



Pennsbury School District Fallsington, Pennsylvania Bucks County

Financial Statements
Year Ended June 30, 2023



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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, 2023, 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, 2023, 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 General 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 Notes 1 and 15 to the financial statements, Pennsbury School District adopted new accounting guidance, GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*". 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

We have previously audited Pennsbury Township School District's 2022 financial statements, and our report dated February 27, 2023, 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, 2022, 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 is the responsibility of management and, 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements 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 12, 2024 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 12, 2024**

PENNSBURY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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, 2023. 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 9,639 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 2022-2023, there were approximately 1,654 full and part-time employees in the District, including 887 teachers, 51 administrators, 11 first level supervisors and 705 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 2022-2023 fiscal year of \$310,268,121. During the 2022-2023 fiscal year, the District had an increase in total net position of \$18,412,848. The net position of governmental activities increased by \$17,865,771 and net position of the business-type activities increased by \$547,077.
- The General Fund reported an increase in fund balance of \$510,041, bringing the cumulative balance to \$19,261,790 at the conclusion of the 2022-2023 fiscal year.
- At June 30, 2023, the General Fund fund balance includes \$993,927 which is considered nonspendable, unassigned amounts of \$18,267,863 or 7.50% of the \$243,614,136 2023-2024 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 2022-2023, the Capital Projects Fund reported an increase in fund balance of \$21,963,290 due to transfers from the General Fund and debt issuances in excess of capital expenditures. The remaining fund balance of \$37,683,533 as of June 30, 2023 is restricted for future capital expenditures.
- The adopted 2022-2023 General Fund budget reflected a \$1,237,284 use of fund balance to balance the budget. The budget performed better than adopted, with an actual net positive change in fund balance of \$510,041.

PENNSBURY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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 and community services programs.

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, 2023

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 and one nonmajor 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, 2023

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 2022-2023 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$310,268,121. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2023 and 2022.

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---|----------------------------|------------------------|-----------------------------|--------------------|------------------------|------------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| ASSETS | | | | | | |
| Current assets | \$ 108,547,195 | \$ 78,252,813 | \$2,990,805 | \$2,487,336 | \$ 111,538,000 | \$ 80,740,149 |
| Noncurrent assets | <u>112,538,345</u> | <u>100,612,663</u> | <u>284,786</u> | <u>296,223</u> | <u>112,823,131</u> | <u>100,908,886</u> |
| Total assets | <u>221,085,540</u> | <u>178,865,476</u> | <u>3,275,591</u> | <u>2,783,559</u> | <u>224,361,131</u> | <u>181,649,035</u> |
| DEFERRED OUTFLOWS OF RESOURCES | <u>57,903,223</u> | <u>57,680,239</u> | - | - | <u>57,903,223</u> | <u>57,680,239</u> |
| LIABILITIES | | | | | | |
| Current liabilities | 46,014,107 | 36,645,725 | 266,350 | 321,395 | 46,280,457 | 36,967,120 |
| Noncurrent liabilities | <u>532,406,748</u> | <u>479,609,630</u> | - | - | <u>532,406,748</u> | <u>479,609,630</u> |
| Total liabilities | <u>578,420,855</u> | <u>516,255,355</u> | <u>266,350</u> | <u>321,395</u> | <u>578,687,205</u> | <u>516,576,750</u> |
| DEFERRED INFLOWS OF RESOURCES | <u>13,845,270</u> | <u>51,433,493</u> | - | - | <u>13,845,270</u> | <u>51,433,493</u> |
| NET POSITION (DEFICIT) | | | | | | |
| Net investment in capital assets | (42,627,178) | (45,370,702) | 284,786 | 296,223 | (42,342,392) | (45,074,479) |
| Restricted | 11,701,649 | 7,766,028 | - | - | 11,701,649 | 7,766,028 |
| Unrestricted (deficit) | <u>(282,351,833)</u> | <u>(293,538,459)</u> | <u>2,724,455</u> | <u>2,165,941</u> | <u>(279,627,378)</u> | <u>(291,372,518)</u> |
| Total net position (deficit) | <u>\$(313,277,362)</u> | <u>\$(331,143,133)</u> | <u>\$3,009,241</u> | <u>\$2,462,164</u> | <u>\$(310,268,121)</u> | <u>\$(328,680,969)</u> |

The District's total assets as of June 30, 2023 were \$224,361,131 of which \$94,813,411 or 42.26% consisted of cash and investments and \$112,823,131 or 50.29% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2023 were \$578,687,205 of which \$189,958,526 or 32.83% consisted of general obligation debt used to acquire and construct capital assets and \$311,655,641 or 53.86% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$279,627,378. The District's unrestricted net position increased by \$11,745,140 during 2022-2023 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 \$11,701,649 as of June 30, 2023. 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, 2023, the District's net investment in capital assets increased by \$2,732,087 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, 2023

The following table presents condensed information for the *Statement of Activities* of the District for 2023 and 2022:

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---|-------------------------|----------------------|--------------------------|--------------------|----------------------|----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| REVENUES | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 1,473,856 | \$ 1,173,369 | \$1,764,856 | \$ 354,794 | \$ 3,238,712 | \$ 1,528,163 |
| Operating grants and contributions | 42,848,627 | 42,088,293 | 3,167,478 | 5,489,127 | 46,016,105 | 47,577,420 |
| Capital grants and contributions | - | - | - | - | - | - |
| General revenues | | | | | | |
| Property taxes levied for general purposes | 160,998,919 | 157,284,451 | - | - | 160,998,919 | 157,284,451 |
| Other taxes levied for general purposes | 4,705,056 | 5,190,200 | - | - | 4,705,056 | 5,190,200 |
| Grants and entitlements not restricted to specific programs | 23,596,712 | 21,184,537 | - | - | 23,596,712 | 21,184,537 |
| Investment earnings | 3,430,530 | 78,532 | 19 | 2 | 3,430,549 | 78,534 |
| Miscellaneous | 513,170 | 1,186,319 | (250) | - | 512,920 | 1,186,319 |
| Total revenues | <u>237,566,870</u> | <u>228,185,701</u> | <u>4,932,103</u> | <u>5,843,923</u> | <u>242,498,973</u> | <u>234,029,624</u> |
| EXPENSES | | | | | | |
| Instruction | 141,165,641 | 133,938,186 | - | - | 141,165,641 | 133,938,186 |
| Instructional student support services | 17,419,363 | 16,663,145 | - | - | 17,419,363 | 16,663,145 |
| Administrative and financial support services | 17,261,530 | 16,941,393 | - | - | 17,261,530 | 16,941,393 |
| Operation and maintenance of plant services | 17,215,769 | 15,868,695 | - | - | 17,215,769 | 15,868,695 |
| Pupil transportation | 9,806,340 | 8,865,286 | - | - | 9,806,340 | 8,865,286 |
| Student activities | 1,997,097 | 1,634,504 | - | - | 1,997,097 | 1,634,504 |
| Community services | 215,571 | 197,286 | 16,647 | 15,127 | 232,218 | 212,413 |
| Interest and amortization expense related to noncurrent liabilities | 4,650,605 | 4,391,108 | - | - | 4,650,605 | 4,391,108 |
| Unallocated depreciation | 9,969,183 | 9,802,391 | - | - | 9,969,183 | 9,802,391 |
| Food service | - | - | 4,368,379 | 3,994,267 | 4,368,379 | 3,994,267 |
| Total expenses | <u>219,701,099</u> | <u>208,301,994</u> | <u>4,385,026</u> | <u>4,009,394</u> | <u>224,086,125</u> | <u>212,311,388</u> |
| CHANGE IN NET POSITION (DEFICIT) | | | | | | |
| | <u>\$ 17,865,771</u> | <u>\$ 19,883,707</u> | <u>\$ 547,077</u> | <u>\$1,834,529</u> | <u>\$ 18,412,848</u> | <u>\$ 21,718,236</u> |

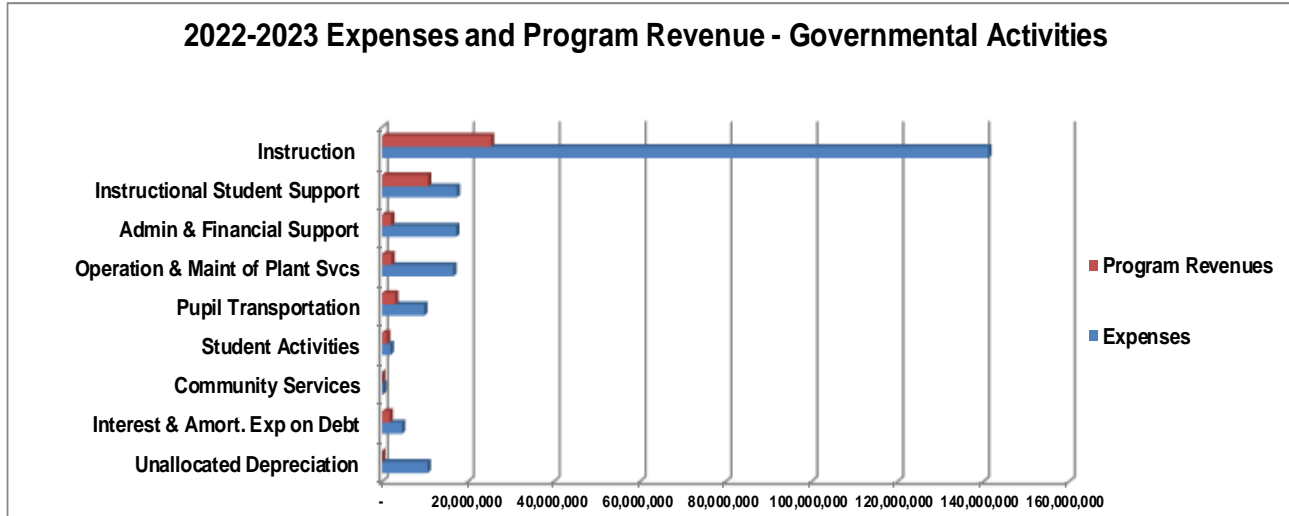
Overall, the District's financial position has been improving but challenges such as increased medical costs, pension contributions, state-mandated programs and negotiated contracts have a potential to offset these gains in future fiscal years. Management of the District continues to aggressively implement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

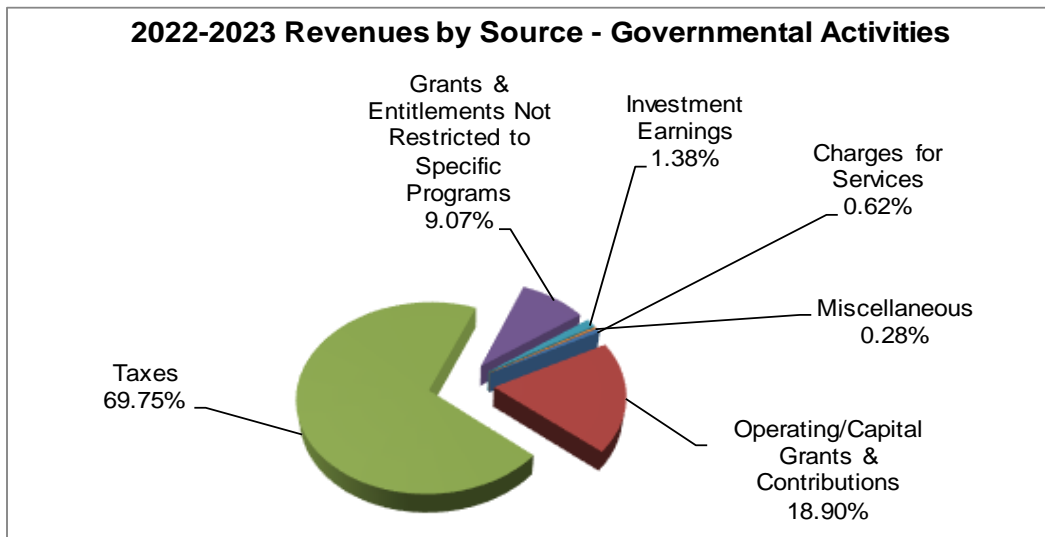
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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, 2023, the District's governmental funds reported a combined fund balance of \$64,377,197 which is an increase of \$22,743,319 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2023 and 2022 and the total 2023 change in governmental fund balances.

PENNSBURY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

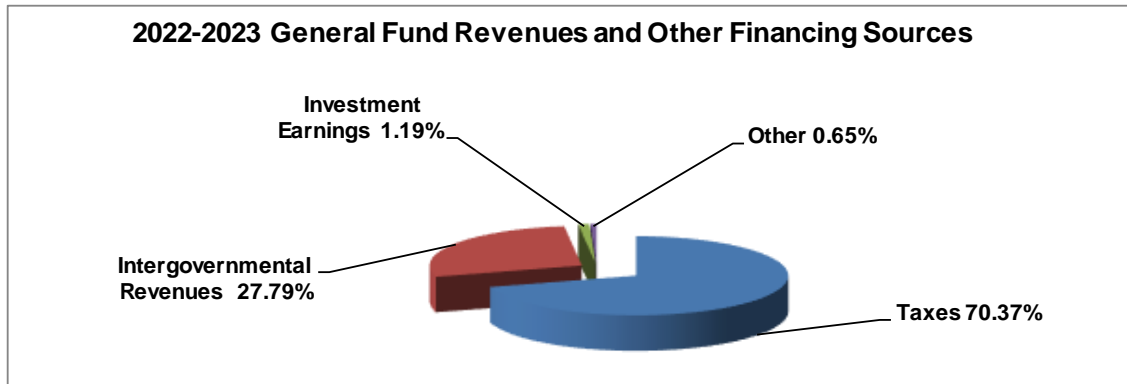
June 30, 2023

| | <u>2023</u> | <u>2022</u> | <u>Change</u> |
|---------------------------------|---------------------|---------------------|---------------------|
| General Fund | \$ 19,261,790 | \$ 18,751,749 | \$ 510,041 |
| Capital Projects Fund | 37,683,533 | 15,720,243 | 21,963,290 |
| Debt Service Fund | 6,486,768 | 6,255,970 | 230,798 |
| Student Sponsored Activity Fund | <u>945,106</u> | <u>905,916</u> | <u>39,190</u> |
| | <u>\$64,377,197</u> | <u>\$41,633,878</u> | <u>\$22,743,319</u> |

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2022-2023 fiscal year, the General Fund fund balance was \$19,261,790 representing an increase of \$510,041 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 2022-2023 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 70.37% of General Fund revenues are derived from local taxes.



General Fund Revenues and Other Financing Sources

| | <u>2023</u> | <u>2022</u> | <u>\$ Change</u> | <u>% Change</u> |
|----------------------------|----------------------|----------------------|--------------------|-----------------|
| Tax revenues | \$ 166,834,240 | \$ 162,599,264 | \$ 4,234,976 | 2.60 |
| Intergovernmental revenues | 65,879,523 | 62,742,000 | 3,137,523 | 5.00 |
| Investment earnings | 2,805,934 | 77,048 | 2,728,886 | 3,541.80 |
| Other | <u>1,557,271</u> | <u>2,161,392</u> | <u>(604,121)</u> | <u>(27.95)</u> |
| | <u>\$237,076,968</u> | <u>\$227,579,704</u> | <u>\$9,497,264</u> | <u>4.17</u> |

Net tax revenues increased by \$4,234,976 or 2.60% due to several factors. This increase was caused by a millage increase of 2.80% and an increase in assessment in 2022-2023 and an increase in interim real estate taxes which was offset a decrease in collections for both realty transfer and delinquent real estate taxes.

| | <u>2023</u> | <u>2022</u> | <u>\$ Change</u> | <u>% Change</u> |
|---------------------|----------------------|----------------------|---------------------|-----------------|
| Real estate | \$ 158,638,507 | \$ 153,823,148 | \$ 4,815,359 | 3.13 |
| Interim tax | 1,659,879 | 578,194 | 1,081,685 | 187.08 |
| PURTA tax | 152,445 | 154,407 | (1,962) | (1.27) |
| Realty transfer tax | 4,552,611 | 5,035,793 | (483,182) | (9.59) |
| Delinquent taxes | <u>1,830,798</u> | <u>3,007,722</u> | <u>(1,176,924)</u> | <u>(39.13)</u> |
| | <u>\$166,834,240</u> | <u>\$162,599,264</u> | <u>\$ 4,234,976</u> | <u>2.60</u> |

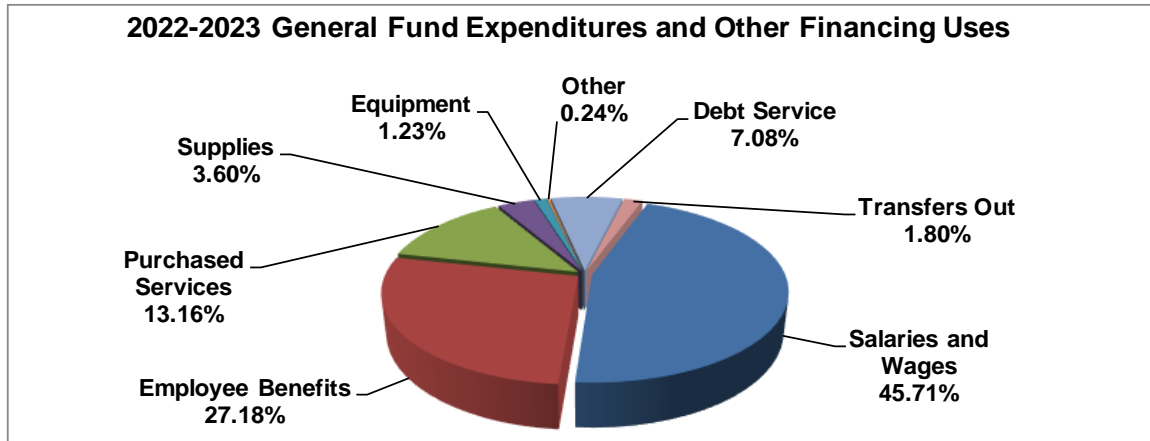
PENNSBURY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

Intergovernmental revenues increased as a direct result of increase in state appropriation for the basic and special education subsidies, property tax relief payments and retirement subsidy which increased commensurate with increase in salaries and wages.

Investment earnings increased commensurate with increase in interest rates.



General Fund Expenditures and Other Financing Uses

| | <u>2023</u> | <u>2022</u> | <u>\$ Change</u> | <u>% Change</u> |
|--------------------|----------------------|----------------------|---------------------|-----------------|
| Salaries and wages | \$108,141,645 | \$103,583,033 | \$ 4,558,612 | 4.40 |
| Employee benefits | 64,306,676 | 64,971,088 | (664,412) | (1.02) |
| Purchased services | 31,134,313 | 28,928,705 | 2,205,608 | 7.62 |
| Supplies | 8,508,636 | 9,439,194 | (930,558) | (9.86) |
| Equipment | 2,897,893 | 2,632,174 | 265,719 | 10.10 |
| Other | 576,141 | 331,811 | 244,330 | 73.64 |
| Debt service | 16,745,835 | 11,979,330 | 4,766,505 | 39.79 |
| Transfers out | <u>4,255,788</u> | <u>5,533,722</u> | <u>(1,277,934)</u> | <u>(23.09)</u> |
| | <u>\$236,566,927</u> | <u>\$227,399,057</u> | <u>\$ 9,167,870</u> | <u>4.03</u> |

Salaries and wages increased by \$4,558,612 or 4.40% in 2022-2023 when compared to 2021-2022. The increase is a result of contractual contract increases across all bargaining and Act 93 groups.

Purchased services increased \$2,205,608 or 7.62% in 2022-2023 when compared to 2021-2022 primarily due to an increase in tuition for private and charter schools and contracted services for substitutes and the Bucks County Intermediate Unit.

In 2021-2022, the District budgeted \$3,250,000 of debt service to be paid from the Debt Service Fund which was budgeted and paid within the General Fund 2022-2023 resulting in an increase in debt service.

Transfers out in 2022-2023 and 2021-2022 represent transfers to the Capital Projects Fund and Debt Service Fund to subsidize future 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 2022-2023, the Capital Projects Fund fund balance increased \$21,963,290. The increase is attributable to proceeds of general obligation debt as and transfers from the General Fund in excess of capital expenditures. The remaining fund balance of \$37,683,533 as of June 30, 2023 is restricted for future capital expenditures.

PENNSBURY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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 2022-2023 General Fund budget reflected a \$1,237,294 use of fund balance to balance the budget.

The budget performed better than adopted and the total change in Fund Balance was \$510,041. Major budgetary highlights for 2022-2023 were as follows.

- Local source revenues were \$3,250,954 more than budgeted amounts primarily due to better than anticipated collections for real estate taxes and investment earnings.
- State source revenues were \$1,236,304 more than budgeted due to higher than anticipated appropriations for basic and special education subsidies.
- Other financing sources were \$2,742,897 more than budget due to a year end transfer of revenues in excess of expenditures to the Capital Projects Fund as a result of better than anticipated local revenues.

BUSINESS-TYPE ACTIVITIES AND PROPRIETARY FUNDS

During 2022-2023, the net position of the business-type activities increased by \$547,077. The Food Service Fund net position increased by \$543,130 and the other business-type activities net position increased by \$3,947. As of June 30, 2023, the business-type activities net position was \$3,009,241. The Food Service Fund net position was \$2,993,801 and the other business-type activities net position was \$15,440.

CAPITAL ASSETS

The District's investment in capital asset for its governmental and business-type activities as of June 30, 2023 amounted to \$112,823,131, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, furniture and equipment and right-to-use subscription and lease assets. The total increase in the District's investment in capital assets for the current fiscal year was \$11,914,245 or 11.81%. The increase was the result of current year capital assets additions in excess of depreciation expense and the net book value of disposed of capital assets. Current year capital additions were \$24,967,034 and depreciation expense and the net book value of disposed of capital assets was \$13,052,789.

Major capital additions for the current fiscal year included the following:

- | | |
|--|-------------|
| • Charles Boehm Middle School renovation project | \$8,624,609 |
| • Falcon Field stadium project | \$5,491,472 |
| • District-wide GESA project | \$3,449,398 |

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$189,958,526 consisting of \$143,860,000 in bonds payable, \$28,599,000 in notes payable, bond premiums of \$17,582,560 and bond discounts of \$74,034. 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 \$27,203,162 or 16.71% during the fiscal year.

On July 18, 2022, the District issued \$28,990,000 of general obligation notes, Series of 2022B, the proceeds from which were used to (1) advance refund a portion of the District's outstanding general obligation bonds, Series of 2016 in the amount of \$27,620,000 and (2) 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.

PENNSBURY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

On June 15, 2023, the District issued \$34,610,000 of general obligation bonds, Series of 2023, the proceeds from which will be used to finance the costs of (1) the second phase of improvements to the District's athletic fields; (2) capital improvements to the Charles Boehm Middle School, including an addition, to and expansion thereof; (3) certain repairs or capital improvements to various District facilities, including, but not limited to, the construction of improvements that are designed to reduce energy consumption; and (4) to pay the cost of issuing bonds.

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 \$189,958,526 is within the current debt limitation of the District which was \$510,034,647 as of June 30, 2023.

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 \$311,655,641 as of June 30, 2023. The District's net pension liability increased by \$28,035,750 or 9.88% 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 \$26,354,104 as of June 30, 2023. The District's OPEB liability decreased by \$3,905,985 or 12.91% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for compensated absences, subscription liabilities, and right-to-use leases payable, which totaled \$4,438,477 as of June 30, 2023. These liabilities increased by \$1,464,191 or 49.23% 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 affects its financial health in the future:

- District enrollment for 2022-2023 school year was 9,639. This is a slight decrease from the 2021-2022 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 35.26% in 2022-2023. The employer contribution rate decreased to 34.00% for the 2023-2024 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**"). In November 2021, the District entered into an agreement with the PEA effective July 1, 2022 through June 30, 2026. In December 2023, the District and the PEA entered into an agreement for an extension through June 30, 2031.
- 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 through June 30, 2022. In October 2021, the District entered into an agreement with the PESPA effective July 1, 2022 through June 30, 2027. In December 2023, the District and the PESPA entered into an agreement for an extension through June 30, 2032.

PENNSBURY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

- Non-represented employees are covered by compensation plans for administrators and support staff, respectively. The compensation plan for administrators and confidential employees. expired on June 30, 2023. In May 2023, the compensation plan for administrators was renewed from July 1, 2023 through June 30, 2028.
- The District adopted a General Fund budget for 2023-2024 totaling \$243,614,136 does not use any fund balance appropriation to balance the budget. The real estate tax rate of 186.284 mills for 2023-2024 represents an increase of 4.10%.
- The District's twenty-year capital plan includes approximately \$415,000,000 in planned projects.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

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

PENNSBURY SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)

June 30, 2023 with summarized comparative totals for 2022

| | Governmental Activities | Business-type Activities | Totals | |
|--|----------------------------|-----------------------------|-------------------------|-------------------------|
| | | | 2023 | 2022 |
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | | |
| CURRENT ASSETS | | | | |
| Cash | \$ 50,032,513 | \$ 6,917,451 | \$ 56,949,964 | \$ 21,599,162 |
| Investments | 37,863,447 | - | 37,863,447 | 42,131,077 |
| Taxes receivable | 1,319,562 | - | 1,319,562 | 2,947,959 |
| Internal balances | 4,142,378 | (4,142,378) | - | - |
| Due from other governments | 13,334,820 | 113,689 | 13,448,509 | 11,691,876 |
| Other receivables | 860,548 | 47,848 | 908,396 | 806,428 |
| Prepaid expenses | 993,927 | - | 993,927 | 1,500,081 |
| Inventories | - | 54,195 | 54,195 | 63,566 |
| Total current assets | 108,547,195 | 2,990,805 | 111,538,000 | 80,740,149 |
| NONCURRENT ASSETS | | | | |
| Capital assets, net | 112,538,345 | 284,786 | 112,823,131 | 100,908,886 |
| Total assets | 221,085,540 | 3,275,591 | 224,361,131 | 181,649,035 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred amounts on debt refunding | 3,216,725 | - | 3,216,725 | 2,252,864 |
| Deferred charges on proportionate share of OPEB - PSERS and single employer | 5,306,139 | - | 5,306,139 | 5,840,831 |
| Deferred charges on proportionate share of pension - PSERS | 49,380,359 | - | 49,380,359 | 49,586,544 |
| Total deferred outflows of resources | 57,903,223 | - | 57,903,223 | 57,680,239 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT) | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable | 12,638,411 | 17,389 | 12,655,800 | 4,452,137 |
| Accrued salaries, payroll withholdings and benefits | 30,123,922 | - | 30,123,922 | 28,305,957 |
| Unearned revenue | 502,813 | 201,683 | 704,496 | 257,237 |
| Other current liabilities | 195,527 | 47,278 | 242,805 | 2,085,408 |
| Accrued interest | 2,553,434 | - | 2,553,434 | 1,866,381 |
| Total current liabilities | 46,014,107 | 266,350 | 46,280,457 | 36,967,120 |
| NONCURRENT LIABILITIES | | | | |
| Due within one year | 13,367,435 | - | 13,367,435 | 12,599,702 |
| Due in more than one year | 519,039,313 | - | 519,039,313 | 467,009,928 |
| Total noncurrent liabilities | 532,406,748 | - | 532,406,748 | 479,609,630 |
| Total liabilities | 578,420,855 | 266,350 | 578,687,205 | 516,576,750 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred credits on proportionate share of OPEB - PSERS and single employer | 4,827,270 | - | 4,827,270 | 1,009,493 |
| Deferred credits on proportionate share of pension - PSERS | 9,018,000 | - | 9,018,000 | 50,424,000 |
| Total deferred inflows of resources | 13,845,270 | - | 13,845,270 | 51,433,493 |
| NET POSITION (DEFICIT) | | | | |
| Net investment in capital assets | (42,627,178) | 284,786 | (42,342,392) | (45,074,479) |
| Restricted | 11,701,649 | - | 11,701,649 | 7,766,028 |
| Unrestricted (deficit) | (282,351,833) | 2,724,455 | (279,627,378) | (291,372,518) |
| Total net position (deficit) | \$ (313,277,362) | \$ 3,009,241 | \$ (310,268,121) | \$ (328,680,969) |

See accompanying notes

PENNSBURY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2023 with summarized comparative totals for 2022

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | |
|---|-----------------------|---------------------|----------------------|-------------|---|---------------------|-------------------------|-------------------------|
| | Expenses | Charges | Operating | Capital | Governmental | Business-type | Totals | |
| | | for | Grants and | Grants and | | | Activities | Activities |
| | Services | Contributions | Contributions | | | | | |
| GOVERNMENTAL ACTIVITIES | | | | | | | | |
| Instruction | \$ 141,165,641 | \$ 131,751 | \$ 31,939,685 | \$ - | \$ (109,094,205) | \$ - | \$ (109,094,205) | \$ (101,191,616) |
| Instructional student support | 17,419,363 | - | 1,948,229 | - | (15,471,134) | - | (15,471,134) | (14,633,687) |
| Administrative and financial support | 17,261,530 | - | 2,113,230 | - | (15,148,300) | - | (15,148,300) | (14,894,797) |
| Operation and maintenance of plant services | 17,215,769 | 407,822 | 1,785,350 | - | (15,022,597) | - | (15,022,597) | (14,115,359) |
| Pupil transportation | 9,806,340 | - | 3,068,917 | - | (6,737,423) | - | (6,737,423) | (6,471,651) |
| Student activities | 1,997,097 | 934,283 | 209,308 | - | (853,506) | - | (853,506) | (660,629) |
| Community services | 215,571 | - | - | - | (215,571) | - | (215,571) | (197,286) |
| Interest and amortization expense related to noncurrent liabilities | 4,650,605 | - | 1,783,908 | - | (2,866,697) | - | (2,866,697) | (3,072,916) |
| Unallocated depreciation | 9,969,183 | - | - | - | (9,969,183) | - | (9,969,183) | (9,802,391) |
| Total governmental activities | 219,701,099 | 1,473,856 | 42,848,627 | - | (175,378,616) | - | (175,378,616) | (165,040,332) |
| BUSINESS-TYPE ACTIVITIES | | | | | | | | |
| Food service | 4,368,379 | 1,744,281 | 3,167,478 | - | - | 543,380 | 543,380 | 1,826,788 |
| Community services | 16,647 | 20,575 | - | - | - | 3,928 | 3,928 | 7,739 |
| Total business-type activities | 4,385,026 | 1,764,856 | 3,167,478 | - | - | 547,308 | 547,308 | 1,834,527 |
| Total primary government | \$ 224,086,125 | \$ 3,238,712 | \$ 46,016,105 | \$ - | (175,378,616) | 547,308 | (174,831,308) | (163,205,805) |
| GENERAL REVENUES | | | | | | | | |
| Property taxes levied for general purposes | | | | | 160,998,919 | - | 160,998,919 | 157,284,451 |
| Other taxes levied for general purposes | | | | | 4,705,056 | - | 4,705,056 | 5,190,200 |
| Grants and entitlements not restricted to specific programs | | | | | 23,596,712 | - | 23,596,712 | 21,184,537 |
| Investment earnings | | | | | 3,430,530 | 19 | 3,430,549 | 78,534 |
| Miscellaneous | | | | | 513,170 | (250) | 512,920 | 1,186,319 |
| Total general revenues | | | | | 193,244,387 | (231) | 193,244,156 | 184,924,041 |
| CHANGE IN NET POSITION (DEFICIT) | | | | | 17,865,771 | 547,077 | 18,412,848 | 21,718,236 |
| NET POSITION (DEFICIT) | | | | | | | | |
| Beginning of year | | | | | (331,143,133) | 2,462,164 | (328,680,969) | (350,399,205) |
| End of year | | | | | \$ (313,277,362) | \$ 3,009,241 | \$ (310,268,121) | \$ (328,680,969) |

See accompanying notes

PENNSBURY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2023 with summarized comparative totals for 2022

| | Major Funds | | | | Totals | |
|---|----------------------|----------------------|---------------------|-------------------|-----------------------|----------------------|
| | General | Capital | Debt | Student | 2023 | 2022 |
| | Fund | Projects | Service | Sponsored | | |
| | | | | Activity | | |
| | | | | Fund | | |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 8,928,757 | \$ 36,145,898 | \$ 3,963,960 | \$ 993,898 | \$ 50,032,513 | \$ 20,618,086 |
| Investments | 29,006,893 | 6,333,746 | 2,522,808 | - | 37,863,447 | 42,131,077 |
| Taxes receivable | 1,319,562 | - | - | - | 1,319,562 | 2,947,959 |
| Due from other funds | 4,398,481 | 4,248,534 | - | - | 8,647,015 | 1,797,954 |
| Due from other governments | 13,334,820 | - | - | - | 13,334,820 | 10,795,379 |
| Other receivables | 860,548 | - | - | - | 860,548 | 770,847 |
| Prepaid items | 993,927 | - | - | - | 993,927 | 1,500,081 |
| Total assets | \$ 58,842,988 | \$ 46,728,178 | \$ 6,486,768 | \$ 993,898 | \$ 113,051,832 | \$ 80,561,383 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 3,801,077 | \$ 8,789,904 | \$ - | \$ 47,430 | \$ 12,638,411 | \$ 4,433,093 |
| Due to other funds | 4,248,534 | 254,741 | - | 1,362 | 4,504,637 | 2,308,570 |
| Unearned revenue | 502,813 | - | - | - | 502,813 | 47,909 |
| Accrued salaries, payroll withholdings and benefits | 30,123,922 | - | - | - | 30,123,922 | 28,305,957 |
| Other payables | 195,527 | - | - | - | 195,527 | 1,992,385 |
| Total liabilities | 38,871,873 | 9,044,645 | - | 48,792 | 47,965,310 | 37,087,914 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable revenues - property taxes | 709,325 | - | - | - | 709,325 | 1,839,591 |
| FUND BALANCES | | | | | | |
| Nonspendable | | | | | | |
| Inventories | - | - | - | - | - | - |
| Prepaid items | 993,927 | - | - | - | 993,927 | 1,500,081 |
| Restricted for | | | | | | |
| Capital projects | - | 37,683,533 | - | - | 37,683,533 | 15,720,243 |
| Debt service | - | - | 6,486,768 | - | 6,486,768 | 6,255,970 |
| Student activities | - | - | - | 945,106 | 945,106 | 905,916 |
| Committed to | | | | | | |
| Fund balance appropriation | - | - | - | - | - | 1,237,284 |
| Unassigned | 18,267,863 | - | - | - | 18,267,863 | 16,014,384 |
| Total fund balances | 19,261,790 | 37,683,533 | 6,486,768 | 945,106 | 64,377,197 | 41,633,878 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 58,842,988 | \$ 46,728,178 | \$ 6,486,768 | \$ 993,898 | \$ 113,051,832 | \$ 80,561,383 |

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, 2023

| | |
|---|-------------------------------|
| TOTAL GOVERNMENTAL FUND BALANCES | \$ 64,377,197 |
| <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. | 112,538,345 |
| 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). | 3,216,725 |
| 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. | 40,841,228 |
| 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. | 709,325 |
| Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet. | (532,406,748) |
| Accrued interest payable on long-term liabilities is included in the statement of net position (deficit), but is excluded from the governmental funds balance sheet until due and payable. | <u>(2,553,434)</u> |
| NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES | <u>\$(313,277,362)</u> |

PENNSBURY SCHOOL DISTRICT

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

Year ended June 30, 2023 with summarized comparative totals for 2022

| | Major Funds | | | | Totals | |
|--|----------------------|----------------------|---------------------|-------------------|----------------------|----------------------|
| | General | Capital | Debt | Student | 2023 | 2022 |
| | Fund | Projects | Service | Sponsored | | |
| | | | | Activity | | |
| | | | | Fund | | |
| REVENUES | | | | | | |
| Local sources | \$ 171,122,198 | \$ 499,695 | \$ 223,544 | \$ 934,283 | \$ 172,779,720 | \$ 165,586,565 |
| State sources | 59,015,007 | - | - | - | 59,015,007 | 53,931,744 |
| Federal sources | 6,864,516 | - | - | - | 6,864,516 | 8,810,256 |
| Total revenues | <u>237,001,721</u> | <u>499,695</u> | <u>223,544</u> | <u>934,283</u> | <u>238,659,243</u> | <u>228,328,565</u> |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Instruction | 149,853,720 | 2,263,859 | - | - | 152,117,579 | 147,395,555 |
| Support services | 64,252,836 | 556,524 | 135,055 | - | 64,944,415 | 62,254,952 |
| Operation of noninstructional services | 1,409,992 | - | - | 895,093 | 2,305,085 | 1,931,618 |
| Facilities acquisition, construction and improvement services | 18,656 | 20,084,345 | - | - | 20,103,001 | 5,627,247 |
| Debt service | 16,745,835 | 74,411 | - | - | 16,820,246 | 15,229,330 |
| Total expenditures | <u>232,281,039</u> | <u>22,979,139</u> | <u>135,055</u> | <u>895,093</u> | <u>256,290,326</u> | <u>232,438,702</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>4,720,682</u> | <u>(22,479,444)</u> | <u>88,489</u> | <u>39,190</u> | <u>(17,631,083)</u> | <u>(4,110,137)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Refund of prior year receipts | (30,100) | - | - | - | (30,100) | (29,483) |
| Insurance recoveries | 75,247 | - | - | - | 75,247 | 11,231 |
| Issuance of debt | - | 34,610,000 | - | - | 34,610,000 | 13,755,000 |
| Issuance of debt - refunding | - | - | 28,990,000 | - | 28,990,000 | 26,975,000 |
| Payment of debt - refunding | - | - | (28,854,945) | - | (28,854,945) | (29,588,059) |
| Bond premiums | - | 3,521,158 | - | - | 3,521,158 | 4,273,201 |
| Proceeds from leases and other right-to-use arrangements | - | 2,063,042 | - | - | 2,063,042 | 792,000 |
| Transfers in | - | 4,248,534 | 7,254 | - | 4,255,788 | 5,533,722 |
| Transfers out | (4,255,788) | - | - | - | (4,255,788) | (5,533,722) |
| Total other financing sources (uses) | <u>(4,210,641)</u> | <u>44,442,734</u> | <u>142,309</u> | <u>-</u> | <u>40,374,402</u> | <u>16,188,890</u> |
| NET CHANGE IN FUND BALANCES | 510,041 | 21,963,290 | 230,798 | 39,190 | 22,743,319 | 12,078,753 |
| FUND BALANCES | | | | | | |
| Beginning of year | 18,751,749 | 15,720,243 | 6,255,970 | 905,916 | 41,633,878 | 29,555,125 |
| End of year | <u>\$ 19,261,790</u> | <u>\$ 37,683,533</u> | <u>\$ 6,486,768</u> | <u>\$ 945,106</u> | <u>\$ 64,377,197</u> | <u>\$ 41,633,878</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, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 22,743,319

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 capital outlays in excess of depreciation expense and disposed of capital assets in the current period.

| | | |
|---|---------------------|------------|
| Capital outlay expenditures | \$ 24,936,755 | |
| Net book value of disposed capital assets | (55,890) | |
| Depreciation expense | <u>(12,955,183)</u> | 11,925,682 |

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, 2022 | (1,839,591) | |
| Deferred inflows of resources June 30, 2023 | <u>709,325</u> | (1,130,266) |

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 | (34,610,000) | |
| Issuance of debt - refunding | (28,990,000) | |
| Proceeds from leases payable | (1,726,940) | |
| Proceeds from subscriptions payable | (336,102) | |
| Proceeds from bond premiums | (3,521,158) | |
| Repayment of bonds payable | 37,750,000 | |
| Repayment of notes payable | 400,000 | |
| Repayment of leases payable | 713,336 | |
| Repayment of subscriptions payable | 109,192 | |
| Payment of deferred amounts on refunding | 1,577,691 | |
| Amortization of discounts, premiums and deferred amounts on debt refunding | <u>1,154,166</u> | (27,479,815) |

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 | (687,053) | |
| Current year change in compensated absences | (223,677) | |
| Current year change in net pension liability - PSERS and deferred outflows and inflows | 13,164,065 | |
| Current year change in OPEB liability - single employer and deferred outflows and inflows | (843,723) | |
| Current year change in net OPEB liability - PSERS and deferred outflows and inflows | <u>397,239</u> | <u>11,806,851</u> |

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES **\$ 17,865,771**

See accompanying notes

PENNSBURY SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2023 with summarized comparative totals for 2022

| | <u>Major Fund</u> | | <u>Totals</u> | |
|-------------------------------------|--------------------------|--------------------------------|---------------------|---------------------|
| | <u>Food Service Fund</u> | <u>Community Services Fund</u> | <u>2023</u> | <u>2022</u> |
| | | | | |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash | \$ 6,871,762 | \$ 45,689 | \$ 6,917,451 | \$ 981,076 |
| Due from other governments | 113,689 | - | 113,689 | 896,497 |
| Due from other funds | - | - | - | 524,848 |
| Other receivables | 47,848 | - | 47,848 | 35,581 |
| Inventories | 54,195 | - | 54,195 | 63,566 |
| Total current assets | <u>7,087,494</u> | <u>45,689</u> | <u>7,133,183</u> | <u>2,501,568</u> |
| NONCURRENT ASSETS | | | | |
| Capital assets, net | 284,786 | - | 284,786 | 296,223 |
| Total assets | <u>7,372,280</u> | <u>45,689</u> | <u>7,417,969</u> | <u>2,797,791</u> |
| LIABILITIES AND NET POSITION | | | | |
| LIABILITIES | | | | |
| Due to other funds | 4,112,129 | 30,249 | 4,142,378 | 14,232 |
| Accounts payable | 17,389 | - | 17,389 | 19,044 |
| Unearned revenue | 201,683 | - | 201,683 | 209,328 |
| Other current liabilities | 47,278 | - | 47,278 | 93,023 |
| Total liabilities | <u>4,378,479</u> | <u>30,249</u> | <u>4,408,728</u> | <u>335,627</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 284,786 | - | 284,786 | 296,223 |
| Unrestricted | 2,709,015 | 15,440 | 2,724,455 | 2,165,941 |
| Total net position | <u>\$ 2,993,801</u> | <u>\$ 15,440</u> | <u>\$ 3,009,241</u> | <u>\$ 2,462,164</u> |

See accompanying notes

PENNSBURY SCHOOL DISTRICT

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

June 30, 2023 with summarized comparative totals for 2022

| | <u>Major Fund</u> | | <u>Totals</u> | |
|---|--------------------------|--------------------------------|---------------------|---------------------|
| | <u>Food Service Fund</u> | <u>Community Services Fund</u> | <u>2023</u> | <u>2022</u> |
| | | | | |
| OPERATING REVENUES | | | | |
| Charges for services | \$ 1,744,281 | \$ 20,575 | \$ 1,764,856 | \$ 354,794 |
| OPERATING EXPENSES | | | | |
| Salaries and wages | - | 12,017 | 12,017 | 11,976 |
| Employee benefits | - | 1,048 | 1,048 | 670 |
| Purchased professional and technical services | - | 1,428 | 1,428 | 1,759 |
| Other purchased services | 4,034,016 | 935 | 4,034,951 | 3,726,134 |
| Supplies | 292,647 | 1,219 | 293,866 | 223,180 |
| Depreciation | 41,716 | - | 41,716 | 45,675 |
| Total operating expenses | <u>4,368,379</u> | <u>16,647</u> | <u>4,385,026</u> | <u>4,009,394</u> |
| Operating income (loss) | <u>(2,624,098)</u> | <u>3,928</u> | <u>(2,620,170)</u> | <u>(3,654,600)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Earnings on investments | - | 19 | 19 | 2 |
| Refund of prior year receipts | (250) | - | (250) | - |
| State sources | 382,991 | - | 382,991 | 151,603 |
| Federal sources | 2,784,487 | - | 2,784,487 | 5,337,524 |
| Total nonoperating revenues (expenses) | <u>3,167,228</u> | <u>19</u> | <u>3,167,247</u> | <u>5,489,129</u> |
| CHANGE IN NET POSITION | 543,130 | 3,947 | 547,077 | 1,834,529 |
| NET POSITION | | | | |
| Beginning of year | <u>2,450,671</u> | <u>11,493</u> | <u>2,462,164</u> | <u>627,635</u> |
| End of year | <u>\$ 2,993,801</u> | <u>\$ 15,440</u> | <u>\$ 3,009,241</u> | <u>\$ 2,462,164</u> |

See accompanying notes

PENNSBURY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2023 with summarized comparative totals for 2022

| | <u>Major Fund</u> | | <u>Totals</u> | |
|---|--------------------------|--------------------------------|---------------------|-----------------------|
| | <u>Food Service Fund</u> | <u>Community Services Fund</u> | <u>2023</u> | <u>2022</u> |
| | | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash received from charges for services | \$ 1,732,014 | \$ 20,575 | \$ 1,752,589 | \$ 353,945 |
| Cash payments to employees for services | - | 2,952 | 2,952 | 1,586 |
| Cash payments to supplies for goods and services | 557,885 | (3,582) | 554,303 | (4,523,642) |
| Net cash provided by (used for) operating activities | <u>2,289,899</u> | <u>19,945</u> | <u>2,309,844</u> | <u>(4,168,111)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Refund of prior year receipts | (250) | - | (250) | - |
| State sources | 427,898 | - | 427,898 | 140,685 |
| Federal sources | 3,229,143 | - | 3,229,143 | 4,650,343 |
| Net cash provided by noncapital financing activities | <u>3,656,791</u> | <u>-</u> | <u>3,656,791</u> | <u>4,791,028</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition of capital assets | (30,279) | - | (30,279) | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Earnings on investments | - | 19 | 19 | 2 |
| Net increase in cash | <u>5,916,411</u> | <u>19,964</u> | <u>5,936,375</u> | <u>622,919</u> |
| CASH | | | | |
| Beginning of year | <u>955,351</u> | <u>25,725</u> | <u>981,076</u> | <u>358,157</u> |
| Ending of year | <u>\$ 6,871,762</u> | <u>\$ 45,689</u> | <u>\$ 6,917,451</u> | <u>\$ 981,076</u> |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | | | |
| Operating income (loss) | \$ (2,624,098) | \$ 3,928 | \$ (2,620,170) | \$ (3,654,600) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities | | | | |
| Depreciation | 41,716 | - | 41,716 | 45,675 |
| Donated commodities used | 293,245 | - | 293,245 | 222,458 |
| (Increase) decrease in | | | | |
| Other receivables | (12,267) | - | (12,267) | (849) |
| Inventories | 9,371 | - | 9,371 | (2,797) |
| Due from other funds | 524,848 | - | 524,848 | (961,142) |
| Prepaid expenses | - | - | - | - |
| Increase (decrease) in | | | | |
| Accounts payable | (47,400) | - | (47,400) | (22,691) |
| Due to other funds | 4,112,129 | 16,017 | 4,128,146 | 14,232 |
| Unearned revenue | (7,645) | - | (7,645) | 191,603 |
| Net cash provided by (used for) operating activities | <u>\$ 2,289,899</u> | <u>\$ 19,945</u> | <u>\$ 2,309,844</u> | <u>\$ (4,168,111)</u> |
| SUPPLEMENTAL DISCLOSURE | | | | |
| Noncash noncapital financing activity | | | | |
| USDA donated commodities | <u>\$ 293,245</u> | <u>\$ -</u> | <u>\$ 293,245</u> | <u>\$ 222,458</u> |

See accompanying notes

PENNSBURY SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2023 with summarized comparative totals for 2022

| | Private- Purpose Trust | Custodial Fund | Totals | |
|---|---------------------------------------|---------------------------|--------------------|--------------------|
| | | | <u>2023</u> | <u>2022</u> |
| ASSETS | | | | |
| Cash | <u>\$ 26,369</u> | <u>\$ 231,402</u> | <u>\$ 257,771</u> | <u>\$ 239,497</u> |
| LIABILITIES | | | | |
| Accounts payable | <u>-</u> | <u>27,263</u> | <u>27,263</u> | <u>8,137</u> |
| NET POSITION | | | | |
| Net position held in trust for scholarships | 26,369 | - | 26,369 | 23,162 |
| Restricted for student activities | <u>-</u> | <u>204,139</u> | <u>204,139</u> | <u>208,198</u> |
| Total net position | <u>\$ 26,369</u> | <u>\$ 204,139</u> | <u>\$ 230,508</u> | <u>\$ 231,360</u> |

PENNSBURY SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended June 30, 2023 with summarized comparative totals for 2022

| | Private- Purpose Trust | Custodial Fund | Totals | |
|----------------------------------|------------------------------|-------------------|-------------------|-------------------|
| | | | 2023 | 2022 |
| ADDITIONS | | | | |
| Contributions | \$ 22,952 | \$ - | \$ 22,952 | \$ 14,650 |
| Receipts from student groups | - | 347,118 | 347,118 | 335,299 |
| Investment earnings | 1,005 | - | 1,005 | 53 |
| Total additions | <u>23,957</u> | <u>347,118</u> | <u>371,075</u> | <u>350,002</u> |
| DEDUCTIONS | | | | |
| Scholarships awarded | 20,750 | - | 20,750 | 20,250 |
| Student activities disbursements | - | 351,177 | 351,177 | 300,763 |
| Total deductions | <u>20,750</u> | <u>351,177</u> | <u>371,927</u> | <u>321,013</u> |
| CHANGE IN NET POSITION | 3,207 | (4,059) | (852) | 28,989 |
| NET POSITION | | | | |
| Beginning of year | <u>23,162</u> | <u>208,198</u> | <u>231,360</u> | <u>202,371</u> |
| End of year | <u>\$ 26,369</u> | <u>\$ 204,139</u> | <u>\$ 230,508</u> | <u>\$ 231,360</u> |

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(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, 2023

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, 2023

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, 2023

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 2022-2023 was 178.947 mills (\$178.947 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, 2023

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, 2023.

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, 2023

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.

The School Board has a policy to maintain the General Fund unassigned fund balance of not less than 5% and not more than 8% of the budgeted expenditures for that fiscal year.

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, 2022, from which the summarized information was derived.

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2022, the District adopted the provisions of GASB Statement No. 94 "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*" and GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*".

The objective of GASB Statement No. 94 is to improve 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. The implementation of GASB Statement No. 94 had no impact on the financial statements of the District for the year ended June 30, 2023.

The objective of GASB Statement No. 96 is to provide 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. As a result of the implementation of Statement No. 96, the District recognized its right-to-use subscription assets and corresponding subscription liabilities for the year ended June 30, 2023.

New Accounting Pronouncements

GASB Statement No. 100, "*Accounting Changes and Error Corrections*" will be effective for the District for the year ended June 30, 2024. GASB Statement No. 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, "*Compensated Absences*" will be effective for the District for the year ended June 30, 2025. GASB Statement No. 101 will update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. GASB Statement No. 101 will require that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

(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.

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

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

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

(3) DEPOSITS AND INVESTMENTS

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

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, 2023, the carrying amount of the District's deposits was \$57,207,735 and the bank balance was \$58,843,871. 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, \$500,000 was covered by federal depository insurance and \$9,960,740 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, 2023, PSDLAF and PLGIT were rated as AAA by a nationally recognized statistical rating agency.

Investments

At June 30, 2023, 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 | \$ 750,314 | \$ - | \$ 750,314 | \$ - | \$ - |
| U.S. treasury securities | 12,633,967 | 9,884,715 | 2,749,252 | - | - |
| PSDLAF collateralized investment pools | <u>24,479,166</u> | <u>24,479,166</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$37,863,447</u> | <u>\$34,363,881</u> | <u>\$3,499,566</u> | <u>\$ -</u> | <u>\$ -</u> |

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2023.

Interest Rate Risk

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

Credit Risk

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

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 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 | 9,358,410 | - | - | 9,358,410 |
| Buildings and improvements | 258,432,927 | 14,503,203 | - | 272,936,130 |
| Furniture and equipment | 52,325,321 | 8,370,510 | 607,506 | 60,088,325 |
| Right-to-use subscription assets | 157,055 | 336,102 | - | 493,157 |
| Right-to-use lease assets | 792,000 | 1,726,940 | - | 2,518,940 |
| Total capital assets being depreciated | <u>321,065,713</u> | <u>24,936,755</u> | <u>607,506</u> | <u>345,394,962</u> |
| Less accumulated depreciation for | | | | |
| Land improvements | (7,524,983) | - | - | (7,524,983) |
| Buildings and improvements | (168,593,977) | (10,712,852) | - | (179,306,829) |
| Furniture and equipment | (46,015,288) | (1,401,300) | (551,616) | (46,864,972) |
| Right-to-use subscription asset | (83,035) | (145,296) | - | (228,331) |
| Right-to-use lease asset | (264,000) | (695,735) | - | (959,735) |
| Total accumulated depreciation | <u>(222,481,283)</u> | <u>(12,955,183)</u> | <u>(551,616)</u> | <u>(234,884,850)</u> |
| Total capital assets being depreciated, net | <u>98,584,430</u> | <u>11,981,572</u> | <u>55,890</u> | <u>110,510,112</u> |
| Governmental activities, net | <u>\$ 100,612,663</u> | <u>\$ 11,981,572</u> | <u>\$ 55,890</u> | <u>\$ 112,538,345</u> |
| Business-type activities | | | | |
| Machinery and equipment | \$ 2,409,821 | \$ 30,279 | \$ - | \$ 2,440,100 |
| Less: accumulated depreciation | (2,113,598) | (41,716) | - | (2,155,314) |
| Business-type activities, net | <u>\$ 296,223</u> | <u>\$ (11,437)</u> | <u>\$ -</u> | <u>\$ 284,786</u> |

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

| | |
|---|----------------------------|
| Governmental activities | |
| Instruction | \$ 1,039,743 |
| Instructional student support | 99,651 |
| Administrative and financial support services | 136,111 |
| Operation and maintenance of plant services | 929,314 |
| Pupil transportation | 757,156 |
| Student activities | 24,025 |
| Unallocated | <u>9,969,183</u> |
| Total depreciation expense – governmental activities | <u>\$12,955,183</u> |
| Business-type activities | |
| Food service | <u>\$ 41,716</u> |

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2023 is as follows:

| <u>Receivable To</u> | <u>Amount</u> | <u>Payable From</u> | <u>Amount</u> |
|-----------------------|---------------------------|---------------------------------|---------------------------|
| General Fund | \$ 30,249 | Community Services Fund | \$ 30,249 |
| General Fund | 4,112,129 | Food Service Fund | 4,112,129 |
| General Fund | 1,362 | Student Sponsored Activity Fund | 1,362 |
| Capital Projects Fund | 4,248,534 | General Fund | 4,248,534 |
| General Fund | <u>254,741</u> | Capital Projects Fund | <u>254,741</u> |
| | <u>\$8,647,015</u> | | <u>\$8,647,015</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, 2023 is as follows:

| <u>Transfers In</u> | <u>Amount</u> | <u>Transfers Out</u> | <u>Amount</u> |
|-----------------------|---------------------------|----------------------|---------------------------|
| Capital Projects Fund | \$4,248,534 | General Fund | \$4,248,534 |
| Debt Service Fund | <u>7,254</u> | General Fund | <u>7,254</u> |
| | <u>\$4,255,788</u> | | <u>\$4,255,788</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, 2023:

| | <u>Balance July 1, 2022</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance June 30, 2023</u> | <u>Amount Due Within One Year</u> |
|--------------------------------------|---------------------------------|--------------------------|--------------------------|----------------------------------|---|
| Governmental activities | | | | | |
| General obligation debt | | | | | |
| Bonds payable | \$147,000,000 | \$34,610,000 | \$37,750,000 | \$143,860,000 | \$10,590,000 |
| Notes payable | - | 28,990,000 | 400,000 | 28,590,000 | 40,000 |
| Bond premiums | 15,838,399 | 3,521,158 | 1,776,997 | 17,582,560 | 1,776,997 |
| Bond discounts | <u>(83,035)</u> | - | <u>(9,001)</u> | <u>(74,034)</u> | <u>(9,001)</u> |
| Total general obligation debt | <u>162,755,364</u> | <u>67,121,158</u> | <u>39,917,996</u> | <u>189,958,526</u> | <u>12,397,996</u> |

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

| | | | | | |
|---|----------------------|---------------------|---------------------|----------------------|---------------------|
| Other noncurrent liabilities | | | | | |
| Compensated absences | 2,377,320 | 223,677 | - | 2,600,997 | 182,671 |
| Subscription liabilities | 74,620 | 336,102 | 109,192 | 301,530 | 113,746 |
| Leases payable | 522,346 | 1,726,940 | 713,336 | 1,535,950 | 673,022 |
| OPEB liability | 13,897,036 | 1,214,748 | 1,676,211 | 13,435,573 | - |
| Net OPEB liability – PSERS | 16,363,053 | - | 3,444,522 | 12,918,531 | - |
| Net pension liability – PSERS | <u>283,619,891</u> | <u>28,035,750</u> | <u>-</u> | <u>311,655,641</u> | <u>-</u> |
| Total other noncurrent liabilities | <u>316,854,266</u> | <u>31,537,217</u> | <u>5,943,261</u> | <u>342,448,222</u> | <u>969,439</u> |
| Total noncurrent liabilities | <u>\$479,609,630</u> | <u>\$98,658,375</u> | <u>\$45,861,257</u> | <u>\$532,406,748</u> | <u>\$13,367,435</u> |

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

(7) GENERAL OBLIGATION DEBT

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

General obligation debt outstanding as of June 30, 2023 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 | \$ 235,000 |
| Series of 2017A | 0.950% - 3.000% | \$ 9,555,000 | 10/01/2036 | 8,085,000 |
| Series of 2018 | 1.700% - 3.250% | \$ 8,555,000 | 08/01/2033 | 8,115,000 |
| Series of 2018A | 1.900% - 4.000% | \$19,385,000 | 08/01/2023 | 9,065,000 |
| Series of 2019 | 2.000% - 4.000% | \$ 9,275,000 | 08/01/2034 | 8,540,000 |
| Series of 2019A | 2.000% - 4.000% | \$12,590,000 | 08/01/2029 | 10,665,000 |
| Series of 2020 | 3.000% - 5.000% | \$21,975,000 | 08/01/2030 | 21,640,000 |
| Series of 2020A | 2.000% - 5.000% | \$ 2,500,000 | 08/01/2040 | 2,490,000 |
| Series of 2022 | 4.000% | \$26,975,000 | 08/01/2031 | 26,660,000 |
| Series of 2022A | 3.000% - 5.000% | \$13,755,000 | 08/01/2042 | 13,755,000 |
| Series of 2023 | 4.000% - 5.000% | \$34,610,000 | 08/01/2043 | 34,610,000 |
| General obligation notes | | | | |
| Series of 2022B | 3.525% - 4.222% | \$28,990,000 | 10/01/2036 | <u>28,590,000</u> |
| Total general obligation debt | | | | <u>\$172,450,000</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> |
|-----------------------------|-----------------------------|----------------------------|-------------------------|
| 2024 | \$ 10,630,000 | \$ 6,458,124 | \$ 17,088,124 |
| 2025 | 9,955,000 | 6,730,841 | 16,685,841 |
| 2026 | 10,565,000 | 6,127,323 | 16,692,323 |
| 2027 | 10,265,000 | 5,718,529 | 15,983,529 |
| 2028 | 10,670,000 | 5,315,203 | 15,985,203 |
| 2029-2033 | 51,095,000 | 19,991,199 | 71,086,199 |
| 2034-2038 | 32,060,000 | 11,951,142 | 44,011,142 |
| 2039-2043 | 30,210,000 | 5,676,750 | 35,886,750 |
| 2044 | <u>7,000,000</u> | <u>175,000</u> | <u>7,175,000</u> |
| | <u>\$172,450,000</u> | <u>\$68,144,112</u> | <u>\$240,594,112</u> |

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

General Obligation Notes, Series of 2022B

On July 18, 2022, the District issued \$28,990,000 of general obligation notes, Series of 2022B, the proceeds from which were used to (1) advance refund a portion of the District's outstanding general obligation bonds, Series of 2016 in the amount of \$27,620,000 and (2) 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.

General Obligation Bonds, Series of 2023

On June 15, 2023, the District issued \$34,610,000 of general obligation bonds, Series of 2023, the proceeds from which will be used to finance the costs of (1) the second phase of improvements to the District's athletic fields; (2) capital improvements to the Charles Boehm Middle School, including an addition, to and expansion thereof; (3) certain repairs or capital improvements to various District facilities, including, but not limited to, the construction of improvements that are designed to reduce energy consumption; and (4) to pay the cost of issuing bonds.

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, 2023, the amount of defeased outstanding debt was as follows:

| <u>Description</u> | <u>Final Maturity</u> | <u>Principal Outstanding</u> |
|---------------------------|------------------------------|-------------------------------------|
| Series of 2016A | 04/01/2025 | <u>\$27,270,000</u> |

(8) PENSION PLAN

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

Plan Description

PSERS is a governmental cost-sharing multiple-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.

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally equal to 1.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

Contributions

Member Contributions

The contribution rates based on qualified member compensation for virtually all members are presented below:

| Member Contribution Rates | | | | |
|---------------------------|-----------------------------|---|----------------------|--|
| Membership Class | Continuous Employment Since | Defined Benefit (DB) Contribution Rate | DC Contribution Rate | Total Contribution Rate |
| T-C | Prior to July 22, 1983 | 5.25% | N/A | 5.25% |
| | | | | 6.25% |
| T-C | On or after July 22, 1983 | 6.25% | N/A | 6.25% |
| T-D | Prior to July 22, 1983 | 6.50% | N/A | 6.50% |
| T-D | On or after July 22, 1983 | 7.50% | N/A | 7.50% |
| T-E | On or after July 1, 2011 | 7.50% base rate with shared risk provision | N/A | Prior to 7/1/21: 7.50% After 7/1/21: 8.00% |
| T-F | On or after July 1, 2011 | 10.30% base rate with shared risk provision | N/A | Prior to 7/1/21: 10.30% After 7/1/21: 10.8% |
| T-G | On or after July 1, 2019 | 5.50% base rate with shared risk provision | 2.75% | Prior to 7/1/21: 8.25% After 7/1/21: 9.00% |
| T-H | On or after July 1, 2019 | 4.50% base rate with shared risk provision | 3.00% | Prior to 7/1/21: 7.50% After 7/1/21: 8.25% |
| DC | On or after July 1, 2019 | N/A | 7.50% | 7.50% |

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

| Shared Risk Program Summary | | | | |
|-----------------------------|--------------------------------|-----------------------|---------|---------|
| Membership Class | Defined Benefit (DB) Base Rate | Shared Risk Increment | Minimum | Maximum |
| T-E | 7.50% | +/-0.50% | 5.50% | 9.50% |
| T-F | 10.30% | +/-0.50% | 8.30% | 12.30% |
| T-G | 5.50% | +/-0.75% | 2.50% | 8.50% |
| T-H | 4.50% | +/-0.75% | 1.50% | 7.50% |

Employer Contributions

The District’s contractually required contribution rate for fiscal year ended June 30, 2023 was 34.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$36,358,359 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$311,655,641 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022. 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, 2023, the District's proportion was 0.7010 percent, which was an increase of 0.0102 percent from its proportion measured as of June 30, 2022. As of June 30, 2023, 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, 2023, the District recognized net pension expense of \$23,045,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|--|---|
| Difference between expected and actual experience | \$ 141,000 | \$2,696,000 |
| Changes in assumptions | 9,306,000 | - |
| Net difference between projected and actual investment earnings | - | 5,287,000 |
| Changes in proportions | 3,575,000 | 1,035,000 |
| Contributions subsequent to the measurement date | <u>36,358,359</u> | <u>-</u> |
| | <u>\$49,380,359</u> | <u>\$9,018,000</u> |

\$36,358,359 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, 2024. 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,

| | |
|------|----------------------------|
| 2024 | \$ 1,800,000 |
| 2025 | 1,769,000 |
| 2026 | (6,944,000) |
| 2027 | <u>7,379,000</u> |
| | <u>\$ 4,004,000</u> |

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Actuarial Assumptions

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

- Valuation date – June 30, 2021
- Actuarial cost method – entry age normal – level % of pay
- Investment return – 7.00%, includes inflation at 2.75%
- 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 was 7.00% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates - Previously based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are 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 actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2020.

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

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Global public equity | 28.0 % | 5.3% |
| Private equity | 12.0 % | 8.0% |
| Fixed income | 33.0 % | 2.3% |
| Commodities | 9.0 % | 2.3% |
| Infrastructure/MLPs | 9.0 % | 5.4% |
| Real estate | 11.0 % | 4.6% |
| Absolute return | 6.0 % | 3.5% |
| Cash | 3.0 % | 0.5% |
| Leverage | (11.0)% | 0.5% |
| | <u>100.0 %</u> | |

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

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 pension 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</u> <u>6.00%</u> | <u>Current</u> <u>Discount</u> <u>Rate</u> <u>7.00%</u> | <u>1% Increase</u> <u>8.00%</u> |
|---|------------------------------------|--|------------------------------------|
| District's proportionate share of the net pension liability | <u>\$403,105,525</u> | <u>\$311,655,641</u> | <u>\$234,552,546</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 PSERS' 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.

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.

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

OPEB Liability

The District's OPEB liability has been measured as of June 30, 2023. 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 \$13,435,573, all of which is unfunded. As of June 30, 2023, 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, 2023 was as follows:

| | |
|--|---------------------|
| Balances as of July 1, 2022 | \$13,897,036 |
| Changes for the year: | |
| Service cost | 914,572 |
| Interest | 300,176 |
| Changes in assumptions | (1,267,608) |
| Differences between expected and actual experience | - |
| Benefit payments | <u>(408,603)</u> |
| Net changes | <u>(461,463)</u> |
| Balance as of June 30, 2023 | <u>\$13,435,573</u> |

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$1,414,076. At June 30, 2023, 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 | \$ 967,372 | \$ 262,306 |
| Changes of assumptions | 1,087,244 | 1,184,964 |
| Contributions subsequent to the measurement date | <u>570,353</u> | <u>-</u> |
| | <u>\$2,624,969</u> | <u>\$1,447,270</u> |

The \$570,353 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:

| <u>Year ended June 30,</u> | |
|-----------------------------------|-------------------|
| 2024 | \$ 199,328 |
| 2025 | 199,328 |
| 2026 | 199,331 |
| 2027 | 257,959 |
| 2028 | 85,836 |
| Thereafter | <u>(334,436)</u> |
| | <u>\$ 607,346</u> |

PENNSBURY SCHOOL DISTRICT

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June 30, 2023

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

The following presents the OPEB liability for June 30, 2023, 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>\$12,153,881</u> | <u>\$13,435,573</u> | <u>\$14,953,012</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 3.54%, as well as what the net OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (2.54%) or 1 percentage point higher (4.54%) than the current rate:

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|----------------|---------------------------|-------------------------------------|---------------------------|
| | <u>2.54%</u> | <u>3.54%</u> | <u>4.54%</u> |
| OPEB liability | <u>\$14,747,849</u> | <u>\$13,435,573</u> | <u>\$12,261,245</u> |

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2023, was determined by rolling forward the OPEB liability as of July 1, 2021 to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal as a percentage of pay
- Mortality rates were based on the Pri.H-2012 total dataset mortality table projected using scale MP-2021.
- Discount rate – 3.54% – Bond Buyers 20-Bond Index. The discount rate changed from 2.16% to 3.54%.
- Inflation rate – 3.00%
- 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

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, 2022, 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:

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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- 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

For Class DC members to become eligible for health insurance premium assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

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.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.75% 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 \$790,170 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$12,918,531 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022. 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, 2023, the District's proportion was 0.7018 percent, which was an increase of 0.0114 percent from its proportion measured as of June 30, 2022. As of June 30, 2023, 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, 2023, the District recognized OPEB expense of \$390,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|--|---|
| Difference between expected and actual experience | \$ 119,000 | \$ 69,000 |
| Changes in assumptions | 1,434,000 | 3,051,000 |
| Net difference between projected and actual investment earnings | 35,000 | - |
| Changes in proportions | 303,000 | 260,000 |
| Contributions subsequent to the measurement date | <u>790,170</u> | <u>-</u> |
| | <u>\$2,681,170</u> | <u>\$3,380,000</u> |

\$790,170 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, 2024. 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

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June 30, 2023

Year ended June 30,

| | |
|------|-----------------------------|
| 2024 | \$ (314,000) |
| 2025 | (278,000) |
| 2026 | (238,000) |
| 2027 | (303,000) |
| 2028 | <u>(356,000)</u> |
| | <u><u>\$(1,489,000)</u></u> |

Actuarial Assumptions

The total net OPEB liability as of June 30, 2022, was determined by rolling forward the PSERS' total 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 – 4.09% – 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, 2022 valuation were based on the results of an actuarial experience study that was performed for the year period ending June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 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: the actual data for retirees benefiting under the OPEB plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- 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.

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

| <u>OPEB – Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------|--------------------------|---|
| Cash | <u>100.00%</u> | 0.50% |

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, 2022.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.09%. 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 4.09% which represents the Standard & Poors 20-year municipal bond rate at June 30, 2022, 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, 2022, 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, 2022, calculated using current healthcare cost trends as well as what net OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

| | <u>1% Decrease</u> | <u>Trend Rate</u> | <u>1% Increase</u> |
|--|---------------------|---------------------|---------------------|
| District’s proportionate share of the net OPEB liability | <u>\$12,917,219</u> | <u>\$12,918,531</u> | <u>\$12,919,584</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 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.09%) or 1-percentage-point higher (5.09%) than the current rate:

| | <u>1% Decrease 3.09%</u> | <u>Current Discount Rate 4.09%</u> | <u>1% Increase 5.09%</u> |
|--|------------------------------|--|------------------------------|
| District’s proportionate share of the net OPEB liability | <u>\$14,609,307</u> | <u>\$12,918,531</u> | <u>\$11,503,709</u> |

OPEB Plan Fiduciary Net Position

Detailed information about PSERS’ fiduciary net position is available in the PSERS Annual Comprehensive Financial Report which can be found on PSERS’s website at www.pfers.pa.gov.

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(10) LEASES PAYABLE

The District entered into long-term lease agreements as lessee for the use of information technology equipment. Initial lease liabilities were recorded in the amount of \$2,518,940. As of June 30, 2023, the carrying amount of the lease liabilities were \$1,535,950. The leases have interest rates ranging from 2.16% to 3.61% and have estimated useful lives ranging from 3 to 4 years as of the contract commencement. The value of the intangible right-to-use assets as of June 30, 2023 is \$1,559,205, net of accumulated amortization of \$959,735, and is included with noncurrent assets on the statement of net position (deficit).

Year ending June 30,

| | |
|---|--------------------|
| 2024 | \$ 724,604 |
| 2025 | 454,950 |
| 2026 | 454,950 |
| Less: amount representing interest | <u>(98,554)</u> |
| Present value of minimum lease payments | <u>\$1,535,950</u> |

(11) SUBSCRIPTIONS PAYABLE

The District has entered into long-term lease agreements for subscription-based information technology arrangements. Initial subscription liabilities were recorded in the amount of \$493,158. As of June 30, 2023, the value of the subscription liabilities is \$301,530. The subscriptions have interest rates ranging from 0.08% and 4.33% and have estimated useful lives ranging from 3 to 5 years as of their contract commencements. The value of the intangible right-to-use subscription assets as of June 30, 2023 is \$264,826, net of accumulated amortization of \$228,332 and is included with noncurrent assets on the statement of net position (deficit).

Future minimum lease payments under these subscriptions are as follows:

Year ending June 30,

| | |
|---|------------------|
| 2024 | \$123,028 |
| 2025 | 101,325 |
| 2026 | 79,992 |
| 2027 | 16,130 |
| Less: amount representing interest | <u>(18,945)</u> |
| Present value of minimum lease payments | <u>\$301,530</u> |

(12) 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 2022-2023 was \$5,261,146.

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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 2022-2023, the participating school districts entered into a long-term lease agreement with the Authority to provide rental payments sufficient to retire the Authority's outstanding debt obligations. The agreement expires on June 30, 2042 unless the related debt is retired earlier. The District's share of rent expense for 2022-2023 was \$152,101.

The District's future annual lease payments to the Authority are as follows:

Year ending June 30,

| | |
|-----------|--------------------|
| 2024 | \$ 426,888 |
| 2025 | 427,694 |
| 2026 | 428,959 |
| 2027 | 429,750 |
| 2028 | 428,485 |
| 2029-2033 | 2,152,707 |
| 2034-2038 | 2,156,899 |
| 2039-2042 | <u>2,125,812</u> |
| | <u>\$8,577,194</u> |

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.

(13) 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.

PENNSBURY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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.

(14) 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 2022-2023. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The District participates in a consortium with other governmental entities from Pennsylvania and Delaware to provide a program for health insurance and related expenses for eligible employees, spouses and dependents. Accordingly, benefit payments plus an administrative charge are made a third party who approves and process all claims.

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, 2023, the District is not aware of any additional assessments relating to SDIC.

(15) PRIOR PERIOD ADJUSTMENT

As a result of the implementation of GASB Statement No. 96, the District made a prior period adjustment to record its subscription liability and right-to-use subscription assets related to subscription agreements.

These prior period adjustments and its effect on net position at July 1, 2022 was an increase in net capital assets of \$74,020 and an increase in subscription liabilities of \$74,620.

(16) SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 12, 2024, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2023 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

PENNSBURY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2023

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|-----------------------|-----------------------|----------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Local sources | \$ 167,871,604 | \$ 167,871,604 | \$ 171,122,198 | \$ 3,250,594 |
| State sources | 57,778,703 | 57,778,703 | 59,015,007 | 1,236,304 |
| Federal sources | 7,194,790 | 7,194,790 | 6,864,516 | (330,274) |
| Total revenues | <u>232,845,097</u> | <u>232,845,097</u> | <u>237,001,721</u> | <u>4,156,624</u> |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Regular programs | 92,518,345 | 92,100,677 | 92,194,330 | (93,653) |
| Special programs | 46,912,638 | 46,908,829 | 47,332,666 | (423,837) |
| Vocational programs | 8,134,791 | 8,189,134 | 8,396,224 | (207,090) |
| Other instructional programs | 1,030,527 | 1,030,527 | 922,974 | 107,553 |
| Nonpublic school programs | 18,000 | 18,000 | 9,204 | 8,796 |
| Pre-kindergarten | 804,101 | 804,101 | 998,322 | (194,221) |
| Total instruction | <u>149,418,402</u> | <u>149,051,268</u> | <u>149,853,720</u> | <u>(802,452)</u> |
| Support services | | | | |
| Pupil support services | 10,477,882 | 10,473,695 | 10,635,261 | (161,566) |
| Instructional staff services | 4,538,164 | 4,563,556 | 3,904,723 | 658,833 |
| Administrative services | 11,337,596 | 11,333,656 | 11,080,298 | 253,358 |
| Pupil health | 3,389,441 | 3,406,274 | 3,834,430 | (428,156) |
| Business services | 2,406,700 | 2,381,633 | 2,148,769 | 232,864 |
| Operation and maintenance of plant services | 17,119,320 | 17,307,907 | 16,848,843 | 459,064 |
| Student transportation services | 11,417,920 | 11,250,734 | 10,861,915 | 388,819 |
| Support services - central | 4,760,428 | 5,129,386 | 4,809,077 | 320,309 |
| Other support services | 121,000 | 121,000 | 129,520 | (8,520) |
| Total support services | <u>65,568,451</u> | <u>65,967,841</u> | <u>64,252,836</u> | <u>1,715,005</u> |
| Operation of noninstructional services | | | | |
| Student activities | 1,403,401 | 1,403,401 | 1,194,421 | 208,980 |
| Community services | 188,348 | 188,348 | 215,571 | (27,223) |
| Total operation of non-instructional services | <u>1,591,749</u> | <u>1,591,749</u> | <u>1,409,992</u> | <u>181,757</u> |
| Facilities acquisition, construction and improvement services | | | | |
| | 100,000 | 100,000 | 18,656 | 81,344 |
| Debt service | | | | |
| | 15,903,779 | 15,903,779 | 16,745,835 | (842,056) |
| Total expenditures | <u>232,582,381</u> | <u>232,614,637</u> | <u>232,281,039</u> | <u>333,598</u> |
| Excess (deficiencies) of revenues over (under) expenditures | <u>262,716</u> | <u>230,460</u> | <u>4,720,682</u> | <u>4,490,222</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Refund of prior year receipts | - | - | (30,100) | (30,100) |
| Insurance recoveries | - | - | 75,247 | 75,247 |
| Transfers out | (1,100,000) | (1,100,000) | (4,255,788) | (3,155,788) |
| Budgetary reserve | (400,000) | (367,744) | - | 367,744 |
| Total other financing sources (uses) | <u>(1,500,000)</u> | <u>(1,467,744)</u> | <u>(4,210,641)</u> | <u>(2,742,897)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ (1,237,284)</u> | <u>\$ (1,237,284)</u> | <u>510,041</u> | <u>\$ 1,747,325</u> |
| FUND BALANCE | | | | |
| Beginning of year | | | 18,751,749 | |
| End of year | | | <u>\$ 19,261,790</u> | |

PENNSBURY SCHOOL DISTRICT

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

Year ended June 30

| | Measurement Date | | | | | | | | | |
|---|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--|
| | <u>2022</u> | <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 | 0.7010% | 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 | \$ 311,655,641 | \$ 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 payroll | \$ 103,201,307 | \$ 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 | 301.99% | 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 | 61.34% | 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

| | <u>2023</u> | <u>2022</u> | <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 | \$ 36,358,359 | \$ 34,942,881 | \$ 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>36,358,359</u> | <u>34,942,881</u> | <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 payroll | \$ 105,356,010 | \$ 103,201,307 | \$ 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 | 34.51% | 33.86% | 33.54% | 33.29% | 33.36% | 33.36% | 34.50% | 28.29% | 25.22% | 19.83% |

PENNSBURY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN NET OPEB LIABILITY - SINGLE EMPLOYER PLAN

Year ended June 30

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|
| TOTAL OPEB LIABILITY | | | | | | |
| Service cost | \$ 914,572 | \$ 667,984 | \$ 576,620 | \$ 583,861 | \$ 566,965 | \$ 579,956 |
| Interest on total OPEB liability | 300,176 | 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 | (1,267,608) | 91,904 | 1,461,053 | (116,401) | 36,474 | 259,192 |
| Benefit payments | <u>(408,603)</u> | <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 | (461,463) | 785,591 | 1,941,555 | 1,721,399 | 475,820 | (290,288) |
| Total OPEB liability, beginning | <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> | <u>9,262,959</u> |
| Total OPEB liability, ending | <u>\$ 13,435,573</u> | <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% | 0.00% |
| Covered payroll | \$ 97,658,227 | \$ 94,355,775 | \$ 96,479,650 | \$ 93,217,053 | \$ 88,406,612 | \$ 88,406,612 |
| Net OPEB liability as a % of covered payroll | 13.76% | 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

| | Measurement Date | | | | | |
|--|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
| District's proportion of the net OPEB liability | 0.7018% | 0.6904% | 0.6949% | 0.6947% | 0.6918% | 0.7234% |
| District's proportionate share of the net OPEB liability | \$ 12,918,531 | \$ 16,363,053 | \$ 15,014,683 | \$ 14,775,000 | \$ 14,424,000 | \$ 14,739,000 |
| District's covered payroll | \$ 103,201,307 | \$ 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 | 12.52% | 16.72% | 15.39% | 14.68% | 15.49% | 15.30% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 6.86% | 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

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 790,170 | \$ 819,513 | \$ 803,384 | \$ 818,057 | \$ 843,000 | \$ 833,000 | \$ 775,000 |
| Contributions in relation to the contractually required contribution | <u>790,170</u> | <u>819,513</u> | <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 payroll | \$ 105,356,000 | \$ 103,201,307 | \$ 97,869,295 | \$ 97,532,620 | \$ 101,522,024 | \$ 100,631,428 | \$ 93,132,568 |
| Contributions as a percentage of covered-employee payroll | 0.75% | 0.79% | 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, 2023

| | <u>Capital Reserve Fund</u> | <u>Capital Projects Fund</u> | <u>Total</u> |
|--|-------------------------------------|--------------------------------------|----------------------|
| ASSETS | | | |
| Cash | \$ - | \$ 36,145,898 | \$ 36,145,898 |
| Investments | - | 6,333,746 | 6,333,746 |
| Due from other funds | <u>4,248,534</u> | <u>-</u> | <u>4,248,534</u> |
| Total assets | <u>\$ 4,248,534</u> | <u>\$ 42,479,644</u> | <u>\$ 46,728,178</u> |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ (21,241) | \$ 8,811,145 | \$ 8,789,904 |
| Due to other funds | <u>-</u> | <u>254,741</u> | <u>254,741</u> |
| Total liabilities | <u>(21,241)</u> | <u>9,065,886</u> | <u>9,044,645</u> |
| FUND BALANCES | | | |
| Restricted for Capital projects | <u>4,269,775</u> | <u>33,413,758</u> | <u>37,683,533</u> |
| Total liabilities and fund balances | <u>\$ 4,248,534</u> | <u>\$ 42,479,644</u> | <u>\$ 46,728,178</u> |

PENNSBURY SCHOOL DISTRICT

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

Year ended June 30, 2023

| | <u>Capital Reserve Fund</u> | <u>Capital Projects Fund</u> | <u>Total</u> |
|--|-------------------------------------|--------------------------------------|----------------------|
| REVENUES | | | |
| Local sources | \$ 6,756 | \$ 492,939 | \$ 499,695 |
| EXPENDITURES | | | |
| Current | | | |
| Instruction | - | 2,263,859 | 2,263,859 |
| Support services | - | 556,524 | 556,524 |
| Facilities acquisition, construction and improvement services | 589,657 | 19,494,688 | 20,084,345 |
| Debt service | - | 74,411 | 74,411 |
| Total expenditures | <u>589,657</u> | <u>22,389,482</u> | <u>22,979,139</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(582,901)</u> | <u>(21,896,543)</u> | <u>(22,479,444)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Issuance of debt | - | 34,610,000 | 34,610,000 |
| Bond premiums | - | 3,521,158 | 3,521,158 |
| Proceeds from leases and other right-to-use arrangements | - | 2,063,042 | 2,063,042 |
| Transfers in | 4,248,534 | - | 4,248,534 |
| Total other financing sources (uses) | <u>4,248,534</u> | <u>40,194,200</u> | <u>44,442,734</u> |
| NET CHANGE IN FUND BALANCES | 3,665,633 | 18,297,657 | 21,963,290 |
| FUND BALANCES | | | |
| Beginning of year | <u>604,142</u> | <u>15,116,101</u> | <u>15,720,243</u> |
| End of year | <u>\$ 4,269,775</u> | <u>\$ 33,413,758</u> | <u>\$ 37,683,533</u> |

SINGLE AUDIT

PENNSBURY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2023

| <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, 2022</u> | <u>Revenue Recognized</u> | <u>Expenditures</u> | <u>Accrued (Deferred) Revenue June 30, 2023</u> | <u>Passed Through to Subrecipients</u> |
|--|--------------------|---------------------------|--------------------------------------|--|---------------------|--------------------------------|--|---------------------------|---------------------|---|--|
| 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 - 09/30/21 | \$ 715,000 | \$ - | \$ (1,079) | \$ 1,079 | \$ 1,079 | \$ - | \$ - |
| Title I - Improving Basic Programs | I | 84.010 | 013-220331 | 07/01/21 - 09/30/22 | 918,475 | 417,339 | 456,800 | 183,449 | 183,449 | 222,910 | - |
| Title I - Improving Basic Programs | I | 84.010 | 013-230331 | 07/01/22 - 09/30/23 | 775,585 | - | - | 625,256 | 625,256 | 625,256 | - |
| Total ALN #84.010 | | | | | | 417,339 | 455,721 | 809,784 | 809,784 | 848,166 | - |
| Title II - Improving Teacher Quality | I | 84.367 | 020-210331 | 07/01/20 - 09/30/21 | 183,711 | 14,092 | 14,092 | - | - | - | - |
| Title II - Improving Teacher Quality | I | 84.367 | 020-220331 | 07/01/21 - 09/30/22 | 203,239 | 46,335 | 7,977 | 133,481 | 133,481 | 95,123 | - |
| Title II - Improving Teacher Quality | I | 84.367 | 020-230331 | 07/01/22 - 09/30/23 | 181,821 | - | - | 164,621 | 164,621 | 164,621 | - |
| Total ALN #84.367 | | | | | | 60,427 | 22,069 | 298,102 | 298,102 | 259,744 | - |
| Title III - Language Instruction LEP/Immigrant Students | I | 84.365 | 010-200331 | 07/01/19 - 09/30/22 | 41,342 | 12,721 | (7,741) | 20,462 | 20,462 | - | - |
| Title III - Language Instruction LEP/Immigrant Students | I | 84.365 | 010-210331 | 07/01/20 - 09/30/22 | 47,127 | 29,001 | (15,002) | 44,003 | 44,003 | - | - |
| Title III - Language Instruction LEP/Immigrant Students | I | 84.365 | 010-220331 | 07/01/21 - 09/30/22 | 45,454 | - | (10,524) | 42,166 | 42,166 | 31,642 | - |
| Title III - Language Instruction LEP/Immigrant Students | I | 84.365 | 010-230331 | 07/01/22 - 09/30/23 | 42,717 | - | - | 21,998 | 21,998 | 21,998 | - |
| Total ALN #84.365 | | | | | | 41,722 | (33,267) | 128,629 | 128,629 | 53,640 | - |
| Title IV - Student Support & Academic Enrichment Grants | I | 84.424 | 144-210331 | 07/01/20 - 09/30/23 | 63,257 | 19,464 | 9,171 | 10,293 | 10,293 | - | - |
| Title IV - Student Support & Academic Enrichment Grants | I | 84.424 | 144-220331 | 07/01/21 - 09/30/23 | 53,316 | 4,099 | (4,334) | 30,573 | 30,573 | 22,140 | - |
| Title IV - Student Support & Academic Enrichment Grants | I | 84.424 | 144-230331 | 07/01/22 - 09/30/23 | 71,595 | - | - | 43,031 | 43,031 | 43,031 | - |
| Total ALN #84.424 | | | | | | 23,563 | 4,837 | 83,897 | 83,897 | 65,171 | - |
| COVID-19- Education Stabilization Fund - ESSER II | I | 84.425D | 200-210331 | 03/13/20 - 09/30/23 | 2,618,035 | 1,035,037 | 1,035,037 | - | - | - | - |
| COVID-19 - Education Stabilization Fund - ESSER III | I | 84.425U | 223-210331 | 03/13/20 - 09/30/24 | 5,295,527 | 2,021,929 | 240,706 | 2,049,563 | 2,049,563 | 268,340 | - |
| COVID-19 - ARP ESSER 7% | I | 84.425U | 225-210331 | 03/13/20 - 09/30/24 | 293,987 | 32,071 | 7,835 | 58,201 | 58,201 | 33,965 | - |
| COVID-19 - ARP ESSER 7% | I | 84.425U | 225-210331 | 03/13/20 - 09/30/24 | 58,787 | 6,414 | (3,207) | 11,750 | 11,750 | 2,129 | - |
| COVID-19 - ARP ESSER 7% | I | 84.425U | 225-210331 | 03/13/21 - 09/30/24 | 58,797 | 6,414 | (3,207) | 9,591 | 9,591 | (30) | - |
| COVID-19 - ARP ESSER Homeless Children and Youth | I | 84.425W | 181-212329 | 07/01/21 - 09/30/24 | 26,921 | 3,451 | - | 2,604 | 2,604 | (847) | - |
| Total ALN #84.425 | | | | | | 3,105,316 | 1,277,164 | 2,131,709 | 2,131,709 | 303,557 | - |

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, 2022</u> | <u>Revenue Recognized</u> | <u>Expenditures</u> | <u>Accrued (Deferred) Revenue June 30, 2023</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 | 131-220022 | 07/01/22 - 06/30/23 | 8,635 | - | - | 8,635 | 8,635 | 8,635 | - |
| I.D.E.A. - Part B, Section 611 | I | 84.027 | 062-230022 | 07/01/22 - 06/30/23 | 2,323,076 | - | - | 2,323,076 | 2,323,076 | 2,323,076 | - |
| Passed Through the Lancaster-Lebanon I.U. | | | | | | | | | | | |
| MTSS Cohort Series | I | 84.027 | 062-220033 | 07/01/22 - 06/30/23 | 4,000 | 3,799 | 3,799 | - | - | - | - |
| Total ALN #84.027 | | | | | | 3,799 | 3,799 | 2,323,076 | 2,323,076 | 2,323,076 | - |
| Total U.S. Department of Education | | | | | | 3,652,166 | 1,730,323 | 5,783,832 | 5,783,832 | 3,861,989 | - |
| U.S. Department of Defense | | | | | | | | | | | |
| Air Force Junior ROTC Program | D | 12.357 | PA-20171 | 07/01/21 - 06/30/22 | 44,819 | 6,798 | 6,798 | - | - | - | - |
| Air Force Junior ROTC Program | D | 12.357 | PA-20171 | 07/01/22 - 06/30/23 | 69,257 | 69,257 | - | 69,257 | 69,257 | - | - |
| Total U.S. Department of Defense | | | | | | 76,055 | 6,798 | 69,257 | 69,257 | - | - |
| U.S. Department of Public Welfare | | | | | | | | | | | |
| Passed Through the Pennsylvania Department of Human Services | | | | | | | | | | | |
| Medical Assistance Program | I | 93.778 | N/A | 07/01/22 - 06/30/23 | - | 111,425 | - | 111,425 | 111,425 | - | - |
| Total U.S. Department of Public Welfare | | | | | | 111,425 | - | 111,425 | 111,425 | - | - |
| U.S. Department of Agriculture | | | | | | | | | | | |
| Passed-Through the Pennsylvania Department of Education | | | | | | | | | | | |
| School Breakfast Program | I | 10.553 | N/A | 07/01/21 - 06/30/22 | N/A | 167,017 | 167,017 | - | - | - | - |
| School Breakfast Program | I | 10.553 | N/A | 07/01/22 - 06/30/23 | N/A | 363,707 | - | 385,285 | 385,285 | 21,578 | - |
| Total ALN #10.553 | | | | | | 530,724 | 167,017 | 385,285 | 385,285 | 21,578 | - |
| P-EBT Local Admin Funds | I | 10.649 | N/A | 07/01/22 - 06/30/23 | N/A | 628 | - | 628 | 628 | - | - |
| Supply Chain Assistance | I | 10.555 | N/A | 07/01/21 - 06/30/23 | N/A | - | (186,363) | 186,363 | 186,363 | - | - |
| Supply Chain Assistance | I | 10.555 | N/A | 07/01/22 - 06/30/23 | N/A | 248,061 | - | 64,302 | 64,302 | (183,759) | - |
| National School Lunch Program | I | 10.555 | N/A | 07/01/21 - 06/30/22 | N/A | 703,099 | 703,099 | - | - | - | - |
| National School Lunch Program | I | 10.555 | N/A | 07/01/22 - 06/30/23 | N/A | 1,783,683 | - | 1,854,664 | 1,854,664 | 70,981 | - |

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, 2022</u> | <u>Revenue Recognized</u> | <u>Expenditures</u> | <u>Accrued (Deferred) Revenue June 30, 2023</u> | <u>Passed Through to Subrecipients</u> |
|--|--------------------|---------------------------|--------------------------------------|--|---------------------|--------------------------------|--|---------------------------|---------------------|---|--|
| Passed-Through the Pennsylvania Department of Agriculture | | | | | | | | | | | |
| National School Lunch Program - Commodities | I | 10.555 | N/A | 07/01/22 - 06/30/23 | N/A | <u>288,203</u> | <u>(22,966)</u> | <u>293,245</u> | <u>293,245</u> | <u>(17,924)</u> | <u>-</u> |
| Total ALN #10.555 | | | | | | <u>3,023,046</u> | <u>493,770</u> | <u>2,398,574</u> | <u>2,398,574</u> | <u>(130,702)</u> | <u>-</u> |
| Total U.S. Department of Agriculture | | | | | | <u>3,554,398</u> | <u>660,787</u> | <u>2,784,487</u> | <u>2,784,487</u> | <u>(109,124)</u> | <u>-</u> |
| Total Federal Awards | | | | | | <u>\$ 7,394,044</u> | <u>\$ 2,397,908</u> | <u>\$ 8,749,001</u> | <u>\$ 8,749,001</u> | <u>\$ 3,752,865</u> | <u>\$ -</u> |
| Special Education Cluster (IDEA) (ALN's #84.027 and #84.173) | | | | | | <u>\$ 3,799</u> | <u>\$ 3,799</u> | <u>\$ 2,331,711</u> | <u>\$ 2,331,711</u> | <u>\$ 2,331,711</u> | <u>\$ -</u> |
| Child Nutrition Cluster (ALN's #10.553 and #10.555) | | | | | | <u>\$ 3,553,770</u> | <u>\$ 660,787</u> | <u>\$ 2,783,859</u> | <u>\$ 2,783,859</u> | <u>\$ (109,124)</u> | <u>\$ -</u> |

Source Codes

D - Direct Funding

I - Indirect Funding

ALN - Assistance Listing Number

PENNSBURY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2023

(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 2022-2023 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, 2023 was \$900,000.

(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, 2023

There were no audit findings for the year ended June 30, 2022.



**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, 2023, 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 12, 2024.

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 or significant deficiencies 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 financial statements. 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 12, 2024**



**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, 2023. 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, 2023.

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 12, 2024**

PENNSBURY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2023

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:
 - Title I – Assistance Listing #84.010
 - Education Stabilization Fund – Assistance Listing #84.425
 - Special Education Cluster
 - Special Education – Grants to States (IDEA, Part B) – Assistance Listing #84.027
 - Special Education – Preschool Grants (IDEA Preschool) – Assistance Listing #84.173
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