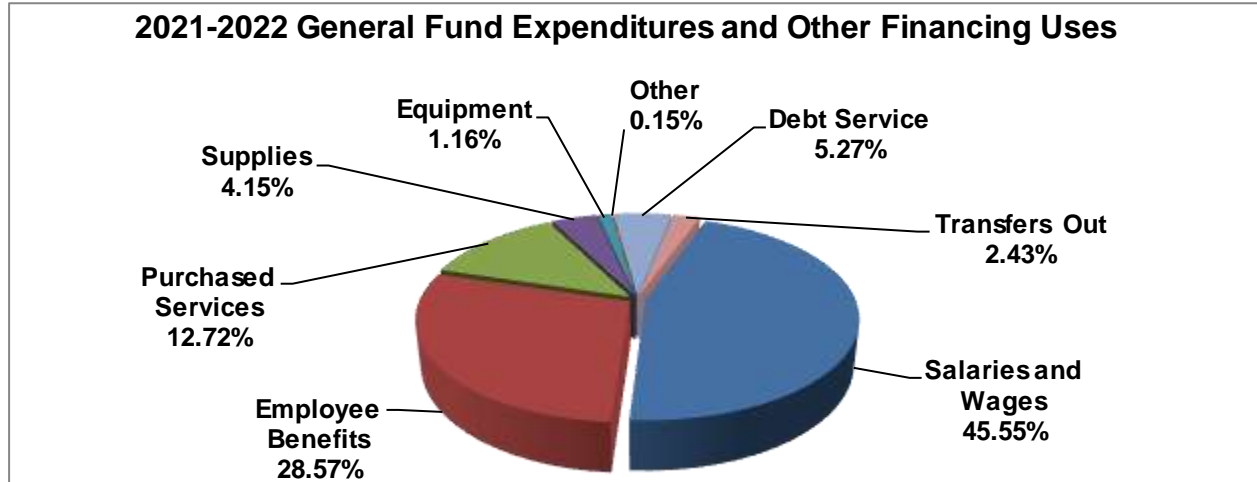
	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Real estate	\$153,823,148	\$149,742,793	\$4,080,355	2.72
Interim tax	578,194	643,120	(64,926)	(10.10)
PURTA tax	154,407	147,466	6,941	4.71
Realty transfer tax	5,035,793	4,081,763	954,030	23.37
Delinquent taxes	<u>3,007,722</u>	<u>2,358,726</u>	<u>648,996</u>	<u>27.51</u>
	<u>\$162,599,264</u>	<u>\$156,973,868</u>	<u>\$5,625,396</u>	<u>3.58</u>

PENNSBURY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

Intergovernmental revenues increased as a direct result of the federal COVID-19 relief funding received in 2021-2022.



General Fund Expenditures and Other Financing Uses

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$103,583,033	\$ 98,281,497	\$ 5,301,536	5.39
Employee benefits	64,971,088	59,599,151	5,371,937	9.01
Purchased services	28,928,705	29,814,148	(885,443)	(2.97)
Supplies	9,439,194	9,285,206	153,988	1.66
Equipment	2,632,174	1,457,836	1,174,338	80.55
Other	331,811	927,716	(595,905)	(64.23)
Debt service	11,979,330	14,545,656	(2,566,326)	(17.64)
Transfers out	<u>5,533,722</u>	<u>3,000,000</u>	<u>2,533,722</u>	<u>84.46</u>
	<u>\$227,399,057</u>	<u>\$216,911,210</u>	<u>\$10,487,847</u>	<u>4.84</u>

Salaries and wages increased by \$5,301,536 or 5.39% in 2021-2022 when compared to 2020-2021. Several factors contributed to this increase. Several positions were added and funded by ESSER. The District had a decrease in salaries for the 2020-2021 school year due to disruptions caused by COVID-19. In addition the increase in part was also due to scheduled increases within the collective bargaining agreements as well as other compensation plans.

Employee benefits increased by \$5,371,937 or 9.01% in 2021-2022 compared to 2020-2021 as a result of increased costs related to employer retirement and FICA contributions and medical

Transfers out in 2021-2022 and 2020-2021 represent transfers to the Capital Projects Fund and Debt Service Fund to subsidize capital expenditures and debt service.

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 2021-2022, the Capital Projects Fund fund balance increased \$10,531,353. The increase is attributable to proceeds of general obligation debt as well as a transfer from the General Fund in excess of capital expenditures.

PENNSBURY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

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 adopted 2021-2022 General Fund budget reflected a \$1,178,024 use of fund balance to balance the budget.

The budget performed better than adopted and actual revenues exceeded expenditures by \$1,358,672. Major budgetary highlights for 2021-2022 were as follows.

- Local source revenues were \$3,799,662 more than budgeted amounts primarily due to better than anticipated realty transfer and delinquent real estate tax collections and unbudgeted receipts through a community benefits agreement and workers compensation insurance refund.
- State source revenues were \$1,204,712 more than budgeted due to higher than anticipated appropriations for basic and special education subsidies and retirement reimbursements.
- Federal source revenues were \$693,222 more than budgeted amounts due to COVID-19 grant appropriations that were not budgeted and a higher than expected IDEA allocation.
- Other financing sources were \$4,498,116 more than budget due to a year end transfer of revenues in excess of expenditures to the Capital Projects Fund and Debt Service Fund as a result of better than anticipated local revenues.

BUSINESS-TYPE ACTIVITIES AND PROPRIETARY FUNDS

During 2021-2022, the net position of the business-type activities increased by \$1,834,529. The Food Service Fund net position increased by \$1,826,788 and the other business-type activities net position increased by \$7,741. As of June 30, 2022, the business-type activities net position was \$2,462,164. The Food Service Fund net position was \$2,450,671 and the other business-type activities net position was \$11,493.

CAPITAL ASSETS

The District's investment in capital asset for its governmental and business-type activities as of June 30, 2022 amounted to \$100,834,866, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, furniture and equipment and right-to-use lease assets. The total decrease in the District's investment in capital assets for the current fiscal year was \$4,333,034 or 4.12%. 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 \$7,889,660 and depreciation expense and the net book value of disposed of capital assets was \$12,222,694.

Major capital additions for the current fiscal year primarily consisted of administration building lobby addition, building roof replacement projects and design costs related to the Charles Boehm Middle School renovation project.

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$162,755,364 consisting of \$147,000,000 in bonds payable, bond premiums of \$15,838,399, and bond discounts of \$83,035. 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 increased by \$5,167,371 or 3.28% during the fiscal year.

PENNSBURY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

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 \$162,755,364 is within the current debt limitation of the District which was \$493,163,423 as of June 30, 2022.

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 \$283,619,891 as of June 30, 2022. The District's net pension liability decreased by \$58,640,509 or 17.13% 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 \$30,260,089 as of June 30, 2022. The District's OPEB liability increased by \$2,133,961 or 7.59% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for compensated absences and right-to-use leases payable, which totaled \$2,899,666 as of June 30, 2022. These liabilities increased by \$15,710 or 0.54% 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:

- Pennsbury's in district enrollment for 2021-2022 school year 9,639. This is a slight decrease from the 2020-2021 school year when the in district enrollment was 9,678.
- 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 34.94% in 2021-2022. The employer contribution rate increased to 35.26 % for the 2022-2023 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.
- 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 Confidential employees expires on June 30, 2022.
- The District adopted a General Fund budget for 2022-2023 totaling \$234,082,381 that includes the use of \$1,237,284 of General Fund fund balance and a real estate tax rate of 178.947 mills, an increase of 2.80%.
- The District's twenty-year capital plan includes approximately \$345,000,000 in planned projects.

PENNSBURY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

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, 2022 with summarized comparative totals for 2021

	Governmental Activities	Business-type Activities	Totals	
			2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and cash equivalents	\$ 20,618,086	\$ 981,076	\$ 21,599,162	\$ 14,643,039
Investments	42,131,077	-	42,131,077	31,818,037
Taxes receivable	2,947,959	-	2,947,959	2,599,035
Internal balances	(510,616)	510,616	-	-
Due from other governments	10,795,379	896,497	11,691,876	13,989,277
Other receivables	770,847	35,581	806,428	434,296
Prepaid expenditures	1,500,081	-	1,500,081	881,768
Inventories	-	63,566	63,566	23,026
Other assets	-	-	-	60,769
Total current assets	78,252,813	2,487,336	80,740,149	64,449,247
NONCURRENT ASSETS				
Capital assets, net	100,538,643	296,223	100,834,866	105,167,900
Total assets	178,791,456	2,783,559	181,575,015	169,617,147
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on debt refunding	2,252,864	-	2,252,864	2,012,024
Deferred charges on proportionate share of OPEB - PSERS and single employer	5,840,831	-	5,840,831	4,955,014
Deferred charges on proportionate share of pension - PSERS	49,586,544	-	49,586,544	51,865,340
Total deferred outflows of resources	57,680,239	-	57,680,239	58,832,378
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	4,433,093	19,044	4,452,137	3,742,821
Accrued salaries, payroll withholdings and benefits	28,305,957	-	28,305,957	26,700,415
Unearned revenue	47,909	209,328	257,237	89,793
Other current liabilities	1,992,385	93,023	2,085,408	2,111,153
Accrued interest	1,866,381	-	1,866,381	2,215,992
Total current liabilities	36,645,725	321,395	36,967,120	34,860,174
NONCURRENT LIABILITIES				
Due within one year	12,599,702	-	12,599,702	11,156,824
Due in more than one year	466,935,308	-	466,935,308	519,701,653
Total noncurrent liabilities	479,535,010	-	479,535,010	530,858,477
Total liabilities	516,180,735	321,395	516,502,130	565,718,651
DEFERRED INFLOWS OF RESOURCES				
Deferred credits on proportionate share of OPEB - PSERS and single employer	1,009,493	-	1,009,493	1,238,479
Deferred credits on proportionate share of pension - PSERS	50,424,000	-	50,424,000	11,891,000
Total deferred inflows of resources	51,433,493	-	51,433,493	13,129,479
NET POSITION (DEFICIT)				
Net investment in capital assets	(45,370,102)	296,223	(45,073,879)	(46,524,372)
Restricted	7,766,028	-	7,766,028	7,100,327
Unrestricted (deficit)	(293,538,459)	2,165,941	(291,372,518)	(310,974,560)
Total net position (deficit)	\$ (331,142,533)	\$ 2,462,164	\$ (328,680,369)	\$ (350,398,605)

See accompanying notes

PENNSBURY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2022 with summarized comparative totals for 2021

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2022	2021
GOVERNMENTAL ACTIVITIES								
Instruction	\$ 133,938,186	\$ 78,564	\$ 25,602,953	\$ -	\$ (108,256,669)	\$ -	\$ (108,256,669)	\$ (121,380,244)
Instructional student support	16,663,145	-	10,715,434	-	(5,947,711)	-	(5,947,711)	(7,434,946)
Administrative and financial support	16,941,393	-	2,046,596	-	(14,894,797)	-	(14,894,797)	(14,758,711)
Operation and maintenance of plant services	15,868,695	352,950	1,400,386	-	(14,115,359)	-	(14,115,359)	(16,181,851)
Pupil transportation	8,865,286	-	2,393,635	-	(6,471,651)	-	(6,471,651)	(6,205,050)
Student activities	1,634,504	741,855	232,020	-	(660,629)	-	(660,629)	(906,815)
Community services	197,286	-	-	-	(197,286)	-	(197,286)	(95,646)
Interest and amortization expense related to noncurrent liabilities	4,391,108	-	1,318,192	-	(3,072,916)	-	(3,072,916)	(3,567,421)
Unallocated depreciation	9,802,391	-	-	-	(9,802,391)	-	(9,802,391)	(9,599,684)
Total governmental activities	208,301,994	1,173,369	43,709,216	-	(163,419,409)	-	(163,419,409)	(180,130,368)
BUSINESS-TYPE ACTIVITIES								
Food service	3,994,267	331,928	5,489,127	-	-	1,826,788	1,826,788	(274,048)
Community services	15,127	22,866	-	-	-	7,739	7,739	(10,422)
Total business-type activities	4,009,394	354,794	5,489,127	-	-	1,834,527	1,834,527	(284,470)
Total primary government	\$ 212,311,388	\$ 1,528,163	\$ 49,198,343	\$ -	(163,419,409)	1,834,527	(161,584,882)	(180,414,838)
GENERAL REVENUES								
Property taxes levied for general purposes					157,284,451	-	157,284,451	152,426,648
Other taxes levied for general purposes					5,190,200	-	5,190,200	4,229,230
Grants and entitlements not restricted to specific programs					19,563,614	-	19,563,614	19,150,006
Investment earnings					78,532	2	78,534	73,869
Miscellaneous					1,186,319	-	1,186,319	176,645
Total general revenues					183,303,116	2	183,303,118	176,056,398
CHANGE IN NET POSITION (DEFICIT)					19,883,707	1,834,529	21,718,236	(4,358,440)
NET POSITION (DEFICIT)								
Beginning of year					(351,026,240)	627,635	(350,398,605)	(346,040,165)
End of year					\$ (331,142,533)	\$ 2,462,164	\$ (328,680,369)	\$ (350,398,605)

See accompanying notes

PENNSBURY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2022 with summarized comparative totals for 2021

	<u>Major Funds</u>				<u>Totals</u>	
	<u>General</u>	<u>Capital</u>	<u>Debt</u>	<u>Student</u>	<u>2022</u>	<u>2021</u>
	<u>Fund</u>	<u>Projects</u>	<u>Service</u>	<u>Sponsored</u>		
ASSETS						
Cash and cash equivalents	\$ 11,411,789	\$ 6,252,890	\$ 2,004,714	\$ 948,693	\$ 20,618,086	\$ 14,284,882
Investments	29,124,722	10,005,099	3,001,256	-	42,131,077	31,818,037
Taxes receivable	2,947,959	-	-	-	2,947,959	2,599,035
Due from other funds	14,232	533,722	1,250,000	-	1,797,954	3,436,294
Due from other governments	10,795,379	-	-	-	10,795,379	13,568,421
Other receivables	770,847	-	-	-	770,847	399,564
Inventories	-	-	-	-	-	23,026
Prepaid expenses	1,500,081	-	-	-	1,500,081	881,768
Total assets	\$ 56,565,009	\$ 16,791,711	\$ 6,255,970	\$ 948,693	\$ 80,561,383	\$ 67,011,027
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 3,320,210	\$ 1,071,468	\$ -	\$ 41,415	\$ 4,433,093	\$ 3,739,795
Due to other funds	2,307,208	-	-	1,362	2,308,570	3,000,000
Unearned revenue	47,909	-	-	-	47,909	72,068
Accrued salaries, payroll withholdings and benefits	28,305,957	-	-	-	28,305,957	26,700,415
Other payables	1,992,385	-	-	-	1,992,385	1,979,421
Total liabilities	35,973,669	1,071,468	-	42,777	37,087,914	35,491,699
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - property taxes	1,839,591	-	-	-	1,839,591	1,964,203
FUND BALANCES						
Nonspendable						
Inventories	-	-	-	-	-	23,026
Prepaid expenses	1,500,081	-	-	-	1,500,081	881,768
Restricted for						
Capital projects	-	15,720,243	-	-	15,720,243	5,188,890
Debt service	-	-	6,255,970	-	6,255,970	5,000,198
Student activities	-	-	-	905,916	905,916	794,936
Committed to						
Fund balance appropriation	1,237,284	-	-	-	1,237,284	1,178,024
Unassigned	16,014,384	-	-	-	16,014,384	16,488,283
Total fund balances	18,751,749	15,720,243	6,255,970	905,916	41,633,878	29,555,125
Total liabilities, deferred inflows of resources and fund balances	\$ 56,565,009	\$ 16,791,711	\$ 6,255,970	\$ 948,693	\$ 80,561,383	\$ 67,011,027

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, 2022

TOTAL GOVERNMENTAL FUND BALANCES	\$ 41,633,878
<p>Amounts reported for governmental activities in the statement of net position (deficit) are different because:</p>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	100,538,643
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).	2,252,864
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.	3,993,882
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.	1,839,591
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(479,535,010)
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>(1,866,381)</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$(331,142,533)</u>

PENNSBURY SCHOOL DISTRICT

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

Year ended June 30, 2022 with summarized comparative totals for 2021

	Major Funds				Totals	
	General	Capital	Debt	Student	2022	2021
	Fund	Projects	Service	Sponsored		
		Fund	Fund	Activity		
REVENUES						
Local sources	\$ 164,826,474	\$ 12,464	\$ 5,772	\$ 741,855	\$ 165,586,565	\$ 158,307,739
State sources	53,931,744	-	-	-	53,931,744	51,611,339
Federal sources	8,810,256	-	-	-	8,810,256	7,375,169
Total revenues	<u>227,568,474</u>	<u>12,464</u>	<u>5,772</u>	<u>741,855</u>	<u>228,328,565</u>	<u>217,294,247</u>
EXPENDITURES						
Current						
Instruction	146,603,555	792,000	-	-	147,395,555	140,678,020
Support services	61,952,224	118,938	183,790	-	62,254,952	58,699,878
Operation of noninstructional services	1,300,743	-	-	630,875	1,931,618	1,389,575
Facilities acquisition, construction and improvement services	-	5,627,247	-	-	5,627,247	3,286,834
Debt service	11,979,330	-	3,250,000	-	15,229,330	14,545,656
Total expenditures	<u>221,835,852</u>	<u>6,538,185</u>	<u>3,433,790</u>	<u>630,875</u>	<u>232,438,702</u>	<u>218,599,963</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,732,622</u>	<u>(6,525,721)</u>	<u>(3,428,018)</u>	<u>110,980</u>	<u>(4,110,137)</u>	<u>(1,305,716)</u>
OTHER FINANCING SOURCES (USES)						
Refund of prior year receipts	(29,483)	-	-	-	(29,483)	(526,532)
Insurance recoveries	11,231	-	-	-	11,231	-
Issuance of debt	-	13,755,000	-	-	13,755,000	2,500,000
Issuance of debt - refunding	-	-	26,975,000	-	26,975,000	21,975,000
Payment of debt - refunding	-	-	(29,588,059)	-	(29,588,059)	(26,610,210)
Bond premiums	-	1,476,352	2,796,849	-	4,273,201	5,299,880
Proceeds from leases and other right-to-use arrangements	-	792,000	-	-	792,000	-
Transfers in	-	1,033,722	4,500,000	-	5,533,722	3,030,950
Transfers out	(5,533,722)	-	-	-	(5,533,722)	(3,000,000)
Total other financing sources (uses)	<u>(5,551,974)</u>	<u>17,057,074</u>	<u>4,683,790</u>	<u>-</u>	<u>16,188,890</u>	<u>2,669,088</u>
NET CHANGE IN FUND BALANCES	<u>180,648</u>	<u>10,531,353</u>	<u>1,255,772</u>	<u>110,980</u>	<u>12,078,753</u>	<u>1,363,372</u>
FUND BALANCES						
Beginning of year	<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>
End of year	<u>\$ 18,751,749</u>	<u>\$ 15,720,243</u>	<u>\$ 6,255,970</u>	<u>\$ 905,916</u>	<u>\$ 41,633,878</u>	<u>\$ 29,555,125</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, 2022

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 12,078,753

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	\$ 7,889,660	
Net book value of disposed capital assets	(58,917)	
Depreciation expense	<u>(12,118,102)</u>	(4,287,359)

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, 2021	(1,964,203)	
Deferred inflows of resources June 30, 2022	<u>1,839,591</u>	(124,612)

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	(40,730,000)	
Issuance of right-to-use leases payable	(792,000)	
Proceeds from bond premiums	(4,273,201)	
Repayment of bonds payable	38,250,000	
Repayment of right-to-use leases payable	269,654	
Increase in deferred amount on refunding	648,059	
Amortization of discounts, premiums and deferred amounts on debt refunding	<u>1,178,611</u>	(5,448,877)

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	349,611	
Current year change in compensated absences	506,636	
Current year change in net pension liability - PSERS and deferred outflows and inflows	17,828,713	
Current year change in OPEB liability - single employer and deferred outflows and inflows	(889,317)	
Current year change in net OPEB liability - PSERS and deferred outflows and inflows	<u>(129,841)</u>	<u>17,665,802</u>

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES **\$ 19,883,707**

See accompanying notes

PENNSBURY SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2022 with summarized comparative totals for 2021

	<u>Major Fund</u>		<u>Totals</u>	
	<u>Food Service Fund</u>	<u>Community Services Fund</u>	<u>2022</u>	<u>2021</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 955,351	\$ 25,725	\$ 981,076	\$ 358,157
Due from other governments	896,497	-	896,497	420,856
Due from other funds	524,848	-	524,848	-
Other receivables	35,581	-	35,581	34,732
Inventories	63,566	-	63,566	60,769
Total current assets	<u>2,475,843</u>	<u>25,725</u>	<u>2,501,568</u>	<u>874,514</u>
NONCURRENT ASSETS				
Capital assets, net	296,223	-	296,223	341,898
Total assets	<u>2,772,066</u>	<u>25,725</u>	<u>2,797,791</u>	<u>1,216,412</u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Due to other funds	-	14,232	14,232	436,294
Accounts payable	19,044	-	19,044	3,026
Unearned revenue	209,328	-	209,328	17,725
Other current liabilities	93,023	-	93,023	131,732
Total liabilities	<u>321,395</u>	<u>14,232</u>	<u>335,627</u>	<u>588,777</u>
NET POSITION				
Net investment in capital assets	296,223	-	296,223	341,898
Unrestricted	2,154,448	11,493	2,165,941	285,737
Total net position	<u>\$ 2,450,671</u>	<u>\$ 11,493</u>	<u>\$ 2,462,164</u>	<u>\$ 627,635</u>

See accompanying notes

PENNSBURY SCHOOL DISTRICT

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

June 30, 2022 with summarized comparative totals for 2021

	<u>Major Fund</u>		<u>Totals</u>	
	<u>Food Service Fund</u>	<u>Community Services Fund</u>	<u>2022</u>	<u>2021</u>
OPERATING REVENUES				
Charges for services	\$ 331,928	\$ 22,866	\$ 354,794	\$ 3,170
OPERATING EXPENSES				
Salaries and wages	-	11,976	11,976	780,248
Employee benefits	-	670	670	148,617
Purchased professional and technical services	-	1,759	1,759	2,236
Purchased property services	-	-	-	50,094
Other purchased services	3,726,134	-	3,726,134	219,833
Supplies	222,458	722	223,180	905,854
Depreciation	45,675	-	45,675	52,408
Other operating expenses	-	-	-	-
Total operating expenses	<u>3,994,267</u>	<u>15,127</u>	<u>4,009,394</u>	<u>2,159,290</u>
Operating income (loss)	<u>(3,662,339)</u>	<u>7,739</u>	<u>(3,654,600)</u>	<u>(2,156,120)</u>
NONOPERATING REVENUES (EXPENSES)				
Earnings on investments	-	2	2	10
Refund of prior year receipts	-	-	-	(8,380)
State sources	151,603	-	151,603	63,829
Federal sources	5,337,524	-	5,337,524	1,816,995
Total nonoperating revenues (expenses)	<u>5,489,127</u>	<u>2</u>	<u>5,489,129</u>	<u>1,872,454</u>
Change in net position before transfers	1,826,788	7,741	1,834,529	(283,666)
TRANSFERS	-	-	-	(30,950)
CHANGE IN NET POSITION	1,826,788	7,741	1,834,529	(314,616)
NET POSITION				
Beginning of year	623,883	3,752	627,635	942,251
End of year	<u>\$ 2,450,671</u>	<u>\$ 11,493</u>	<u>\$ 2,462,164</u>	<u>\$ 627,635</u>

See accompanying notes

PENNSBURY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2022 with summarized comparative totals for 2021

	<u>Major Fund</u>		<u>Totals</u>	
	<u>Food Service Fund</u>	<u>Community Services Fund</u>	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from charges for services	\$ 331,079	\$ 22,866	\$ 353,945	\$ 43,065
Cash payments to employees for services	-	1,586	1,586	(928,865)
Cash payments to supplies for goods and services	<u>(4,521,161)</u>	<u>(2,481)</u>	<u>(4,523,642)</u>	<u>(1,797,841)</u>
Net cash provided by (used for) operating activities	<u>(4,190,082)</u>	<u>21,971</u>	<u>(4,168,111)</u>	<u>(2,683,641)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	-	-	-	(30,950)
Refund of prior year receipts	-	-	-	(8,380)
State sources	140,685	-	140,685	52,042
Federal sources	<u>4,650,343</u>	<u>-</u>	<u>4,650,343</u>	<u>1,360,347</u>
Net cash provided by noncapital financing activities	<u>4,791,028</u>	<u>-</u>	<u>4,791,028</u>	<u>1,373,059</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,534)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on investments	<u>-</u>	<u>2</u>	<u>2</u>	<u>10</u>
Net increase (decrease) in cash	600,946	21,973	622,919	(1,334,106)
CASH				
Beginning of year	<u>354,405</u>	<u>3,752</u>	<u>358,157</u>	<u>1,692,263</u>
Ending of year	<u>\$ 955,351</u>	<u>\$ 25,725</u>	<u>\$ 981,076</u>	<u>\$ 358,157</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (3,662,339)	\$ 7,739	\$ (3,654,600)	\$ (2,156,120)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities				
Depreciation	45,675	-	45,675	52,408
Donated commodities used	222,458	-	222,458	146,156
(Increase) decrease in				
Other receivables	(849)	-	(849)	39,895
Inventories	(2,797)	-	(2,797)	46,989
Due from other funds	(961,142)	-	(961,142)	(766,528)
Prepaid expenses	-	-	-	-
Increase (decrease) in				
Accounts payable	(22,691)	-	(22,691)	(31,607)
Due to other funds	-	14,232	14,232	-
Unearned revenue	191,603	-	191,603	(17,125)
Other current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,291</u>
Net cash provided by (used for) operating activities	<u>\$ (4,190,082)</u>	<u>\$ 21,971</u>	<u>\$ (4,168,111)</u>	<u>\$ (2,683,641)</u>
SUPPLEMENTAL DISCLOSURE				
Noncash noncapital financing activity				
USDA donated commodities	<u>\$ 222,458</u>	<u>\$ -</u>	<u>\$ 222,458</u>	<u>\$ 146,156</u>

See accompanying notes

PENNSBURY SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2022 with summarized comparative totals for 2021

	Scholarship	Custodial	Totals	
	Fund	Fund	2022	2021
ASSETS				
Cash	<u>\$ 23,162</u>	<u>\$ 216,335</u>	<u>\$ 239,497</u>	<u>\$ 202,371</u>
LIABILITIES				
Accounts payable	<u>-</u>	<u>8,137</u>	<u>8,137</u>	<u>-</u>
NET POSITION				
Net position held in trust for scholarships	23,162	-	23,162	28,709
Restricted for student activities	<u>-</u>	<u>208,198</u>	<u>208,198</u>	<u>173,662</u>
Total net position	<u>\$ 23,162</u>	<u>\$ 208,198</u>	<u>\$ 231,360</u>	<u>\$ 202,371</u>

PENNSBURY SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended June 30, 2022 with summarized comparative totals for 2021

	<u>Scholarship Fund</u>	<u>Custodial Fund</u>	<u>Totals</u>	
			<u>2022</u>	<u>2021</u>
ADDITIONS				
Contributions	\$ 14,650	\$ -	\$ 14,650	\$ 10,600
Receipts from student groups	-	335,299	335,299	173,389
Investment earnings	53	-	53	6
Total additions	<u>14,703</u>	<u>335,299</u>	<u>350,002</u>	<u>183,995</u>
DEDUCTIONS				
Scholarships awarded	20,250	-	20,250	16,250
Student activities disbursements	-	300,763	300,763	192,169
Total deductions	<u>20,250</u>	<u>300,763</u>	<u>321,013</u>	<u>208,419</u>
CHANGE IN NET POSITION	(5,547)	34,536	28,989	(24,424)
NET POSITION				
Beginning of year	<u>28,709</u>	<u>173,662</u>	<u>202,371</u>	<u>226,795</u>
End of year	<u>\$ 23,162</u>	<u>\$ 208,198</u>	<u>\$ 231,360</u>	<u>\$ 202,371</u>

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(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, 2022

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.

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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 is used to account for operations that are financed and operated in a manner similar to private business enterprises. The fund accounts 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 and external investment pools which are recorded at amortized cost, both of which approximate fair value.

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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 2021-2022 was 174.073 mills (\$174.073 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.

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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, 2022.

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.

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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 Chief Financial Officer 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, 2021, from which the summarized information was derived.

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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, 2021, the District adopted the provisions of GASB Statement No. 87 "*Leases*"; GASB Statement No. 89, "*Accounting for Interest Cost Incurred Before the End of a Construction Period*"; GASB Statement No. 91, "*Conduit Debt Obligations*", and GASB Statement No. 92, "*Omnibus 2020*".

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. As a result of the implementation of Statement No. 87, the District recognized its right-to-use lease assets and corresponding liabilities for its operating leases 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 include 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. The implementation of GASB Statement No. 89 had no impact on the financial statements of 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. The implementation of GASB Statement No. 91 had no impact on the District's financial statements 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. The implementation of GASB Statement No. 92 had no impact on the District's financial statements for the year ended June 30, 2022.

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

New Accounting Pronouncements

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.

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(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.

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, 2022, the carrying amount of the District's deposits was \$21,838,659 and the bank balance was \$23,615,824. 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 \$1,135,546 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, 2022, PSDLAF and PLGIT were rated as AAA by a nationally recognized statistical rating agency.

Investments

At June 30, 2022, 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	\$ 2,237,314	\$ 1,487,000	\$ 750,314	\$ -	\$ -
U.S. treasury securities	3,247,099	497,846	2,749,253	-	-
PSDLAF collateralized investment pools	<u>36,646,664</u>	<u>36,646,664</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$42,131,077</u>	<u>\$38,631,510</u>	<u>\$3,499,567</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 and U.S. treasury securities 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, 2022.

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.

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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.

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,028,233	\$ -	\$ -	\$ 2,028,233
Capital assets being depreciated				
Land improvements	8,711,704	646,706	-	9,358,410
Buildings and improvements	253,812,178	4,620,749	-	258,432,927
Furniture and equipment	51,117,530	1,830,205	(622,414)	52,325,321
Right-to-use lease asset	-	792,000	-	792,000
Total capital assets being depreciated	<u>313,641,412</u>	<u>7,889,660</u>	<u>(622,414)</u>	<u>320,908,658</u>
Less accumulated depreciation for				
Land improvements	(7,326,092)	(198,891)	-	(7,524,983)
Buildings and improvements	(158,243,533)	(10,350,444)	-	(168,593,977)
Furniture and equipment	(45,274,018)	(1,304,767)	563,497	(46,015,288)
Right-to-use lease asset	-	(264,000)	-	(264,000)
Total accumulated depreciation	<u>(210,843,643)</u>	<u>(12,118,102)</u>	<u>563,497</u>	<u>(222,398,248)</u>
Total capital assets being depreciated, net	<u>102,797,769</u>	<u>(4,228,442)</u>	<u>(58,917)</u>	<u>98,510,410</u>
Governmental activities, net	<u>\$ 104,826,002</u>	<u>\$ (4,228,442)</u>	<u>\$ (58,917)</u>	<u>\$ 100,538,643</u>
Business-type activities				
Furniture and equipment	\$ 2,409,821	\$ -	\$ -	\$ 2,409,821
Less accumulated depreciation	(2,067,923)	(45,675)	-	(2,113,598)
Business-type activities, net	<u>\$ 341,898</u>	<u>\$ (45,675)</u>	<u>\$ -</u>	<u>\$ 296,223</u>

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

Governmental activities	
Instruction	\$ 367,088
Instructional student support	115,392
Administrative and financial support services	151,404
Operation and maintenance of plant services	916,813
Pupil transportation	739,752
Student activities	25,262
Unallocated	<u>9,802,391</u>
Total depreciation expense – governmental activities	<u>\$12,118,102</u>
Business-type activities	
Food service	<u>\$ 45,675</u>

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2022 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 14,232	Community Services Fund	\$ 14,232
Food Service Fund	523,486	General Fund	523,486
Food Service fund	1,362	Student Sponsored Activity Fund	1,362
Capital Projects Fund	533,722	General Fund	533,272
Debt Service Fund	<u>1,250,000</u>	General Fund	<u>1,250,000</u>
	<u>\$2,322,802</u>		<u>\$2,322,802</u>

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

A summary of interfund transfers for the year ended June 30, 2022 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund	\$1,033,722	General Fund	\$1,033,722
Debt Service Fund	<u>4,500,000</u>	General Fund	<u>4,500,000</u>
	<u>\$5,533,722</u>		<u>\$5,533,722</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, 2022:

	<u>Balance</u>			<u>Balance</u>	<u>Amount</u>
	<u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2022</u>	<u>Due Within</u>
					<u>One Year</u>
Governmental activities					
General obligation debt					
Bonds payable	\$144,520,000	\$40,730,000	\$38,250,000	\$147,000,000	\$10,480,000
Bond premiums	13,160,029	4,273,201	1,594,831	15,838,399	1,609,323
Bond discounts	(92,036)	-	(9,001)	(83,035)	(9,001)
Total general obligation debt	<u>157,587,993</u>	<u>45,003,201</u>	<u>39,835,830</u>	<u>162,755,364</u>	<u>12,080,322</u>
Other noncurrent liabilities					
Compensated absences	2,883,956	-	506,636	2,377,320	260,994
Right-to-use leases payable	-	792,000	269,654	522,346	258,386
OPEB liability	13,111,445	785,591	-	13,897,036	-
Net OPEB liability – PSERS	15,014,683	1,348,370	-	16,363,053	-
Net pension liability – PSERS	<u>342,260,400</u>	<u>-</u>	<u>58,640,509</u>	<u>283,619,891</u>	<u>-</u>
Total other noncurrent liabilities	<u>373,270,484</u>	<u>2,925,961</u>	<u>59,416,799</u>	<u>316,779,646</u>	<u>519,380</u>
Total noncurrent liabilities	<u>\$530,858,477</u>	<u>\$47,929,162</u>	<u>\$99,252,629</u>	<u>\$479,535,010</u>	<u>\$12,599,702</u>

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

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(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, 2022 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
General obligation bonds				
Series of 2016A	0.630% - 5.000%	\$29,640,000	10/01/2036	\$ 27,620,000
Series of 2017A	0.950% - 3.000%	\$ 9,555,000	10/01/2036	8,090,000
Series of 2018	1.700% - 3.250%	\$ 8,555,000	08/01/2033	8,270,000
Series of 2018A	1.900% - 4.000%	\$19,385,000	08/01/2023	17,660,000
Series of 2019	2.000% - 4.000%	\$ 9,275,000	08/01/2034	8,710,000
Series of 2019A	2.000% - 4.000%	\$12,590,000	08/01/2029	11,450,000
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	2,495,000
Series of 2022	4.000%	\$26,975,000	08/01/2031	26,975,000
Series of 2022A	3.000% - 5.000%	\$13,755,000	08/01/2042	13,755,000
Total general obligation debt				<u>\$147,000,000</u>

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>
2023	\$ 10,480,000	\$ 5,379,449	\$ 15,859,449
2024	10,590,000	5,528,043	16,118,043
2025	9,910,000	5,158,654	15,068,654
2026	10,315,000	4,760,179	15,075,179
2027	10,020,000	4,398,182	14,418,182
2028-2032	51,895,000	15,356,653	67,251,653
2033-2037	35,295,000	6,008,875	41,303,875
2038-2042	7,095,000	1,293,000	8,388,000
2043	1,400,000	35,000	1,43,000
	<u>\$147,000,000</u>	<u>\$47,918,035</u>	<u>\$194,918,035</u>

Series of 2022 General Obligation Bonds

On May 4, 2022, the District issued \$26,975,000 of general obligation bonds, Series of 2022, the proceeds from which were used to advance refund all of the District's outstanding general obligation bonds, Series of 2012, general obligation bonds, Series of 2017 and to pay the cost of issuing the bonds. The District advance refunded the general obligation bonds, to reduce future debt service payments by \$2,649,226.

Series A of 2022 General Obligation Bonds

On June 1, 2022, the District issued \$13,755,000 of general obligation bonds, Series A of 2022, 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.

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

In-Substance Defeasance

The District has advance refunded a portion of its general obligation bonds by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and earnings from the investments are sufficient to fully service the advance refunded debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the District's government-wide financial statements. As of June 30, 2022, the amount of defeased outstanding debt was as follows:

<u>Description</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
Series of 2012	08/01/2022	\$19,865,000
Series of 2017	07/15/2022	<u>9,075,000</u>
		<u>\$28,940,000</u>

(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.

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.

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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%.

Employees who become an active member of PSERS on or after July 1, 2019, are enrolled in a hybrid plan that has a defined benefit and defined contribution component. Members who joined PSERS after June 30, 2019, automatically contribute at the Membership Class T-G rate of 8.25% (base rate), including a 2.75% defined contribution component of the member's qualifying compensation. All new hires after June 30, 2019, who elect T-H membership, contribute at 7.50% (base rate), including a 3.00% defined contribution component of the member's qualifying compensation. Membership Class T-G and T-H are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause Membership Class T-G contribution rate to fluctuate between 5.50% and 8.50% and Membership Class T-H contribution rate to fluctuate between 4.50% and 7.50%. All new members can also elect a DC membership and contribute at 7.50% (base rate) to a defined contribution plan that has no defined benefit component.

Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2022 was 34.14% 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 \$35,183,544 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$283,619,891 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. 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, 2022, the District's proportion was 0.6908 percent, which was a decrease of 0.0043 percent from its proportion measured as of June 30, 2021. As of June 30, 2022, 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, 2022, the District recognized pension expense of \$17,284,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual experience	\$ 209,000	\$ 3,726,000
Changes in assumptions	13,756,000	-
Net difference between projected and actual investment earnings	-	45,146,000
Changes in proportions	438,000	1,552,000
Contributions subsequent to the measurement date	<u>35,183,544</u>	<u>-</u>
	<u>\$49,586,544</u>	<u>\$50,424,000</u>

\$35,183,544 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, 2022. 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,

2023	\$ (9,452,000)
2024	(5,976,000)
2025	(6,007,000)
2026	<u>(14,586,000)</u>
	<u>\$(36,021,000)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2021 was determined by rolling forward PSERS's total pension liability as the June 30, 2020 actuarial valuation to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal – level % of pay
- Investment return – 7.00%, includes inflation at 2.50%
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.
- The discount rate used to measure the total pension liability decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial valuation experience study that was performed for the five year period ending June 30, 2020.

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.

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	27.0 %	5.2%
Private equity	12.0 %	7.3%
Fixed income	35.0 %	1.8%
Commodities	10.0 %	2.0%
Absolute return	8.0 %	3.1%
Infrastructure/MLPs	8.0 %	5.1%
Real estate	10.0 %	4.7%
Cash	3.0 %	0.1%
Leverage	<u>(13.0)%</u>	0.1%
	<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, 2021.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
District's proportionate share of the net pension liability	<u>\$372,261,461</u>	<u>\$283,619,891</u>	<u>\$208,846,345</u>

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.

(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.

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2021:

Active employees	1,416
Retired participants	<u>47</u>
Total	<u>1,463</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 July 1, 2021. The total OPEB liability was determined by an actuarial valuation as of July 1, 2021, and by rolling forward the liabilities from the July 1, 2021 actuarial valuation through the measurement date. The OPEB liability is \$13,897,036, all of which is unfunded. As of June 30, 2022, 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, 2022 was as follows:

Balances as of July 1, 2021	\$13,111,445
Changes for the year:	
Service cost	667,984
Interest	289,763
Changes in assumptions	91,904
Differences between expected and actual experience	304,562
Benefit payments	<u>(568,622)</u>
Net changes	<u>785,591</u>
Balance as of June 30, 2022	<u>\$13,897,036</u>

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$1,297,920. At June 30, 2022, the District had deferred inflows or resources and deferred outflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$1,183,835	\$349,742
Changes of assumptions	1,312,940	72,751
Net difference between projected and actual investment earnings	<u>408,603</u>	<u>-</u>
	<u>\$2,905,378</u>	<u>\$422,493</u>

The \$408,603 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:

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Year ended June 30,

2023	\$ 340,173
2024	340,173
2025	340,173
2026	340,176
2027	398,804
Thereafter	<u>314,783</u>
	<u>\$2,074,282</u>

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

The following presents the OPEB liability for June 30, 2022, 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>\$12,618,504</u>	<u>\$13,897,036</u>	<u>\$15,414,661</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 2.16%, as well as what the net OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (1.16%) or 1 percentage point higher (3.16%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>1.16%</u>	<u>2.16%</u>	<u>3.16%</u>
OPEB Liability	<u>\$15,241,532</u>	<u>\$13,897,036</u>	<u>\$12,695,632</u>

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2022, was determined by rolling forward the OPEB Liability as of July 1, 2021 to June 30, 2022 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-2020.
- Discount rate – 2.16% – Bond Buyers 20-Bond Index. The discount rate changed from 2.21% to 2.16%.
- 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 6.75% through June 30, 2023 and declining 0.25% each year to a low of 4.50% as of June 30, 2032 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.

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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, 2021, 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, 2021, 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, 2022 was 0.80% 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 \$824,453 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$16,363,053 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. 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, 2021, the District's proportion was 0.6904 percent, which was a decrease of 0.0045 percent from its proportion measured as of June 30, 2020. As of June 30, 2022, 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, 2022, the District recognized OPEB expense of \$958,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 152,000	\$ -
Changes in assumptions	1,743,000	218,000
Net difference between projected and actual investment earnings	32,000	-
Changes in proportions	184,000	369,000
Contributions subsequent to the measurement date	<u>824,453</u>	<u>-</u>
	<u>\$2,935,453</u>	<u>\$587,000</u>

\$824,453 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, 2022. 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,

2023	\$ 243,000
2024	239,000
2025	274,000
2026	315,000
2027	250,000
Thereafter	<u>203,000</u>
	<u>\$1,524,000</u>

Actuarial Assumptions

The OPEB liability as of June 30, 2021, was determined by rolling forward the PSERS' OPEB liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal - level % of pay
- Investment return – 2.18% - Standard & Poors 20 year municipal bond rate
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% 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.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 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, 2021 valuation were based on the results of an actuarial experience study that was performed for the five-year period June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

- 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 tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality Improvement scale.

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	79.80%	0.10%
US Core Fixed Income	17.50%	0.70%
Non-US Developed Fixed	<u>2.70%</u>	(0.30%)
	<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, 2021.

Discount Rate

The discount rate used to measure the OPEB liability was 2.18%. 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 2.18% which represents the Standard & Poors 20 year municipal bond rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability.

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, 2021, 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, 2021, 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:

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	<u>\$16,361,196</u>	<u>\$16,363,053</u>	<u>\$16,364,517</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 2.18%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.18%) or 1-percentage-point higher (3.18%) than the current rate:

	<u>1% Decrease 1.18%</u>	<u>Current Discount Rate 2.18%</u>	<u>1% Increase 3.18%</u>
District's proportionate share of the net OPEB liability	<u>\$18,778,645</u>	<u>\$16,363,053</u>	<u>\$14,373,451</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.

(10) RIGHT-TO USE LEASES PAYABLE

In July 2021, the District entered into a long-term lease agreement as lessee for the use of copiers. An initial lease liability was recorded in the amount of \$792,000. As of June 30, 2022, the carrying amount of the lease liability is \$522,346. The lease has a discount rate of 2.16%. The copiers estimated useful lives were 3 years as of the contract commencement. The value of the intangible right-to-use asset as of June 30, 2022 is \$528,000, net of accumulated amortization of \$264,000, and is included with noncurrent assets on the statement of net position (deficit).

Year ending June 30,

2023	\$269,654
2024	269,654
Less: amount representing interest	<u>(16,962)</u>
Present value of minimum lease payments	<u>\$522,346</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 2021-2022 was \$5,290,763.

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 2021-2022, the District did not have any financial transactions with the Authority.

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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, 2022, the District is not aware of any additional assessments relating to SDIC.

The District insures for employee medical 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.

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Claims for medical 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Insurance claims liability – beginning of year	\$ 1,801,000	\$ 1,926,000
Current year insurance claims and changes in estimates	20,521,495	18,680,873
Insurance claims paid	<u>(20,521,495)</u>	<u>(18,805,873)</u>
Insurance claims liability – end of year	<u>\$ 1,801,000</u>	<u>\$ 1,801,000</u>

(14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 27, 2023, the date on which the financial statements were available to be issued. Except as disclosed below, no material subsequent events have occurred since June 30, 2022 that required recognition or disclosure in the financial statements.

On July 18, 2022, the District issued \$28,990,000 of general obligation bonds, Series B of 2022, the proceeds from which were used to advance refund a portion of the District's outstanding general obligation bonds, Series A of 2016 in the amount of \$27,620,000 and to pay the cost of issuing the bonds. The District advance refunded the general obligation bonds, to reduce future debt service payments by \$1,624,579.

REQUIRED SUPPLEMENTARY INFORMATION

PENNSBURY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 161,026,812	\$ 161,026,812	\$ 164,826,474	\$ 3,799,662
State sources	52,727,032	52,727,032	53,931,744	1,204,712
Federal sources	8,117,034	8,117,034	8,810,256	693,222
Total revenues	<u>221,870,878</u>	<u>221,870,878</u>	<u>227,568,474</u>	<u>5,697,596</u>
EXPENDITURES				
Instruction				
Regular programs	89,505,610	93,248,781	93,153,324	95,457
Special programs	42,121,881	43,902,145	43,879,860	22,285
Vocational programs	8,253,677	8,033,814	8,032,861	953
Other instructional programs	1,369,455	753,471	744,690	8,781
Nonpublic school programs	18,000	22,825	22,825	-
Pre-kindergarten	748,360	721,467	769,995	(48,528)
Total instruction	<u>142,016,983</u>	<u>146,682,503</u>	<u>146,603,555</u>	<u>78,948</u>
Support services				
Pupil support services	9,426,832	10,137,655	10,136,257	1,398
Instructional staff services	4,415,782	4,241,662	4,238,365	3,297
Administrative services	10,719,884	10,839,568	10,815,247	24,321
Pupil health	3,352,055	3,658,479	3,656,789	1,690
Business services	2,356,385	2,220,294	2,208,254	12,040
Operation and maintenance of plant services	15,781,434	15,903,628	15,898,041	5,587
Student transportation services	10,739,458	9,706,241	9,692,121	14,120
Support services - central	4,366,258	5,195,100	5,190,354	4,746
Other support services	121,000	116,796	116,796	-
Total support services	<u>61,279,088</u>	<u>62,019,423</u>	<u>61,952,224</u>	<u>67,199</u>
Operation of noninstructional services				
Student activities	1,254,998	1,106,894	1,103,457	3,437
Community services	188,348	197,352	197,286	66
Total operation of non-instructional services	<u>1,443,346</u>	<u>1,304,246</u>	<u>1,300,743</u>	<u>3,503</u>
Debt service	<u>15,535,535</u>	<u>11,988,872</u>	<u>11,979,330</u>	<u>9,542</u>
Total expenditures	<u>220,274,952</u>	<u>221,995,044</u>	<u>221,835,852</u>	<u>159,192</u>
Excess (deficiencies) of revenues over (under) expenditures	<u>1,595,926</u>	<u>(124,166)</u>	<u>5,732,622</u>	<u>5,856,788</u>
OTHER FINANCING SOURCES (USES)				
Refund of prior year receipts	-	-	(29,483)	(29,483)
Insurance recoveries	-	-	11,231	11,231
Transfers out	(1,000,000)	(1,033,722)	(5,533,722)	(4,500,000)
Budgetary reserve	(1,773,950)	(20,136)	-	20,136
Total other financing sources (uses)	<u>(2,773,950)</u>	<u>(1,053,858)</u>	<u>(5,551,974)</u>	<u>(4,498,116)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,178,024)</u>	<u>\$ (1,178,024)</u>	<u>180,648</u>	<u>\$ 1,358,672</u>
FUND BALANCE				
Beginning of year			18,571,101	
End of year			<u>\$ 18,751,749</u>	

PENNSBURY SCHOOL DISTRICT

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

Year ended June 30

	Measurement Date							
	<u>2021</u>	<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	0.6908%	0.6951%	0.6947%	0.6918%	0.7234%	0.6997%	0.7155%	0.6992%
District's proportionate share of the net pension liability	\$ 283,619,891	\$ 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	\$ 97,869,295	\$ 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	289.79%	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	63.67%	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

	Measurement Date							
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 32,829,024	\$ 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>32,829,024</u>	<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	\$ 97,869,295	\$ 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	33.54%	33.29%	33.36%	33.36%	34.50%	28.29%	25.22%	19.83%

5-

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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY					
Service cost	\$ 667,984	\$ 576,620	\$ 583,861	\$ 566,965	\$ 579,956
Interest on total OPEB liability	289,763	390,946	281,565	291,485	237,451
Changes of benefit terms	-	-	-	-	(13,741)
Difference between expected and actual experience	304,562	-	1,460,982	-	(786,922)
Changes of assumptions	91,904	1,461,053	(116,401)	36,474	259,192
Benefit payments	<u>(568,622)</u>	<u>(487,064)</u>	<u>(488,608)</u>	<u>(419,104)</u>	<u>(566,224)</u>
Net change in total OPEB liability	785,591	1,941,555	1,721,399	475,820	(290,288)
Total OPEB liability, beginning	<u>13,111,445</u>	<u>11,169,890</u>	<u>9,448,491</u>	<u>8,972,671</u>	<u>9,262,959</u>
Total OPEB liability, ending	<u>\$ 13,897,036</u>	<u>\$ 13,111,445</u>	<u>\$ 11,169,890</u>	<u>\$ 9,448,491</u>	<u>\$ 8,972,671</u>
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 94,355,775	\$ 96,479,650	\$ 93,217,053	\$ 88,406,612	\$ 88,406,612
Net OPEB liability as a % of covered payroll	14.73%	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

	<u>Measurement Date</u>				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.6904%	0.6949%	0.6947%	0.6918%	0.7234%
District's proportionate share of the net OPEB liability	\$ 16,363,053	\$ 15,014,683	\$ 14,775,000	\$ 14,424,000	\$ 14,739,000
District's covered-employee payroll	\$ 97,869,295	\$ 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	16.72%	15.39%	14.68%	15.49%	15.30%
Plan fiduciary net position as a percentage of the total OPEB liability	5.30%	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

	Measurement Date				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 803,384	\$ 818,057	\$ 843,000	\$ 833,000	\$ 775,000
Contributions in relation to the contractually required contribution	<u>803,384</u>	<u>818,057</u>	<u>843,000</u>	<u>833,000</u>	<u>775,000</u>
Contribution deficiency (excess)	-	-	-	-	-
District's covered-employee payroll	\$ 97,869,295	\$ 97,532,620	\$ 101,522,024	\$ 100,631,428	\$ 93,132,568
Contributions as a percentage of covered-employee payroll	0.82%	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, 2022

	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 513,247	\$ 5,739,643	\$ 6,252,890
Investments	-	10,005,099	10,005,099
Due from other funds	<u>533,722</u>	<u>-</u>	<u>533,722</u>
Total assets	<u>\$ 1,046,969</u>	<u>\$ 15,744,742</u>	<u>\$ 16,791,711</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	<u>\$ 442,827</u>	<u>\$ 628,641</u>	<u>\$ 1,071,468</u>
 FUND BALANCES			
Restricted for Capital projects	<u>604,142</u>	<u>15,116,101</u>	<u>15,720,243</u>
Total fund balances	<u>604,142</u>	<u>15,116,101</u>	<u>15,720,243</u>
Total liabilities and fund balances	<u>\$ 1,046,969</u>	<u>\$ 15,744,742</u>	<u>\$ 16,791,711</u>

PENNSBURY SCHOOL DISTRICT

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

Year ended June 30, 2022

	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
REVENUES			
Local sources	\$ 1,483	\$ 10,981	\$ 12,464
EXPENDITURES			
Current			
Instruction	-	792,000	792,000
Support services	-	118,938	118,938
Facilities acquisition, construction and improvement services	<u>1,740,755</u>	<u>3,886,492</u>	<u>5,627,247</u>
Total expenditures	<u>1,740,755</u>	<u>4,797,430</u>	<u>6,538,185</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,739,272)</u>	<u>(4,786,449)</u>	<u>(6,525,721)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of debt	-	13,755,000	13,755,000
Bond premiums	-	1,476,352	1,476,352
Proceeds from leases and other right-to-use arrangements	-	792,000	792,000
Transfers in (out)	<u>1,038,221</u>	<u>(4,499)</u>	<u>1,033,722</u>
Total other financing sources (uses)	<u>1,038,221</u>	<u>16,018,853</u>	<u>17,057,074</u>
NET CHANGE IN FUND BALANCES	(701,051)	11,232,404	10,531,353
FUND BALANCES			
Beginning of year	<u>1,305,193</u>	<u>3,883,697</u>	<u>5,188,890</u>
End of year	<u>\$ 604,142</u>	<u>\$ 15,116,101</u>	<u>\$ 15,720,243</u>

SINGLE AUDIT

PENNSBURY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal ALN Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2021	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2022	Passed Through to Subrecipients
U.S. Department of Education											
Passed-Through the Pennsylvania Department of Education											
Title I - Improving Basic Programs	I	84.010	013-210331	07/01/20 - 09/30/22	\$ 715,000	\$ 220,000	\$ 9,431	\$ 209,490	\$ 209,490	\$ (1,079)	\$ -
Title I - Improving Basic Programs	I	84.010	013-220331	07/01/21 - 09/30/22	918,475	278,226	-	735,026	735,026	456,800	-
Total ALN #84.010						498,226	9,431	944,516	944,516	455,721	-
Title II - Improving Teacher Quality	I	84.367	020-210331	07/01/20 - 09/30/21	183,711	112,730	30,347	96,475	96,475	14,092	-
Title II - Improving Teacher Quality	I	84.367	020-220331	07/01/21 - 09/30/22	203,239	61,781	-	69,758	69,758	7,977	-
Total ALN #84.367						174,511	30,347	166,233	166,233	22,069	-
Title III - Language Instruction LEP/Immigrant Students	I	84.365	010-200331	07/01/19 - 09/30/22	41,342	6,360	(13,351)	11,970	11,970	(7,741)	-
Title III - Language Instruction LEP/Immigrant Students	I	84.365	010-210331	07/01/20 - 09/30/22	47,127	3,625	(14,501)	3,124	3,124	(15,002)	-
Title III - Language Instruction LEP/Immigrant Students	I	84.365	010-220331	07/01/21 - 09/30/22	45,454	13,812	-	3,288	3,288	(10,524)	-
Total ALN #84.365						23,797	(27,852)	18,382	18,382	(33,267)	-
Title IV - Student Support & Academic Enrichment Grants	I	84.424	144-190331	07/01/18 - 09/30/21	52,121	3,723	(14,114)	17,837	17,837	-	-
Title IV - Student Support & Academic Enrichment Grants	I	84.424	144-200331	07/01/19 - 09/30/22	63,486	-	(6,229)	6,229	6,229	-	-
Title IV - Student Support & Academic Enrichment Grants	I	84.424	144-210331	07/01/20 - 09/30/22	63,257	9,732	(21,059)	39,962	39,962	9,171	-
Title IV - Student Support & Academic Enrichment Grants	I	84.424	144-220331	07/01/21 - 09/30/22	53,316	16,395	-	12,061	12,061	(4,334)	-
Total ALN #84.424						29,850	(41,402)	76,089	76,089	4,837	-
COVID-19 - Education Stabilization Fund - ESSER I	I	84.425D	200-200331	03/13/20 - 09/30/22	685,077	432,680	432,680	-	-	-	-
COVID-19- Education Stabilization Fund - ESSER II	I	84.425D	200-210331	03/13/20 - 09/30/23	2,614,384	1,582,998	980,122	1,637,913	1,637,913	1,035,037	-
COVID-19 - Education Stabilization Fund - ESSER III	I	84.425U	223-210331	03/13/20 - 09/30/24	5,295,527	2,407,058	-	2,647,764	2,647,764	240,706	-
COVID-19 - ARP ESSER 7%	I	84.425U	225-210331	03/13/20 - 09/30/24	293,987	16,036	-	23,871	23,871	7,835	-
COVID-19 - ARP ESSER 7%	I	84.425U	225-210331	03/13/20 - 09/30/24	58,787	3,207	-	-	-	(3,207)	-
COVID-19 - ARP ESSER 7%	I	84.425U	225-210331	03/13/20 - 09/30/24	58,797	3,207	-	-	-	(3,207)	-
Total ALN #84.425						4,445,186	1,412,802	4,309,548	4,309,548	1,277,164	-

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN 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, 2021</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2022</u>	<u>Passed Through to Subrecipients</u>
Passed Through the Bucks County I.U.											
I.D.E.A. - Part B, Section 619	I	84.173	131-200022	07/01/21 - 06/30/21	7,038	7,038	7,038	-	-	-	-
I.D.E.A. - Part B, Section 619	I	84.173	131-210022	07/01/21 - 06/30/22	2,754	2,754	-	2,754	2,754	-	-
Total ALN #84.173						9,792	7,038	2,754	2,754	-	-
I.D.E.A. - Part B, Section 611	I	84.027	062-210022	07/01/21 - 06/30/21	2,237,416	2,237,417	2,237,417	-	-	-	-
I.D.E.A. - Part B, Section 611	I	84.027	062-220022	07/01/21 - 06/30/22	2,157,829	2,157,829	-	2,157,829	2,157,829	-	-
COVID-19 - I.D.E.A. - ARP	I	84.027	062-220022	07/01/21 - 06/30/22	481,830	481,830	-	481,830	481,830	-	-
Passed Through the Lancaster-Lebanon I.U.											
MTSS Cohort Series	I	84.027	062-220033	07/01/21 - 06/30/22	4,000	-	-	3,799	3,799	3,799	-
Total ALN #84.027						4,877,076	2,237,417	2,643,458	2,643,458	3,799	-
Total U.S. Department of Education						10,058,438	3,627,781	8,160,980	8,160,980	1,730,323	-
U.S. Department of Defense											
Air Force Junior ROTC Program	D	12.357	PA-20171	07/01/20 - 06/30/21	63,112	13,927	13,927	-	-	-	-
Air Force Junior ROTC Program	D	12.357	PA-20171	07/01/21 - 06/30/22	44,819	38,021	-	44,819	44,819	6,798	-
Total U.S. Department of Defense						51,948	13,927	44,819	44,819	6,798	-
U.S. Department of Public Welfare											
Passed Through the Pennsylvania Department of Health and Human Services											
Medical Assistance Program	I	93.778	N/A	07/01/21 - 06/30/22	-	104,456	-	104,456	104,456	-	-
Total U.S. Department of Public Welfare						104,456	-	104,456	104,456	-	-
U.S. Department of Agriculture											
Passed-Through the Pennsylvania Department of Education											
School Breakfast Program	I	10.553	N/A	07/01/20 - 06/30/21	N/A	95,125	95,125	-	-	-	-
School Breakfast Program	I	10.553	N/A	07/01/21 - 06/30/22	N/A	722,008	-	889,025	889,025	167,017	-
Total ALN #10.553						817,133	95,125	889,025	889,025	167,017	-
P-EBT Local Admin Funds	I	10.649	N/A	07/01/21 - 06/30/22	N/A	3,063	-	3,063	3,063	-	-
Supply Chain Assistance	I	10.555	N/A	07/01/21 - 06/30/22	N/A	186,363	-	-	-	(186,363)	-
SNP Emergency Operating costs	I	10.555	N/A	07/01/21 - 06/30/22	N/A	163,787	-	163,787	163,787	-	-

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN 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, 2021</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2022</u>	<u>Passed Through to Subrecipients</u>
National School Lunch Program	I	10.555	N/A	07/01/20 - 06/30/21	N/A	310,268	310,268	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/21 - 06/30/22	N/A	3,356,092	-	4,059,191	4,059,191	703,099	-
Passed-Through the Pennsylvania Department of Agriculture											
National School Lunch Program - Commodities	I	10.555	N/A	07/01/21 - 06/30/22	N/A	<u>227,699</u>	<u>(17,725)</u>	<u>222,458</u>	<u>222,458</u>	<u>(22,966)</u>	<u>-</u>
Total ALN #10.555						<u>4,244,209</u>	<u>292,543</u>	<u>4,445,436</u>	<u>4,445,436</u>	<u>493,770</u>	<u>-</u>
Total U.S. Department of Agriculture						<u>5,064,405</u>	<u>387,668</u>	<u>5,337,524</u>	<u>5,337,524</u>	<u>660,787</u>	<u>-</u>
Total Federal Awards						<u>\$ 15,279,247</u>	<u>\$ 4,029,376</u>	<u>\$13,647,779</u>	<u>\$13,647,779</u>	<u>\$ 2,397,908</u>	<u>\$ -</u>
Special Education Cluster (IDEA) (ALN's #84.027 and #84.173)						<u>\$ 4,886,868</u>	<u>\$ 2,244,455</u>	<u>\$ 2,646,212</u>	<u>\$ 2,646,212</u>	<u>\$ 3,799</u>	<u>\$ -</u>
Child Nutrition Cluster (ALN's #10.553 and #10.555)						<u>\$ 5,061,342</u>	<u>\$ 387,668</u>	<u>\$ 5,334,461</u>	<u>\$ 5,334,461</u>	<u>\$ 660,787</u>	<u>\$ -</u>

Source Codes

- D - Direct Funding
- I - Indirect Funding

PENNSBURY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2022

(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 ALN #10.555 USDA Commodities represent federal surplus food consumed by the District during the 2021-2022 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, 2022 was \$500,000.

(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, 2022

There were no audit findings for the year ended June 30, 2021.



**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, 2022, 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 February 27, 2023.

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
February 27, 2023**



**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

Opinion on Each Major Federal Program

We have audited Pennsbury School District's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Pennsbury School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Pennsbury School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Pennsbury School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Pennsbury School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Pennsbury School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Pennsbury School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Pennsbury School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Pennsbury School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
February 27, 2023**

PENNSBURY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2022

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 – Assistance Listing #84.425
 - Child Nutrition Cluster
 - Breakfast Program – Assistance Listing #10.553
 - National School Lunch Program – Assistance Listing #10.555
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